Preliminary Final Report of Mobile Embrace Limited for the Financial Year Ended 30 June 2014

(ACN 089 805 416)

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period:	Financial Year Ended 30 June 2014
Previous Corresponding Period:	Financial Year Ended 30 June 2013

APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit		Percentage change		Amount $
Revenue from ordinary activities	up	57.26%	to	19,273,392
Earnings before interest, depreciation, and amortisation	up	194.89%	to	3,149,716
Profit from ordinary activities before tax attributable to members	up	595.99%	to	2,565,362
Net profit for the period attributable to members	up	541.51%	to	2,494,423

Dividends		Amount per security		Franked amount per security
No dividends were paid or declared during the period		-		-

Net Tangible Asset Backing		¢ per share 2014		¢ per share 2013
Net tangible assets per security		4.7 c		1.5 c

Brief Explanation of Figures Included Above

Mobile Embrace Limited posted improved financial performance with revenue up from $12.23 million to $19.27 million, EBITDA up from $1.068 million to EBITDA of $3.149 million and a profit after tax of $2.49 million compared to the prior year profit after tax of $0.388 million. The development, expansion and growth of business activities undertaken during this period have been major contributing factors in the further improvement of the trading, and profit result for the year ended 30 June 2014.

Mobile Embrace has positioned itself as a leading mobile payments and mobile marketing company with its end-to-end mobile payments and mobile marketing/advertising infrastructure, to take full advantage of the strong industry forecasts for growth in mobile payments, mobile marketing and advertising.

For Mobile Embrace, this produces a combination of annuity and campaign based revenue streams in a growing industry environment.

($ million)	FY 2014	FY 2013	Variance
Revenue	$19.27	$12.23	7.04
Advertising expense	$3.93	$2.87	1.06
Employment costs	$4.68	$4.61	0.07
EBITDA	**$3.15**	**$1.07**	2.08
Depreciation and amortisation	$0.47	$0.44	0.03
Impairment of intangible assets	$0.10	$0.24	(0.14)
Net Profit / (Loss) After Tax	**$2.49**	**$0.39**	2.1

- Sales Revenue of $19.27 million (up 57.26% compared to prior year)
- EBITDA $3.149 million compared to prior year EBITDA of $1.068 million (up 194.89% on prior year)
- Advertising expenditure $3.9 million (up on prior year 2012-13: $2.9 million)
- Operating costs (excluding advertising expense) $6.8 million (up on prior year: $6.0 million)
- Group Net Profit After Tax of $2,494,423 (up on 2012-13 profit of $388,838)

Corporate Governance Statement

This statement outlines the company's main corporate governance practices and its compliance with the ASX Corporate Governance Council's Second Edition of the ***Corporate Governance Principles and Recommendations including the 2010 amendments*** ("ASX Recommendations"). The directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. Commencing with reporting for the financial year ending 30 June 2015, the Company will be reporting its corporate governance practices pursuant to the Third Edition of the ***Corporate Governance Principles and Recommendations***. The board recognises that best practice principles assist in its role of overseeing the company's affairs.

A copy of this Corporate Governance Statement and each of the policies referred to herein are available on the company's website www.mobileembrace.com.

Principle 1. Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

The board is empowered to manage the business of the company subject to the ***Corporations Act, 2001 (Cth.) ('Corporations Act)*** and the company's constitution. The board is responsible for the overall corporate governance of the company and the management of the company. The role and responsibilities of the board are set out in a Formal Board Charter (a copy of which can be found on the company's website). The responsibilities include:

- Oversight of the company, including internal control and accountability systems;
- Appointment and removal of the Chief Executive Officer;
- Annual review of the performance of the Chief Executive Officer and senior management;
- Ratification of appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- Provide input and final approval of management's developed corporate strategy and performance objectives;
- Confirm processes are in place to ensure adherence to appropriate risk management, internal control, Code of Conduct and statutory compliance requirements;
- Evaluate management performance, implementation of business strategy and ensure appropriate resources are available;
- Approve and monitor major capital expenditure;
- Approve and monitor relevant reporting;
- Appoint members of the Audit Committee and the Remuneration Committee; and
- Establish limits of authority for the Chief Executive Officer and senior management to conduct day-to-day management of the company's activities.

The board delegates to the Chief Executive Officer and senior managers responsible to him the authority to manage the company's day-to-day activities, and the implementation of corporate objectives. It is the role of management to manage the company in accordance with the direction determined by the board and the board's delegations to management under the company's Delegated Authority Policy. Formal delegations from the board to management and functions reserved to the board are set out in the company's Delegated Authority Policy. The Policy provides that the powers retained by the board include decisions about company strategy and policies, as well as matters involving amounts over specified limits, (which varies depending upon the nature of the transaction).

The board, in conjunction with the Remuneration Committee, also has authority for succession planning and remuneration of the Chief Executive Officer and his direct reports. All matters not specifically reserved for the board and necessary for the day to day management of the company are delegated to management. For example, the Policy details procedures for the authorisation and signing of company contracts and authorisations to relevant executives in relation to expenditure. Executive management can sub-delegate where appropriate. As part of the framework set up by the Delegated Authority Policy, management is required to report regularly to the board concerning the authority exercised and matters which come, or may come within, the scope of matters reserved for the board. The reports cover a range of matters, including sub-delegations, any litigation activity, financial performance and risk management. The functions exercised by the board and those delegated to management are subject to ongoing review to ensure that the division of functions remains appropriate. The performance of senior executives of the company is evaluated both formally and informally throughout the year. The performance of the Chief Executive Officer is formally reviewed annually by the Chairman and board. Throughout the year, his performance is subject to ongoing board scrutiny. The performance of senior executives is formally reviewed annually by the Chief Executive Officer, who may in turn seek board review. Senior management competencies and performance are reviewed. Throughout the year, the performance of senior management is subject to ongoing scrutiny by the Chief Executive Officer. Both the Chief Executive Officer and senior executives are appraised against set objectives, either chosen at the beginning of the year or added during the year. These objectives are selected to enhance company performance and increase value to shareholders. The objectives will in some instances be linked to the executive's particular remuneration arrangements. Performance reviews of senior executives have taken place during the year in accordance with these evaluation processes.

Principle 2. Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

As at the date of this statement, the board currently comprises four (4) directors with an independent majority including an independent Chairman separate from the CEO. The directors in office are:

- Mr David Haines, Non-executive independent director, Chairman;
- Mr Gavin Whyte, Non-executive independent director;
- Mr Andrew Kelton, Non-executive independent director; and
- Mr Chris Thorpe, Executive director, CEO

Details of directors, including their time in office, qualifications, experience and special responsibilities are set out in the Directors' Report. The following principles and guidelines are considered in assessing the composition of the board:

- The board determines the optimal number of board members ranging from a minimum of three to a maximum of 12 members as stipulated in the company constitution.
- The board should include directors with a broad range of industry, management and professional experience.
- Ideally the board should comprise a majority of independent directors.
- The board will appoint a Chairman who is a Non-executive director an independent, as defined by the Company's Criteria on Independence of Directors.

In determining whether a director is independent, the board conducts regular assessments and has regard to whether a director is considered to be one who:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the company or another group member other than as a director.

The board has previously determined that a material relationship is to be determined on the basis of fees paid or moneys received or paid to either a director or a director-related entity, which may impact the EBITDA of the company in the previous financial year by more than 5%.

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Directors are encouraged to access members of the senior management team regularly, and to request relevant information as required.

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

The board has established a Nomination and Remuneration Committee, the membership of which comprises Mr Haines, (independent chair), Mr Whyte (independent non-executive director) and Mr Thorpe (CEO and director).

The selection and appointment of new directors is done with reference to the Nomination and Remuneration Committee Charter which is available on the company website.

The board will review the performance of individual directors annually with the assistance of the Nomination and Remuneration Committee. The basis of the evaluation will include:

- Reviewing adherence to the Formal Board Charter.
- Defining professional development requirements of individual board members.
- Setting board objectives and Key Performance Indicators for the upcoming year.

Remuneration of executives and directors is reviewed by the committee in accordance with its Charter. For further detail, please refer to the Remuneration Report.

The skills, experience and expertise relevant to the position held by each director is outlined separately in the Directors' Report and also on the company's website together with the period each director has been in office.

Performance reviews of the board, its committees and directors have taken place during the year in accordance with the evaluation processes outlined.

Principle 3. Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

As part of the board's commitment to the highest standard of conduct, the company adopts a Code of Conduct which clarifies to directors, management and employees the standards of ethical behaviour required in carrying out their duties and responsibilities. The Code of Conduct covers such matters as:

- Conflicts of interest;
- Fair dealing;
- Protection and proper use of company assets;
- Compliance with laws and regulations;
- Whistle blower protection;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

A copy of the Code of Conduct is available on the company's website. The company has adopted a share trading policy allowing directors and nominated senior staff to trade in the company's securities generally only in the six-week period following the release of the company's half yearly results and yearly results to the ASX and after the Annual General Meeting. Senior staff also require the approval of the board prior to trading in the company's securities. A copy of the share trading policy is available on the company's website.

