



MNETGROUP

Mnet Group Limited
ABN: 94 125 736 914

ANNUAL REPORT 30 June 2010



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Corporate Directory

Directors

Chris Beare – Chairman
Alexander Beard
Mel Brookman
Andrew Butterworth
Ross Fielding
Bruno Fiorentini Jnr
Ben Grootemaat

Alternate Director

Paul Doueihy

Company secretaries

Gary Moore
Barry Porter

Registered office

Level 1
50 James Street
FORTITUDE VALLEY QLD 4006
Telephone: +61 7 3105 3080
Facsimile: +61 7 3105 3151

Share registry

Computershare Investor Services Pty Limited
GPO Box 523
BRISBANE QLD 4001
Telephone: 1300 552 270 or +61 7 3237 2100
Facsimile: +61 7 3299 9860

Stock exchange listing

ASX: MNZ

Auditors

BDO
248 Flinders Street
ADELAIDE SA 5000

Legal advisors

Adelta Legal
Level 6
44 Waymouth Street
ADELAIDE SA 5000

Internet address

www.mnetgroup.com



Company Profile & Highlights

Your Company

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

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

Highlights

- Revenues and other income increased 71% to \$9.5m.
- Net Loss after tax reduced 74% to \$712,695. This included significant merger costs incurred in the first half of the financial year.
- The Group achieved profitability in the second half of the financial year.
- Nil debt.
- Merger of m.Net Corporation and Mercury Mobility completed.
- m.Net Corporation Limited was listed in the BRW Fast 100 for the second consecutive year in 2009.
- Major new contracts signed with leading telecommunications and media companies in Australia including Vodafone Hutchison Australia, Austereo and Telstra.
- Major new contracts signed with customers in overseas markets including Telecom New Zealand, Television New Zealand, Livewire Mobile in the United States and Yahoo! in North America and Asia Pacific.



Chairman's Report

2009/2010 was the year of the merger of Mercury Mobility with m.Net Corporation to form the Mnet Group. With all the integration issues dealt with in the first half, the second half proved the value of the merger with significant new customer wins and a return to profitability. It seems that more and more corporations are seeing the value of mobile marketing initiatives and we are uniquely placed to support these companies. Although we have traditionally worked with the early adopters of mobile such as telecommunications carriers and media companies we are increasingly seeing our client base expand to new customer segments.

The integration of two companies in different locations and with different cultures is never easy. It has been the dedication and passion of both teams to support customers in the mobile space that brought us together in the first place and it is this that has made the integration successful. I thank the CEOs of both companies, Ben Grootemaat from Mercury and Horden Wiltshire from m.Net, for getting us there. Ben remains a Director of the merged company and is assisting on strategy and direction. Horden is the new CEO of Mnet Group and he and his executive team have driven the business to profitability in the second half.

The biggest challenge for the Group in coming years is how to make the most of the significant market spending that is now coming to mobile in an environment of rapidly changing technological capability in handsets and network capability. This is a great problem to have, and with the comprehensive technology platforms and people skills in the merged company, it's a problem the team will thrive on.

The Board of the new company has representation from both former companies and again they freely give their time to contribute, guide, and provide insights which are invaluable in this environment. With such good Board guidance and an enthusiastic CEO and team I expect the years ahead for the Mnet Group and its shareholders to be very rewarding.



Chris Beare

2010



CEO's Report

The last year marked an inflection point for the company with the merger of Mercury Mobility and m.Net Corporation to form Mnet Group. While Mercury Mobility was a leader in the delivery of mobile content in both the Australian and overseas markets, the complimentary technology, skills and client base of m.Net as a mobile website, applications and marketing company has created a true end-to-end mobile solutions company, able to deliver on the increasing demands of clients investing in their mobile strategy.