Directors' shareholdings in the company are shown in the Directors' Report.

Diversity Policy
Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available skill sets. Accordingly, the company has established a diversity policy which is available on its website.

The composition of the Board is monitored and reviewed annually in respect of size, diversity and membership to ensure that the Board has a balance of skill and experience appropriate to the needs of the company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background. As at the date of this report the Company has 26 women employed including 3 in senior management positions. The number of women employed within the organisation will be reviewed annually including as against previous levels of employment in past years to ensure appropriate representation at all levels and access to all available skill sets.

Principle 4. Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The board maintains an Audit Committee which throughout the reporting period comprised Mr Haines, as its Chairman, and Mr Thorpe. Mr Haines is an independent non-executive director and Mr Thorpe is the Chief Executive Officer and director. Information about the qualifications of Messrs Haines and Thorpe and their attendance at Audit Committee meetings is contained within the Directors' Report. The board believes the ASX Recommendation is satisfied as regards the technical expertise of the Audit Committee members.

Whilst the company acknowledges its departures from some of the ASX ***Corporate Governance Council's*** recommendations pursuant to Principle 4 throughout the reporting period, the board believes that the Audit Committee was nonetheless structured in such a way that it was able to achieve the objectives set out therein, being to independently verify and safeguard the integrity of the company's financial reporting. Noting that the Audit Committee does not comprise a majority of independent directors or have a membership of at least three members, the board is satisfied that its two member committee can sufficiently and objectively analyse the issues before them with oversight from the full board and the company's auditors. Subsequent to the end of the period the Board resolved to appoint Mr Gavin Whyte as Chairman of the Audit Committee with Mr Haines continuing as a member of the Committee. Information about the qualifications and experience of Mr Whyte is contained in the Directors' Report. The Committee now comprises 3 members with a majority of them, Mr Haines and Mr Whyte being independent. The structure and composition of the Audit Committee will continue to be reviewed in light of the Company's growth and needs to ensure that the committee structure remains compliant with the Company's needs.

The Audit Committee has a formal Charter, a copy of which is available on the company's website. The committee's primary objective is to assist the board in fulfilling its responsibilities concerning the accounting and reporting practices of the company and its subsidiaries, the consideration of matters relating to the financial affairs of the company and its subsidiaries and examination of any other matters referred to it by the board. The Audit Committee is also responsible for assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit. The number of meetings attended by the Audit Committee members is disclosed in the Directors' Report.

Principle 5. Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The board is committed to ensuring price sensitive information is released to the ASX in accordance with continuous disclosure requirements per ASX Listing Rule 3.1 and also in accordance with corresponding provisions contained in the ***Corporations Act***. All reports made to the ASX are published on the company's website (www.mobileembrace.com). The company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The continuous disclosure policy is available on the company's website.

The Company Secretary has been nominated as the person with primary responsibility for communication and liaison with the ASX in relation to ASX Listing Rules and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

Principle 6. Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The board is committed to providing effective lines of communication for shareholders and all other stakeholders to easily access company information. The following channels of communication have been adopted to facilitate the fair, timely and cost effective dissemination of information:

- Annual General Meetings and any other formally convened company meetings. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the board in that forum.
- Company website at (www.mobileembrace.com) which enables broader access to company information by investors and stakeholders. Copies of annual and half-year financial reports as well as all other announcements made to the ASX such as company presentations are posted after disclosure to the market.
- Annual report, which is available to all shareholders.
- Direct communication – the company may also communicate with shareholders, on matters of significance, directly via mail, or e-mail.
- Shareholders are entitled to vote on significant matters impacting on the business, which include election and remuneration of directors and changes to the constitution.

The directors ensure that the company's external auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report thereon.

The company's formal Communication Policy is available on its website.

Principle 7. Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The board has established a formal charter, which provides an appropriate framework to monitor risks and threats faced by the company. The board and the Audit Committee are responsible for adherence to the charter. The operational and financial aspects of the company's activities, including risk management, are monitored by the board and the Audit Committee. Through the Audit Committee the board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the company.

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

Having regard to the size of the company, the board has required management to design and implement the risk management and internal control system outlined above to manage the company's material business risks and report to it on whether those risks are being managed effectively.

Management has reported to the board as to the effectiveness of the company's management of material business risks. Senior management is responsible for the implementation of appropriate controls and risk mitigation strategies as directed. The board receives monthly reporting relating to the financial position and performance of the consolidated entity.

Pursuant to section 295A of the ***Corporations Act***, the Chief Executive Officer and the Chief Financial Officer confirm in writing to the board, who subsequently state in writing to the external auditors, that the financial records of the company have been properly maintained, the financial statements are prepared in accordance with relevant accounting standards, present a true and fair view, and that the integrity of the financial reports is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies prescribed by the board.

Principle 8. Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The total maximum remuneration of Non-executive directors as approved by shareholders is $150,000 per annum. The approved limit currently provides adequate flexibility for the appointment of additional directors if required.

For the year ended 30 June 2014, the remuneration of the Chairman was $55,625 plus superannuation. Mr Gavin Whyte received $30,000 and Mr Drew Kelton received $30,000 plus superannuation from the company during the financial year. No non-executive director was granted options or received a bonus payment during the financial year. No non-executive director received a retirement benefit, other than the payment of superannuation on behalf of the Chairman and Mr Kelton. The board has established a Nomination and Remuneration Committee, the membership of which comprises Mr Haines, (independent chair), Mr Whyte (independent non-executive director) and Mr Thorpe (CEO and director). The functions of the committee include review and recommendation to the Board in relation to the remuneration framework for the board, executive remuneration and incentive policies and succession planning. A copy of the Committee's Charter is available on the company's website. The number of meetings attended by the committee members is disclosed in the Directors' Report.

The objective of the remuneration process is to ensure that remuneration packages properly reflect the duties and responsibilities of the employee and that the remuneration is at an appropriate but competitive market rate which enables the company to attract, retain and motivate people of the highest quality.

Further details relating to remuneration are contained within the Remuneration Report.

Directors Report

The directors of Mobile Embrace Limited present their report together with the financial statements of the Group, being the company and its controlled entities, for the year ended 30 June 2014.

The names and particulars of the directors of the company during or since the end of the financial year unless otherwise stated are:

Directors

NAME	PARTICULARS
David Andrew Haines Independent chairman non-executive director	A director of the company since May 2001. Mr Haines holds a Bachelor of Education degree and was Secretary to the Standing Committee of Commonwealth, State and Territory Ministers with Censorship Responsibilities (1988 to 1994), Deputy Chief Censor, Australian Film Censorship Board (1986 to 1994) and Member of the Australian Film Censorship Board (1981-1994).
Interest in Shares and Options	325,000 ordinary shares.
Special Responsibilities	Mr Haines is a member the audit and nomination and remuneration committees. Mr Haines resigned from Chair of the Audit Committee on the 30 July 2014. Mr Whyte was appointed Chair of the Audit Committee on the 30 July 2014.
Directorships held in other listed entities during the three years prior to the current year	Nil
Christopher Thorpe CEO executive director	CEO and director of the company since May 2001, Mr Thorpe provides his expertise in the global mobile and telecommunications industry, with over 18 years experience gained in the United States, Europe and Australia. The combination of this experience with a financial background provides him with a strong understanding of the industry, its issues and trends, enabling the ability to commercialise and deploy successful business strategies. Mr Thorpe has been at the forefront of the mobile entertainment and telecommunications industry leading with a number of key innovations. His work has been acknowledged through the receipt of numerous business awards for these milestone achievements and contributions to the telecommunications industry. As CEO, Mr Thorpe provides leadership, insight, expertise, understanding along with a global network of leading industry associates and contacts. His vision and drive provide the company with opportunities to capitalise on its position as Australia's leading mobile services provider.
Interest in Shares and Options	22,176,639 ordinary shares and 3,000,000 options
Special Responsibilities	Mr Thorpe is a member of the audit and nomination and remuneration committees.
Directorships held in other listed entities during the three years prior to the current year	Nil.

Directors

NAME	**PARTICULARS**
Gavin Whyte Independent non-executive director	A director of the company since December 2005, Mr Whyte brings a wealth of global experience in the mobile entertainment media industry to the company. Gavin is an Advisor to adQuota International which is a leading mobile ad network in Scandinavia. adQuota are a premium ad network specializing in rich media formats and targeting. In addition to advising the Board, he has been leading the company's M&A activities in Europe. He is the Founder of Rubberduck Consulting which is a new media consulting firm specializing in mobile gaming, marketing and entertainment services. Gavin was the Co-Founder and CEO of Touch Mobile Limited. Touch was a mobile start-up specialising in skill gaming, lottery games and mobile marketing. Touch was sold in April 2011 to a fast growing mobile operator. He was previously Chief Operating Officer of NetPlay TV plc. NetPlayTV is the UK's largest interactive TV gaming company, which includes brands such as SuperCasino.com, ChallengeJackpot.com, Play Monday and Big Box Bingo. Prior to this Gavin was Managing Director of Rubberduck Media Lab (RDML) which is a leading supplier of TV to mobile streaming solutions in the UK and Scandinavia. RDML was sold to Aspiro in Sweden in September 2006.
Interest in Shares and Options	395,000 ordinary shares
Special Responsibilities	Mr Whyte is a member of the nomination and remuneration committee. Mr Whyte was appointed as Chair of the Audit Committee on the 30 July 2014.
Directorships held in other listed entities during the three years prior to the current year	Nil.
Drew Kelton Independent non-executive director	Mr Kelton joined the Board of Mobile Embrace on 1 July 2010. He is currently Vice-president of T-Mobile in the United States and was formally President Enterprise Services at Bharti Airtel, India's largest mobile phone operator and one of Asia's leading integrated telecom service providers and a member of Bharti's management board. Prior to joining Bharti Airtel, Mr Kelton spent eight years as Managing Director of Telstra Corporation's International business unit where he was responsible for driving business growth in Telstra's offshore operations and establishing a multinational customer division to oversee Telstra's biggest global customers. Mr Kelton has over 30 years experience in telecommunications and IT solutions and has worked in Europe, Australia, Asia and the US. He holds a Bachelor of Science in Electrical and Electronic Engineering (Hons) from Glasgow's Paisley College of Technology. In addition, he is a Chartered Engineer and Member of the Institution of Engineering and Technology.
Interest in Shares and Options	Nil.
Special Responsibilities	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.

Company Secretary

Simon Allison (appointed 1 August 2012 – resigned 1 August 2014)
Justin Clyne (appointed 1 August 2014)

NAME	PARTICULARS
Simon Allison	Company Secretary and CFO of the company since the 1st August 2012. A strong background in global telecommunications and technology sectors and a strong track record of growth with over 25 years in various Directorial and Finance roles in the UK, Asia, New Zealand and Australia. Prior to joining MBE Mr Allison was the CEO of Business Services for Leading Edge Group Limited and oversaw the Groups Global Telecommunications, Technology businesses, and the Financial operations for the Group internationally.
Interest in Shares and Options	3,000,000 options
Justin Clyne	Justin Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a Barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services. Justin is a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally. Justin holds a Master of Laws in International Law from the University of New South Wales and is a qualified Chartered Company Secretary.
Interest in Shares and Options	Nil

Principal Activities

The principal activities of the consolidated entity are mobile payments (m-payments) and mobile marketing (m-marketing).

As a mobile payments and mobile marketing/advertising company, the consolidated entity is a Digital Distribution Network for the complete end-to-end mobile customer life-cycle. Through its integrated and award winning mobile marketing, advertising and m-payments infrastructure (including a Tier 1 premium publisher advertising network, mobile media trading desk, m-commerce and mobile marketing platforms and applications) it enables the reach, engagement, transactions with and embracement of consumers via mobiles and tablets.

Mobile Embrace operates two divisions: Convey – m-payments, customer acquisition and management and,
4th Screen Advertising Australia –mobile advertising, marketing, design and development.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Review of Operations

Mobile Embrace Limited posted a full-year profit after tax of $2,494,423 compared to the prior year profit after tax of $388,838. The development, expansion and growth of business activities undertaken during this period have been major contributing factors in the further improvement of the trading, and profit result for the year ended 30 June 2014.

($ million)	**FY 2014**	**FY 2013**	**Variance**
Revenue	$19.27	$12.23	7.04
Advertising expense	$3.93	$2.87	1.06
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EBITDA	**$3.15**	**$1.07**	2.08
Depreciation and amortisation	$0.47	$0.44	0.03
Impairment of intangible assets	$0.10	$0.24	(0.14)
Net Profit / (Loss) After Tax	**$2.49**	**$0.39**	2.1

Mobile Embrace has positioned itself as a leading m-payments and m-marketing company with its end-to-end mobile payments and mobile marketing/advertising infrastructure, to take full advantage of the strong industry forecasts for growth in mobile payments, mobile marketing and advertising.

For Mobile Embrace, this produces a combination of annuity and campaign based revenue streams in an expanding industry environment.

Cash flow

The Company's Cash at Bank was $12,257,894 at 30 June 2014, compared to $156,226 at 30 June 2013. Some overdue Telco payments amounting to $759,681 which were received after balance date on the 2 July 2014.

The Company raised $11,750,000 by way of a placement predominantly to prominent Australian and internal institutional investors. The Placement was completed at 26 cents per share, representing a 1.9% discount to MBE's closing price on Friday 21 March and a 4.2% discount to MBE's 5-day VWAP (27.1 cents).

The proceeds of the Placement will be primarily used for the expansion of existing and new offerings in current markets, entry into new territories with new and existing partners through organic growth, strategic acquisitions and for general working capital purposes.

Capital expenditure

The Company entered into an arrangement with an off shore IT Development Company to assist in its development of international markets, systems development and platform development. The company spent and capitalised $2,253,522 on its overseas expansion, system development, platform development and product development. A component of that expenditure was wages (International development $600,426, IT development $520,128, Platform Development $87,458). This expenditure was capitalised: FY 2014 $1,208,012 (FY 2013 $677,404).

This expenditure has underpinned and facilitated the Company's expansion overseas which has increased its m payments business's serviceable market from approximately 28 million to approximately 200 million globally (Refer ASX release 17 June 2014).

Financial Position

The net assets of the consolidated group have increased by $13,457,710 from 30 June 2013, to $16,831,585 in 2014.

The directors believe the Group is in a stable financial position to expand and grow its current operations. The directors believe the Group will be able to fund future operations through share issues, debt instruments, control of costs and the continued commercialisation of its business-to-business activities.

Significant Changes in State of Affairs

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

After Balance Date Events

Mr Simon Allison resigned as Company Secretary on the 1 August 2014. Mr Justin Clyne was appointed as Company Secretary on the 1 August 2014.

Other than the above, there have been no events that have occurred since the reporting date which would materially impact on the financial position of the Company and its controlled entities.

Future Developments, Prospects and Business Strategies

The Investor presentation released to the ASX on the 5 August 2014 can be viewed at www.mobileembrace.com.

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

Environmental Issues

The consolidated entity's operations are not affected by any significant environmental regulation under the law of the Commonwealth or the State.

To the extent that any environmental regulations may have an incidental impact on the consolidated group's operations, the directors of the company and its controlled entities are not aware of any breach by the company and its controlled entities of those regulations.

Dividends

There have been no dividends paid or declared since the beginning of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2014.

Share Based Payments

No share based payments were made during or since the financial year ended 30 June 2014.

Remuneration Report

The Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of Mobile Embrace Limited, including Key Management personnel in accordance with relevant accounting standards and Section 300A of the Corporations Act.

The remuneration policy of Mobile Embrace Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Mobile Embrace Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

Remuneration of directors and executives is reviewed by the Remuneration Committee in accordance with its Charter. The Remuneration Committee makes recommendations to the Board on the following:

- Executive remuneration and incentive policies;
- Ensuring policy allows the company to recruit and retain suitably qualified executives;
- Remuneration framework for directors;
- Aligning the interests of key employees to the long-term interests of shareholders; and
- Demonstrate a clear relationship between key executive performance and remuneration.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's revenue, profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Relationship Between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy was effective in positioning itself for future growth.

The following table shows the revenue and earnings for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Revenue $	12,073,073	8,824,413	11,368,854	12,228,391	19,273,392
EBITDA $	1,392,424	(981,782)	323,217	1,068,116	3,149,716
Net profit / (loss) after tax	81,556	(2,586,748)	(258,536)	388,838	2,494,423
Share price (cents)	1.8	3.6	2.1	2.0	20.0

The company's performance over the last five years is set out in the table above. The company has positioned itself to take advantage of the growing market opportunity of mobile payments and mobile marketing/advertising products and services. In the opinion of the Board, this can be attributed, in part, to the previously described remuneration policy. The Group's operations are now more diverse than in the previous financial years.

Key Management Personnel headcount remained unchanged across the financial year 2014.

Achieving long term sustainable profitable growth provides the platform to further increase shareholder wealth in the future.

Table of Employment Details of Members of Key Management Personnel

	Christopher Thorpe	**Neil Wiles**
Position held 30 June 2014	Chief Executive Officer	Managing Director
Contract details	Four years from the 1 July 2012 and may be extended by mutual agreement.	Four years and two months from 1 May 2012. May be extended by mutual agreement.
Notice period	Six months	Six months
Total employment cost (TEC)	$320,000	$320,000
Short term incentive	Entitled to a board approved discretionary bonus at any time during course of agreement.	Entitled to a board approved discretionary bonus at any time during course of agreement.
Other benefits	30 days annual leave. Corporate parking. Life insurance policy paid for by MBE.	30 days annual leave. Life insurance policy paid for by MBE.
Termination by Company	12 months' notice or payment in lieu	12 months' notice or payment in lieu
Restraint	12 months post termination	12 months post termination
Interest in shares as at 30 June 2014	22,176,639	19,533,000
Long term incentive / Options	3,000,000 options with a vesting date of June 2016, an expiry date of June 2018, with an exercise price of 5 day VWAP of MBE shares on grant date plus a premium of 43% (as approved at the AGM 30 November 2012)	3,000,000 options were issued on the 24 July 2013 with a vesting date of June 2016, an expiry date of June 2018, with an exercise price of 5 day VWAP of MBE shares on grant date plus a premium of 43%

Table of Employment Details of Members of Key Management Personnel

	Simon Allison
Position held 30 June 2014	CFO / Company Secretary
Term of employment agreement	Appointment continued until date the employment is terminated pursuant to the terms of the agreement.
Notice period	Three months
Total employment cost (TEC)	$196,200
Short term incentive	On anniversary of commencement date entitled to a board approved discretionary bonus of any amount up to 40% of total employment cost.
Other benefits	20 days annual leave.
Termination by Company	Three months notice or payment in lieu
Restraint	Three months post termination
Interest in shares as at 30 June 2014	nil
Long term incentive / Options	3,000,000 options where issued on the 24 July 2013 with vestment dates commencing June 2014 and staggered to June 2016 with an expiry date of the 30 July 2016.

Mr Simon Allison resigned as Company Secretary on the 1 August 2014. Mr Justin Clyne was appointed as Company Secretary on the 1 August 2014.

Director and Executive Remuneration

The following table of benefits and payments detail, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

	Short-term Benefits			Post-employment Benefits	Equity-settle Share-based Payments		
2014	**Salary & Fees and Leave $**	**Bonuses $**	**Non-Monetary $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Non-Executive Directors							
David Haines	55,625	-	-	10,469	-	-	66,094
Gavin Whyte	30,000	-	-	-	-	-	30,000
Drew Kelton	30,000	-	-	2,775	-	-	32,775
Executives							
Chris Thorpe	291,658	-	25,516	17,777	-	-	334,951
Neil Wiles	290,891	-	26,202	17,773	-	-	334,866
Simon Allison(1)	183,578	40,000	7,076	17,774	-	-	248,428
	881,752	**40,000**	**58,794**	**66,568**	**-**	**-**	**1,047,114**

	Short-term Benefits			Post-employment Benefits	Equity-settle Share-based Payments		
2013	**Salary & Fees and Leave $**	**Bonuses $**	**Non-Monetary $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Non-Executive Directors							
David Haines	46,271	-	-	4,084	-	-	50,355
Gavin Whyte	30,000	-	-	-	-	-	30,000
Drew Kelton	30,000	-	-	2,700	-	-	32,700
Executives							
Chris Thorpe	272,231	-	15,681	15,775	-	-	303,687
Neil Wiles	272,156	-	20,112	15,775	-	-	308,043
Allan Robertson	142,254	-	8,346	12,803	-	-	163,403
Paul Jeronimo (1)	22,973	-	-	925	-	-	23,898
	815,885	**-**	**44,139**	**52,062**	**-**	**-**	**912,086**

(1) Mr Allison replaced Mr Jeronimo on the 1 August 2012.

Share Options

Share options granted to executives during the financial year

On the 24 July 2013 the following employee options were issued: (a) 3,000,000 options were issued to Neil Wiles at a strike price of $0.046 cents, a vestment date of 28 June 2016 and an expiry date of 27 June 2018. (b) 4,500,000 options were issued to employees at a strike price of $0.00, vestment dates commencing June 2014 and staggered to June 2016 with an expiry date of the 30 July 2016

Post Balance date:

On the 21 July 2014: (a) 6,440,000 employee performance based options were vested converting to shares and held in trust by AET SFS Pty Ltd <MBE employee plan A/C>. (b) 550,000 employee options lapsed due to forfeiture under the MBE performance rights and options plan.

Share options granted to other parties during the financial year

On 29 September 2013, the company issued 2,225,000 options with a $0.03 cent strike price were issued for the supply of financial and corporate services and advice.

Share options on issue at year end

Details of un-issued shares under option at the date of this report are:

Grant date	Date of expiry	Exercise price (cents)	Number under option
28 Jun 2013	30 Mar 2016	2.10	1,300,000
28 Jun 2013	30 Jul 2016	0.00	10,450,000
28 Jun 2013	27 Jun 2018	3.10	3,000,000
24 Jul 2013	1 May 2018	4.655	3,000,000
24 Jul 2013	30 Jul 2016	0.00	4,000,000
29 Sep 2013	1 Oct 2015	3.00	1,325,000
			23,075,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests in options of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee	
Directors	Held	Attended	Held	Attended	Held	Attended
David Haines	9	9	2	2	1	1
Chris Thorpe	9	9	2	2	1	1
Gavin Whyte	9	9	-	-	1	1
Drew Kelton	9	7	-	-	-	-

Proceedings on Behalf of Company

The company was not a party to any proceedings during the year.

Indemnification of Officers and Auditors

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

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

Non-Audit Services

The Board of Directors is satisfied that the general standard of independence for auditors imposed by the Corporations Act has been met. No non-audit services were performed during the financial year to 30 June 2014.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 20 of the Annual Report.

This report of directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Chris Thorpe
Director
4 August 2014

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MOBILE EMBRACE LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Sydney
Dated this 4th day of August 2014

MNSA PTY LTD
ABN 59 133 605 400
Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001
Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

	Notes	Consolidated Group 2014 $	2013 $
Continuing Operations			
Revenue from Continuing Operations rendered	3	**19,180,637**	12,228,391
Cost of sales		**(5,418,800)**	(2,341,609)
		13,761,837	9,886,782
Interest income	3	**92,755**	27,491
Service providers and commissions		**-**	-
Administration expenses		**-**	-
Advertising and marketing expenses		**(3,925,076)**	(2,868,772)
Finance costs		**(9,737)**	(21,678)
Depreciation and amortisation expense		**(472,704)**	(438,981)
Impairment of intangible assets		**(101,913)**	(232,587)
Employee benefits expense	4	**(4,683,982)**	(4,615,926)
Legal expenses	4	**(62,642)**	(44,018)
Occupancy expenses		**(333,782)**	(285,177)
Operational expenses		**(776,112)**	(246,919)
Other expenses from ordinary activities		**(923,282)**	(791,622)
Profit/(loss) before income tax		**2,565,362**	368,593
Income tax expense / (benefit)	5	**70,939**	(51,351)
Net profit / (loss) from continuing operations		**2,494,423**	419,944
Discontinued operations			
Profit/(Loss) from discontinued operations after tax		**-**	(22,189)
Profit/(loss) for the year		**2,494,423**	397,755
Non-controlling interest share		**-**	(8,917)
Profit/(loss) attributable to members of the parent entity		**2,494,423**	388,838
Basic earnings per share (cents per share)		0.77	0.14
Diluted earnings per share (cents per share)		**0.72**	0.14
Dividends per share (cents)		**-**	-

The accompanying notes form part of these financial statements.

	Consolidated Group	
	2014	2013
		$
Profit / (loss) for the year	**2,494,423**	397,755
Other comprehensive income	**-**	-
Income tax relating to other comprehensive income	**-**	-
Other comprehensive income for the year net of tax	**-**	-
Total comprehensive income for the year	**2,494,423**	397,755
Total comprehensive income / (loss) attributable to:		
Members of the parent entity	**2,494,423**	388,838
Minority equity interest	**-**	8,917
	2,494,423	397,755

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2014

	Notes	Consolidated Group 2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	9	12,257,894	156,226
Trade and other receivables	10	3,763,251	3,479,702
Other assets	11	234,162	382,881
TOTAL CURRENT ASSETS		16,255,307	4,018,809
NON-CURRENT ASSETS			
Trade and other receivables	10	252,992	38,040
Plant and equipment	14	93,018	29,138
Deferred tax assets	17	207,172	212,532
Intangible assets	13	2,317,135	429,361
Other non-current assets	11	6,300	6,300
TOTAL NON-CURRENT ASSETS		2,876,617	715,371
TOTAL ASSETS		19,131,924	4,734,180
CURRENT LIABILITIES			
Trade and other payables	15	1,793,650	1,176,624
Borrowings	16	-	4,278
Short-term provisions	18	463,447	139,854
TOTAL CURRENT LIABILITIES		2,257,097	1,320,756
NON-CURRENT LIABILITIES			
Provisions	18	43,242	39,549
TOTAL NON-CURRENT LIABILITIES		43,242	39,549
TOTAL LIABILITIES		2,300,339	1,360,305
NET ASSETS		16,831,585	3,373,875
EQUITY			
Issued capital	19	30,572,218	19,156,951
Reserves	20	183,607	635,587
Retained earnings / (Accumulated Losses)		(13,924,240)	(16,418,663)
(Parent interest		16,831,585	3,373,875
Non-controlling interest		-	-
TOTAL EQUITY		16,831,585	3,373,875

The accompanying notes form part of these financial statements.

	Notes	Consolidated Group 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		18,830,855	10,228,881
Payments to suppliers and employees		(15,706,663)	(11,722,263)
Interest received		92,755	27,491
Net cash provided by / (used in) operating activities	22	3,216,947	(1,465,891)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of business		-	263,460
Purchase of property, plant and equipment		(536,584)	(17,421)
Purchase of intangible assets		(1,989,685)	(289,333)
Net cash used in investing activities		(2,526,269)	(43,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(4,278)	(392,454)
Proceeds from borrowings		-	-
Issue of capital		11,415,268	1,000,000
Net cash provided by / (used in) financing activities		11,410,990	607,546
Net increase / (decrease) in cash held		12,101,668	(901,639)
Cash at beginning of financial year		156,226	1,057,865
Cash at end of financial year	9	12,257,894	156,226

The accompanying notes form part of these financial statements.

Consolidated Group

	Issued Capital $	Accumulated Losses $	Reserves $	Non-Controlling Interest $	Total Equity $
Balance as at 1 July 2012	**18,156,951**	**(16,807,501)**	**619,239**	**147,420**	**2,116,109**
Issued Capital	1,000,000				1,000,000
Profit for the year		388,838		8,917	397,755
Option reserve relating to options issued.			16,348		16,348
De-recognition of non-controlling upon disposal of subsidiaries				(156,337)	(156,337)
Balance as at 30 June 2013	**19,156,951**	**(16,418,663)**	**635,587**	**-**	**3,373,875**
Issued Capital	11,750,000				11,750,000
Share issued costs	(766,237)				(766,237)
Profit for the year		2,494,423			2,494,423
Option reserve relating to options issued.			188,959		188,959
Options reserve relating to options expired.			(542,389)		(542,389)
Option reserve relating to options converting to capital	431,504		(98,550)		332,954
Balance as at 30 June 2014	**30,572,218**	**(13,924,240)**	**183,607**	**-**	**16,831,585**

.

The accompanying notes form part of these financial statements

Note 1. Summary of Significant Accounting Policies

These consolidated financial statements and notes represent those of Mobile Embrace Limited and controlled entities ('Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Mobile Embrace Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 4 August 2014 by the directors of the company.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by IASB.

Except for cash flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Mobile Embrace Limited at the end of the reporting period. A controlled entity is any entity over which Mobile Embrace Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss. The minority interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

Note 1. Summary of Significant Accounting Policies (continued)

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill
Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

b. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Note 1. Summary of Significant Accounting Policies (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	20%
Furniture and fittings	20%
Computer equipment	33%
Internet website	33% - 67%
Software	25%

Note 1. Summary of Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Leases

Leases of fixed assets: where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial Instruments

i. Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

ii. Classification and Subsequent Measurement

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are substantially measured at amortised cost using the effective interest rate method.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Note 1. Summary of Significant Accounting Policies (continued)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

iv. De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (eg. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. Intangible assets other than goodwill

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Software and product Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

h. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Note 1. Summary of Significant Accounting Policies (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss in the period in which the operation is disposed.

i. Provisions

Provisions are recognised when the Group has 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. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Note 1. Summary of Significant Accounting Policies (continued)

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

l. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the period in which they are incurred.

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

o. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

p. Critical Accounting Estimates and Judgment

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Note 1. Summary of Significant Accounting Policies (continued)

Key Estimates – Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements – Provisions of Impairment of Receivables

No provisions for impairment has been recognised in respect of receivables as at year ended 30 June 2014.

q. New Accounting Standards for Application in Future Periods

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 is not likely to have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

AASB 2013-4: Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013-5: Amendments to Australian Accounting Standards - Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

Note 1. Summary of Significant Accounting Policies (continued)

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

Note 2: Parent Information

	2014	2013
	$	$
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.		
Statement of Financial Position		
Assets		
Current assets	259,828	603,047
Total current Assets	259,828	603,047
Non-current assets	12,699,400	4,212,894
Total non-current assets	12,699,400	4,212,894
Total Assets	12,959,228	4,815,941
Liabilities		
Current liabilities	-	282,039
Total current liabilities	-	282,039
Non-current liabilities	-	-
Total non-current liabilities	-	-
Total Liabilities	-	282,039
Net Assets	12,959,228	4,533,902
Equity		
Issued capital	30,572,218	19,156,951
Accumulated losses	(17,796,597)	(15,258,636)
Reserve	183,607	635,587
Total Equity	12,959,228	4,533,902
Statement of Comprehensive Income		
Total profit / (loss)	-	218,055
Total comprehensive income	-	218,055

Note 2: Parent Information (Continued)

Guarantees

Mobile Embrace Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual commitments

At 30 June 2014, Mobile Embrace Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: nil).

Note 3: Revenue and Other Income

	Consolidated Group	
	2014	2013
	$	**$**
a) Revenue from continuing operations		
Sales revenue:		
- Revenue from services rendered	19,180,637	12,228,391
Interest received:		
- other persons	92,755	27,491
Total revenue	19,273,392	12,255,882
b) Total revenue and other income		
• attributable to members of the parent entity	19,273,392	12,255,882
• attributable to non-controlling interests	-	-
	19,273,392	12,255,882

Note 4. Profit / (loss) for the Year

a. Expenses

	2014	2013
Borrowing expenses:		
Interest expense	9,737	40,704
Legal expenses:		
Legal fees	62,642	44,018
Total legal expenses	62,642	44,018
Amortisation and impairment of intangible assets:		
Software and website development	442,184	402,357
Impairment of intangible assets	101,913	232,587
Total amortisation and impairment	544,097	634,944

Note 4. Profit / (loss) for the Year (Continued)

	Consolidated Group	
	2014	2013
Depreciation of non-current assets:		
Computer equipment	24,298	32,761
Furniture and fixtures	1,989	983
Leasehold improvements	4,233	4,661
Total depreciation	30,520	38,405
Rental expense:		
Rental expense on operating leases	299,609	285,177
Total rental expense	299,609	285,177
Capitalised Employee Salaries:		
Capitalised IT development	520,128	677,404
Capitalise International development	600,426	-
Capitalised Platform development	87,458	-
Total Capitalised Employee Salaries	1,208,012	677,404
Employee Benefits expense:		
Employee Benefits expense	4,683,982	4,615,926
Total Employee Benefits expense	4,683,982	4,615,926
Total Employee Benefits expenditure	5,891,994	5,293,330

Note 5. Income Tax Expense

Note 5: Income Tax Expense

a. The components of income tax expense/(credit) comprise:

Deferred Tax	5,360	157,631
Current Tax	65,511	(208,982)
Over/under provision from prior years	68	-
	70,939	(51,351)

b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(benefit) as follows:

Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	769,609	110,578
Tax effect of:		
- Other non-assessable items	(83,222)	(3,057)
- Other deductible items	(212,464)	(484,172)
- Other non-allowable items	273,776	344,158
- Carried forward tax losses utilised	(682,188)	-
- Current year tax losses not recognised	-	14,672
Tax incentive	5,360	(191,161)
- Movements in Deferred Taxes	68	157,631
Income tax attributable to entity	70,939	(49,351)

Note 6. Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

• Short-term employee benefits	980,546	860,024
• Post-employment benefits	66,568	52,062
	1,047,114	912,086

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2014	**Balance at beginning of year**	**Granted as remuneration during the year**	**Other changes during the year***	**Balance at end of year**	**Vested during the year**	**Vested and exercisable**
David Haines	-	-	-	-	-	-
Gavin Whyte	-	-	-	-	-	-
Chris Thorpe	-	-	-	-	-	-
Neil Wiles	-	3,000,000	-	3,000,000	-	3,000,000
Simon Allison	-	3,000,000	-	3,000,000	-	3,000,000
		6,000,000		6,000,000		6,000,000
30 June 2013						
David Haines	-	-	-	-	-	-
Gavin Whyte	-	-	-	-	-	-
Chris Thorpe	-	3,000,000	-	3,000,000	-	3,000,000
Neil Wiles	-	-	-	-	-	-
Simon Allison	-	-	-	-	-	-
	-	3,000,000	-	3,000,000	-	3,000,000

\+ Mr Wiles was issued 3,000,000 options on the 24th July 2013.

\- Mr Allison was issued 3,000,000 options on the 24th July 2013.

KMP Shareholdings

The number of ordinary shares held in Mobile Embrace Limited by each Key Management Personnel of the Group during the financial year is as follows:

30 June 2014	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	Balance at end of year
David Haines	300,000	-	25,000	325,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe *(1)*	26,676,639	-	(4,500,000)	22,176,639
Neil Wiles *(1)*	24,033,000	-	(4,500,000)	19,533,000
Simon Allison				
	51,404,639		(8,975,000)	42,429,639

30 June 2013				
David Haines	300,000	-	-	300,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe	26,676,639	-	-	26,676,639
Neil Wiles	24,033,000	-	-	24,033,000
Simon Allison	-	-	-	-
	51,404,639	-	-	51,404,639

(1) In conjunction with the Placement, some of the significant demand by existing professional and sophisticated investors has been satisfied by a partial sell down by Chris Thorpe and Neil Wiles of 4.5 million shares each along with their agreement to the customary six month standstill arrangements. Chris Thorpe and Neil Wiles each retain a substantial shareholder interest in Mobile Embrace, have no sale plans, and continue their long standing commitment to the Company. (ASX Release 26 March 2014)

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 26: Related Party Transactions. For details of loans to KMP, refer to Note 10: Trade and Other Receivables.

Note 7. Auditors' Remuneration

	Consolidated Group	
	2014	2013
	$	$
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report	**88,000**	81,338
	88,000	81,338

Note 8. Earnings Per Share

		2014	2013
a.	Reconciliation of earnings to profit or loss:		
	Profit/ (Loss)	2,494,423	397,755
	Profit/ (Loss) attributable to non-controlling equity interest	-	(8,917)
	Earnings used to calculate basic EPS	2,494,423	388,838
	Earnings used in the calculation of dilutive EPS	2,494,423	388,838
b.	Reconciliation of earnings to profit or loss from continuing operations:		
	Profit from continuing operations	2,494,423	419,944
	Profit attributable to non-controlling equity interest in respect of continuing operations		-
	Earnings used to calculate basic EPS from continuing operations	2,494,423	419,944
	Earnings used in the calculation of dilutive EPS from continuing operations	2,494,423	419,944
c.	Reconciliation of earnings to profit or loss from discontinued operations:		
	Loss from discontinued operations	-	22,189
	Loss attributable to non-controlling equity interest	-	8,917
	Earnings used to calculate basic EPS from discontinued operations	-	13,276
		No.	**No.**
d.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	320,351,620	275,500,741
	Weighted average number of dilutive options outstanding	26,170,000	11,148,627
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	346,521,620	286,649,368

Note 9. Cash and Cash Equivalents

	2014	2013
Cash at bank and in hand	**2,148,710**	156,226
Deposits at call	**10,109,184**	-
	12,257,894	156,226

The effective interest rate on at call bank deposits was 3.22% (2013: 3.75%).

Note 10. Trade and Other Receivables

	Note	Consolidated Group 2014 $	2013 $
Current			
Trade receivables		**3,508,737**	1,814,003
Provision for impairment		**(101,224)**	-
		3,407,513	1,814,003
Other receivables		**355,738**	1,665,699
		3,763,251	3,479,702
Non - current			
Deferred consideration		**252,992**	38,040

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group	Gross amount $	Past due and impaired $	Past due but not impaired (days overdue) < 30 $	31-60 $	61-90 $	> 90 $	Within initial trade terms $
2014							
Trade and term receivables	3,407,513		1,650,498	561,976	87,573	17,325	1,090,141
Other receivables	355,738						355,738
	3,763,251		**1,650,498**	**561,976**	**87,573**	**17,325**	**1,445,879**
2013							
Trade and term receivables	1,814,003		1,620,468	3,753	50,281	46,818	92,683
Other receivables	1,665,699						1,665,699
	3,479,702		1,620,468	3,753	50,281	46,818	1,758,382

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

Note 11. Other Assets

	Consolidated Group	
	2014	2013
	$	$
a. Current		
Prepayments	**234,162**	382,881
b. Non-Current		
Software licence	**-**	-
Formation costs	**6,300**	6,300
	6,300	6,300

Note 12. Controlled Entities

Controlled Entities Consolidated

Name of Entity	Country of Incorporation	Ownership Interest 2014 %	2013 %
Parent Entity:			
Mobile Embrace Limited	Australia		
Subsidiaries of Mobile Embrace Limited:			
Global One Mobile Entertainment Pty Ltd	Australia	**100**	100
Divolution Limited	Australia	**100**	100
6G Pty Ltd	Australia	**100**	100
7A Pty Ltd	Australia	**100**	100
8Z Pty Ltd	Australia	**100**	100
Convey Pty Ltd (formerly Level 3 Pty Ltd)	Australia	**100**	0
Mobipay Pty Ltd (formerly Convey Pty Ltd)	Australia	**100**	100
Convey Global Pte Ltd	Singapore	**100**	0

Acquired Controlled Entities:

On the 4th December 2013, the Company opened a new wholly owned subsidiary in Singapore. The Company has not traded from that entity during Financial Year ending June 2014. The Company will begin trading from that entity from 1 August 2014. The Company employs one staff based locally in Singapore.

Note 13. Intangible Assets

	Consolidated Group 2014 $	2013 $
Software development	**3,360,338**	1,106,816
Accumulated Amortisation	**(1,095,883)**	(677,455)
Net Carrying Value	**2,264,455**	429,361
Goodwill on acquisitions	**-**	-
Accumulated Amortisation	**-**	-
Net Carrying Value		-
Content and Web development costs	**163,884**	87,448
Accumulated Amortisation	**(111,204)**	(87,448)
Net Carrying Value	**52,680**	-
Total Intangibles	**2,317,135**	429,361

Movements in Carrying Amounts

Movement in the carrying amount for each class of intangible assets between the beginning and the end of the current year.

Consolidated Group:	Software and development $	Premium SMS Shortcodes $	Content & Web Development Costs $	Goodwill $	Total $
Year ended 30 June 2013					
Balance at the beginning of the year	659,242	-	-	647,496	1,306,738
Additions	677,404	-	-		677,404
Disposals	(272,556)	-	-	(647,496)	(920,052)
Amortisation/Impairment	(634,729)	-	-	-	(634,729)
	429,361	-	-	-	**429,361**
Year ended 30 June 2014					
Balance at the beginning of the year	429,361	-	-	-	429,361
Additions	2,253,522	-	76,436	-	2,329,958
Disposals	-	-	-	-	-
Amortisation /Impairment	(418,428)	-	(23,756)	-	(442,184)
	2,264,455		**52,680**		**2,317,135**

Note 14. Plant and Equipment

	Consolidated Group 2014 $	2013 $
Computer equipment		
At cost	342,603	267,310
Accumulated depreciation	(271,891)	(247,593)
	70,712	19,717
Furniture and Fittings		
At cost	28,201	28,201
Accumulated depreciation	(27,098)	(25,109)
	1,103	3,092
Leasehold Improvements		
At cost	167,623	148,516
Accumulated depreciation	(146,420)	(142,187)
	21,203	6,329
Total Plant and Equipment	93,018	29,138

Movements in Carrying Amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

Consolidated Group:	Computer Equipment $	Furniture and Fittings $	Leasehold Improvements $	Total $
Balance at 1 July 2012	39,852	6,238	10,990	57,080
Additions	17,421	-	-	17,421
Disposals	(4,795)	(2,163)	-	(6,958)
Depreciation expense	(32,761)	(983)	(4,661)	(38,405)
Balance at 30 June 2013	**19,717**	**3,092**	**6,329**	**29,138**
Balance at the beginning of year	19,717	3,092	6,329	29,138
Additions	75,293	-	19,107	94,400
Disposals	-	-	-	-
Depreciation expense	(24,298)	(1,989)	(4,233)	(30,520)
Closing value at 30 June 2014	**70,712**	**1,103**	**21,203**	**93,018**

Note 15. Trade and Other Payables

CURRENT	**2014**	2013
Trade Payables	**1,180,482**	459,401
Sundry payables and accrued expenses	**613,168**	717,223
	1,793,650	1,176,624

Note 16. Borrowings

	Consolidated Group	
	2014	2013
	$	$
CURRENT		
Loan	**-**	-
Hire-purchase liability	**-**	4,278
Insurance premium funding facility	**-**	-
	-	4,278

Note 17. Tax

CONSOLIDATED GROUP	Opening Balance	Charged to Income	Other	Closing Balance
Deferred Tax Assets				
Provisions	130,067	21,939	-	152,006
Accrued Expenses	82,465	(27,299)	-	55,166
Balance at 30 June 2014	**212,532**	**(5,360)**	**-**	**207,172**

Deferred Tax assets not brought to account, the benefits of which will be realised if the conditions of deductibility set out in Note 1b occur:

Tax losses: capital loss:	$14,443	(2013: $29,134)
Tax losses: operating loss:	nil	(2013: $2,273,960)

Note 18. Provisions

Long term Employee Benefits:	**2014**	2013
Opening balance at beginning of financial year	**179,403**	118,348
Additional provisions	**327,286**	61,055
Amounts used		
Balance at end of financial year	**506,689**	179,403

Analysis of total provisions		
Current	**463,447**	139,854
Non- current	**43,242**	39,549

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Note 19. Issued Capital

	Consolidated Group	
	2014	2013
	$	$
Ordinary shares		
369,270,098 (2013:307,877,790) fully paid ordinary shares	30,572,218	19,156,951

	No.	No.
a. Ordinary shares		
At the beginning of the reporting period	307,877,790	257,877,790
Shares issued during the year	61,392,308	50,000,000
At reporting date	369,270,098	307,877,790

The Company raised $11,750,000 by way of a placement predominantly to prominent Australian and internal institutional investors. The Placement was completed at 26 cents per share, representing a 1.9% discount to MBE's closing price on Friday 21 March and a 4.2% discount to MBE's 5-day VWAP (27.1 cents).

During the Financial year ending 30 June 2014: 15,200,000 options were exercised at various exercise prices.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

c. Options

For information relating to the Mobile Embrace Limited employee option plan including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 23 Share Based Payments.

For information relating to share options issued to Key Management personnel during the financial year, refer to Note 6 Key Management Personnel Compensation.

Post Balance date:

Mr Simon Allison resigned as Company Secretary on the 1 August 2014. Mr Justin Clyne was appointed as Company Secretary on the 1 August 2014.

Note 20. Reserves

	Consolidated Group	
	2014	2013
	$	$
Employee equity settled benefits		
Opening Balance	528,731	512,383
Expensed during the year	188,959	16,348
Exercised during the year	(98,290)	
Cancelled during the year	(449,450)	-
Closing Balance	169,951	528,731
Other equity settled benefits		
Opening balance	106,856	106,856
Granted/Exercised during the year	(93,200)	-
Cancelled during the year	-	-
Closing Balance	13,656	106,856
At reporting date	183,607	635,587

Employee equity settled benefits reserve arises on the grant of share options to employees under the Mobile Embrace Limited Employee Share Option Plan. Amounts are transferred out of the reserve into issued capital when the options are exercised. Further information about share based payments to employees is in Note 23 to the financial statements.

Note 21. Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and / or services provided by segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Note 21. Operating Segments (continued)

Types of products and services by segment

(i) Mobile Marketing (including Advertising) - 4th Screen Advertising Australia

It allows major brands to reach, engage and embrace customers via mobiles and tablets utilising its mobile marketing, including advertising, infrastructure.

With a Tier-One mobile advertising premium publisher network through which brands can achieve targeted advertising reach on premium mobile websites (m-sites) and apps.

Award winning mobile media design and development, and complete mobile marketing solutions to enable brands to engage and embrace their customers through mobile and tablet devices.

(ii) Mobile Payments -Convey

Convey enables payments (m-payments), customer acquisition and management via mobiles and tablets.

It enables reach and transactions with consumers on their mobile devices via its mobile media trading desk and m-commerce platform.

Consumers utilise m-payments to conveniently pay for products and services on their mobile and tablet devices.

Basis of accounting for purposes of reporting by operating segments

a. 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 statement of the Group.

b. Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is the representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Note 21. Operating Segments (continued)

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Unallocated items

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

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities; and
- intangible assets;

(iii) Segment Performance

30 June 2014	**M pay $**	**M Adv $**	**Total $**
REVENUE			
External sales	14,161,569	5,019,068	19,180,637
Internal sales	-	-	-
Interest Revenue	92,755	-	92,755
Total segment revenue	**14,254,324**	**5,019,068**	**19,273,392**
Segment net profit / (loss) before tax	**4,864,365**	**72,750**	**4,937,115**
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment results but reviewed by the Board:			
Depreciation and amortisation			(574,617)
Unallocated items:			
Corporate charges			(1,797,136)
Net profit / (loss) before tax			**2,565,362**

30 June 2013	M Pay $	M Adv $	Total $
REVENUE			
External sales	9,147,458	3,080,933	12,228,391
Internal sales	-	-	-
Interest Revenue	27,491	-	27,491
Total segment revenue	**9,174,949**	**3,080,933**	**12,255,882**
Segment net profit / (loss) before tax	**2,999,102**	**(218,640)**	**2,780,462**
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment results but reviewed by the Board:			
Depreciation and amortisation			(634,944)
Unallocated items:			
Corporate charges:			(1,776,925)
Net profit / (loss) before tax			**368,593**

(iv) Segment assets

30 June 2014

	M Pay $	M Adv $	Total $
Segment assets	5,341,149	1,325,709	6,666,858
Unallocated assets:			
- Cash at Bank			2,148,710
- Term Deposit			10,109,184
- Deferred tax assets			207,172
Total group assets			**19,131,924**

30 June 2013

	M Pay $	M Adv $	Total $
Segment assets	3,611,068	910,580	4,521,648
Unallocated assets:			
- Deferred tax assets			212,532
Total group assets			**4,734,180**

Note 21. Operating Segments (continued)

(v) Segment liabilities

30 June 2014

	M Pay $	M Adv $	Total $
Segment liabilities	999,515	1,300,824	2,300,339
Total group liabilities	**999,515**	**1,300,824**	**2,300,339**

30 June 2013

	M Pay $	M Adv $	Total $
Segment liabilities	881,483	478,822	1,360,305
Total group liabilities	**881,483**	**478,822**	**1,360,305**

(vi) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer

	30 June 2014 $	30 June 2013 $
Australia	**18,302,813**	11,751,344
Singapore	**596,104**	-
New Zealand	**363,842**	323,132
European Union	**10,633**	18,833
America	-	135,082
Total revenue	**19,273,392**	**12,228,391**

(vii) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2014 $	30 June 2013 $
Australia	**18,839,440**	4,589,072
Singapore	**257,539**	-
New Zealand	**35,423**	125,785
European Union	**-**	3,006
America	**4,950**	16,317
Total segment assets	**19,137,352**	4,734,180

(viii) Major customers

M payments, Telstra Corporation Limited, accounted for 39% of external revenue.
M payments, VHA, accounted for 28% of external revenue.
M payments, Optus Pty Ltd, accounted for 32% of external revenue.

Note 23. Cash Flow Information

a) Reconciliation of Cash Flow (used in)/ from Operations with Profit / (Loss) after Income Tax

	Consolidated Group	
	2014	2013
	$	$
Profit/(Loss) from ordinary activities after income tax	2,494,423	397,755
Non-cash flows in profit/(loss) from ordinary activities:		
Depreciation	30,520	38,405
Amortisation / Impairment loss of intangibles	442,184	402,357
Impairment	101,911	253,479
Loss on sale of subsidiary	-	40,058
Share option	-	16,348
Changes in assets and liabilities		
Decrease/(increase) in receivables	(498,502)	(1,882,984)
Decrease/(increase) in other current assets	148,719	(116,525)
Decrease/(increase) in deferred tax assets	5,363	139,945
Increase/(decrease) in trade creditors	187,744	(815,784)
Increase/(decrease) in income tax payable	-	-
Increase/(decrease) in provisions	304,585	61,055
Cash flow (used in)/from operations	3,216,947	(1,465,891)

Note 23. Share Based Payments

(i) No share based payments were made during the financial year ending 30 June 2014.

(ii) A summary of the movements of all companies options issued is as follows:

	Number	**Weighted Average Exercise Price**
Options outstanding as at 30 June 2010	**12,850,000**	**$0.0619**
Granted	-	-
Forfeited	(200,000)	$0.0375
Exercised	-	-
Expired	(3,000,000)	$0.1128
Options outstanding as at 30 June 2011	**9,650,000**	**$0.0466**
Granted	12,800,000	$0.0203
Forfeited	-	-

Exercised	-	-
Expired	(6,650,000)	$0.0375
Options outstanding as at 30 June 2012	**15,800,000**	**$0.0295**
Granted	16,250,000	**$0.0130**
Forfeited	(3,000,000)	$0.0688
Exercised	-	-
Options outstanding as at 30 June 2013	**29,050,000**	$0.0393
Granted	9,225,000	$0.0224
Forfeited		
Exercised	(15,200,000)	$0.0201
Options exercisable as at 30 June 2014	**23,075,000**	$0.0129
Options exercisable as at 30 June 2013:	29,050,000	

Share options granted to advisors during the financial year

The amount relating to options granted expensed to the Statement of profit or loss for the 2013-14 financial year was $272,857 (2013: $16,348).

The Company raised $11,750,000 by way of a placement predominantly to prominent Australian and international institutional investors. The Placement was completed at 26 cents per share, representing a 1.9% discount to MBE's closing price on Friday 21 March and a 4.2% discount to MBE's 5-day VWAP (27.1 cents).

Post Balance date:

On the 21 July 2014: (a) 6,440,000 employee performance based options were vested converting to shares and held in trust by AET SFS Pty Ltd <MBE employee plan A/C>. (b) 550,000 employee options lapsed due to forfeiture under the MBE performance rights and options plan.

Note 24. Dividends

	Consolidated Group	
	2014	2013
	$	$
No dividends were provided for or paid	-	-
Dividends franking account		
Balance of franking account at year end arising from payment of provision for income tax	**779,446**	1,056,852

The above available amounts are based on the balance of the dividend franking account at year-end, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

Note 25. After Balance Date Events

Mr Simon Allison resigned as Company Secretary on the 1 August 2014. Mr Justin Clyne was appointed as Company Secretary on the 1 August 2014.

On the 21 July 2014: (a) 6,440,000 employee performance based options were vested converting to shares and held in trust by AET SFS Pty Ltd <MBE employee plan A/C>. (b) 550,000 employee options lapsed due to forfeiture under the

MBE performance rights and options plan.

Other than the above, there have been no events that have occurred since the reporting date which would materially impact on the financial position of the Company and its controlled entities.

Note 26. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties: nil (2013: nil)

Note 27. Contingent Liabilities

There are no contingent liabilities at balance date.

Note 28. Leasing Commitments

	Consolidated Group	
	2014	2013
	$	$
a) Hire-purchase commitments		
Payable		
- not later than one year	-	4,278
- later than one year but not later than five years	-	-
Minimum payments	-	4,278
Less: future finance charges		
Present value of minimum payments	-	(39)
Minimum hire-purchase payments	-	4,239

The hire-purchase agreement on computer equipment which commenced in 2010 has a three year term.

b) Operating lease commitments

Non-cancellable operating lease contracted for but not recognised in the financial statements:

Payable		
- not later than one year	**-**	**-**
- later than one year but not later than five years	**-**	**-**
	-	**-**

The property lease is on a month to month Tenancy.

Note 29. Financial Risk Management

The Group does not engage in any significant transactions that are speculative in nature.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

The Board of Directors monitor and manage financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counter party credit risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets while minimising potential adverse effects on financial performance.

Note 29. Financial Risk Management (continued)

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

a) Interest Rate Risk
The consolidated group's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated Group	Weighted Average Interest Rate %	Non-Interest Bearing $	Fixed Interest Rate Maturing		Floating Interest Rate $	Total $
			1 Year or Less $	1 to 5 Years $		
2014						
Financial Assets:						
Cash and cash equivalents	1.34	106,365	10,109,184		2,042,345	12,257,894
Trade and other receivables		3,763,251	-		-	3,763,251
		3,869,616	**10,109,184**		**2,042,345**	**16,021,145**
Financial Liabilities:						
Trade and other payables		1,793,650				1,793,650
Borrowings		-				-
		1,793,650				**1,793,650**

	Weighted Average Interest Rate %	Non-Interest Bearing $	Fixed Interest Rate Maturing		Floating Interest Rate $	Total $
			1 Year or Less $	1 to 5 Years $		
2013						
Financial Assets:						
Cash and cash equivalents	1.21	6,022			150,204	156,226
Trade and other receivables		3,479,702			-	3,479,702
		3,485,724			**150,204**	**3,635,928**
Financial Liabilities:						
Trade and other payables		1,176,624	-	-	-	1,176,624
Borrowings	10.33	-	4,278	-	-	4,278
		1,176,624	**4,278**	**-**	**-**	**1,180,902**

b) Credit Risk
The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has during the financial year reduced its previous material credit risk exposure to a debtor under financial instruments entered into by the Company. The Group's exposure to Sybase Australia Pty Ltd was reduced as a result of the Company implementing direct connections in to carriers, thereby spreading debtor risk.

Note 29. Financial Risk Management continued

c) Net Fair Values
The carrying value of financial assets and financial liabilities recorded in the statement of financial position approximates their respective net fair values. Fair values are determined by reference to standard terms and conditions, quoted market prices, where available, or discounting expected future cash flows.

d) Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

	Within 1 Year		1 to 5 Years		Total	
Consolidated Group	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Loans	-	4,278	-	-	-	4,278
Trade and other payables	1,793,640	1,176,624	-	-	1,793,640	1,176,624
Financial guarantees	-	-	-	-	-	-
Total contractual outflows	1,793,640	1,180,902	-	-	1,793,640	1,180,902
Less bank overdrafts		-	-	-		-
Total expected outflows	1,793,640	1,180,902	-	-	1,793,640	1,180,902
Financial assets – cash flows realisable						
Cash and cash equivalents	12,257,894	156,226	-	-	12,257,894	156,226
Trade and loan receivables	3,763,251	3,479,702	252,922	38,040	4,016,173	3,517,742
Total anticipated inflows	16,021,145	3,635,928	252,922	38,040	16,274,067	3,673,968
Net (outflow)/ inflow on financial instruments	**14,227,505**	**2,455,026**	**252,922**	**38,040**	**14,480,427**	**2,493,066**

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 56, are in accordance with the Corporations Act 2001 and:
    a. comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the members of the group will be able to meet any obligations or liabilities to which they may become subject.

Chris Thorpe
Director
4 August 2014

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Mobile Embrace Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, 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 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 (IFRS).

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 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 judgment, 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 and fair presentation of the financial report 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.

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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*.

Auditor's Opinion
In our opinion:

a) the financial report of Mobile Embrace 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 2014 and of its performance for the year ended on that date; and
  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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 the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion
In our opinion the remuneration report of Mobile Embrace Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Sydney
Dated this 4th day of August 2014

1. Shareholding

Distribution of Shareholders as at 30 June 2014:

Category (size of holding)	Total Holders	Units	% Held of Issued Ordinary Capital
1 - 1,000	87	29,967	0.01
1,001 - 5,000	390	1,374,940	0.37
5,001 - 10,000	362	3,140,341	0.85
10,001 - 100,000	1,057	42,895,481	11.62
100,001 - and over	361	321,829,369	87.15
	2,257	369,270,098	100.00

The number of shareholdings held in less than marketable parcels is 175.

The substantial shareholders listed in the holding company's register as at 30 June 2014 are:

20 Largest Shareholders - Ordinary Shares:

	Number Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. WAUGHDOC PTY LTD	22,176,639	6.01
2. NATIONAL NOMINEES LIMITED	19,892,751	5.39
3. CITYCORP NOMINNEES PTY LIMITED	14,238,334	3.86
4. NEIL WILES	12,000,000	3.25
5. MRS KRISTINE LOUISE LONG	11,976,000	3.24
6. AUSTER CAPITAL PARTNERS LLC	11,938,890	3.23
7. MR CAMERON DAVID NELSON	9,700,000	2.63
8. CONNAUGHT CONSULTANTS (FINANCE) PTY LTD <SUPER FUND A/C>	9,000,000	2.44
9. COMMUNITEE PTY LIMITED	7,533,000	2.04
10. PANRON PTY LTD <NO 2 A/C>	7,136,800	1.93
11. BNP PARIBAS NOMS PTY LTD <DRP>	7,094,130	1.92
12. J P MORGAN NOMINEES AUSTRALIA LIMITED	6,079,905	1.65
13. GLENEAGLE SECURITIES (AUST) PTY LTD	5,000,000	1.35
14. MR ALLAN ROBERTSON	4,032,258	1.09
15. MASALI PTY LTD	4,000,000	1.08
16. MR ADRIAN QUILTER-HARVEY + MS VANESSA KRIVOGARD <HARVEY FAMILY S/F A/C>	3,900,000	1.06
17. EQUITAS NOMINEES PTY LIMITED <3020270 A/C>	3,838,889	1.04
18. LAVENBURG PTY LTD <CHANG SUPER FUND A/C>	3,500,000	0.95
19. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,398,645	0.92
20. PANRON PTY LTD <NO 2 A/C>	3,292,299	0.89
Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)	**169,728,540**	**45.96**
Total Remaining Holders Balance	199,541,558	54.04
Total Holders Balance	**369,270,098**	**100.00**

1. Shareholding (continued)

Voting rights

The voting rights attached to each class of equity security are as follows:

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

2. Company Secretary

Mr Simon Allison resigned as Company Secretary on the 1 August 2014. Mr Justin Clyne was appointed as Company Secretary on the 1 August 2014.

3. Address of Principal Registered Office

Westfield Towers
Level 10, 100 William Street
EAST SYDNEY NSW 2011 Australia

4. Share Registry

Registers of securities are held by Computershare Investor Services Pty Limited at the following address:

Level 5, 115 Grenfell Street
Adelaide SA 5000

Postal address: GPO Box 1903
Adelaide SA 5001

Enquiries within Australia:	1300 556 161
Enquiries outside Australia:	+61 3 9415 4000
Email:	web.queries@computershare.com.au
Website:	www.computershare.com

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Listing.

6. Dividends

No dividends have been paid by MBE for the year.

7. On Market Buy Back

There is no on-market buy back at the date of this report.

8. Investor Support

If you have any queries regarding your investment, please contact Computershare toll free on 1300 556 161 or visit their website at www.computershare.com. Please note there is a section of the website designed to provide shareholders with the forms necessary to initiate changes of the details held at the registry. This service is available from 8.30 to 17.30 (Sydney time) on all business days. Enquiries may also be emailed via Computershare's website.

9. Annual Report

All shareholders are entitled to receive a copy of the Annual Report. If you do not require the Annual Report, or if you receive more copies than you require, please notify Computershare. The Annual Report and Financial Statements can also be downloaded from the company's website www.mobileembrace.com.

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