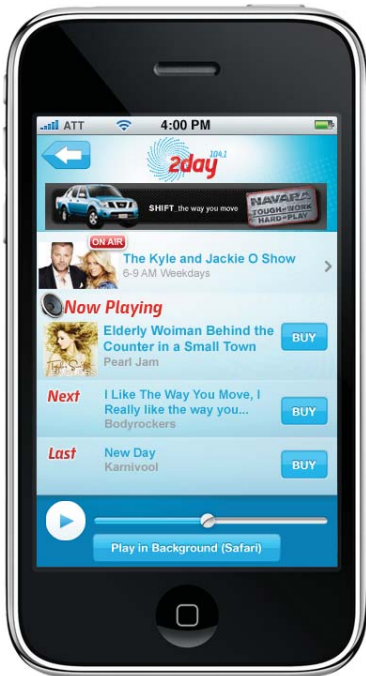
All of the costs associated with the merger were incurred in the first half of the financial year. This combined with increased sales in the second half has resulted in the achievement of profitability in the latter half of the year. The combined revenues of both companies increased 30% in the second half of the financial year, reflecting the increased demand for the company's products and services. The Group has no debt and is extremely well positioned to take advantage of the emerging opportunities in the mobile space.



With the increasing sophistication of mobile handsets, users are spending greater amounts of time accessing the internet on their phone and more recently via tablet devices such as the iPad. This trend will continue. At the core of the Group's value proposition to our clients is our ability to provide the technology and expertise to enable our clients to sell and market their products and services on mobile devices. From managing mobile content, creating mobile web portals to applications and integrating sophisticated marketing campaigns using any mobile technology, Mnet Group has a unique proposition for customers. The Group provides these services to leading telecommunications companies, media companies and enterprises.

The mobile content services of Mnet Group include providing the technology and expertise to deliver mobile content from games, applications, music, tones, animations and video to major telecommunications carriers such as Telstra, Optus, Telecom NZ and Bell Canada. I am pleased that during the period the Group was successful in winning Vodafone Hutchison Australia's (VHA) major tender for a master service provider across the major content types of games, music tones and video. While we have invested significantly already in the delivery of these services we have been able to maintain a profit for the second half of the year.

“There is no doubt that as more people spend longer periods on the web or in applications on their phone, companies will increasingly invest in mobile solutions.”



We continue to experience growing demand for the delivery of mobile websites and applications. The most important aspect of the delivery of these services is the ability to profile the customers' handset and deliver an optimised mobile experience for each user, regardless of their mobile phone. During the period we have signed contracts with major clients such as Austereo, Australia's largest commercial FM radio network, and Television New Zealand, the number one broadcaster in New Zealand. Typical solutions for these clients include the mobile web portal, iPhone applications and more recently iPad applications.

Mobile marketing has evolved over the last few years from simple SMS and MMS campaigns through to sophisticated mobile campaigns across mobile web and within applications. During the period Mnet Group has signed a new contract for mobile marketing services with Telecom New Zealand and we

continue to grow our business with Yahoo! around the world including the delivery of multi-lingual mobile marketing campaigns across the Asia Pacific region.

The results of the latest Australian Mobile Phone Lifestyle Index survey that Mnet Group conducts on behalf of the Australian Interactive Media Industry Association, found that almost 24% of all respondents visited the web on their mobile phone on a daily basis. There is no doubt that as more people spend longer periods on the web or in applications on their phone, companies (our potential clients) will increasingly invest in mobile solutions. This augurs well for Mnet's positioning in the market place and is the basis for our ongoing enthusiasm for the business.

Finally I would like to thank the board and staff for their ongoing support during the year. It has been a great to see how the teams have come together through the merger process which can often be tumultuous. We look forward to the challenges and opportunities ahead in 2011.

Horden Wiltshire



Directors' Report

Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Mnet Group Limited and its controlled entities for the year ended 30 June 2010.

1. Directors

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

Chris Beare

PhD, MBA, BSc, B Eng (Hons)
Chairperson, Non-Executive Director

Dr Beare was appointed to the Board as Chairman on 6 November 2009. Prior to the merger he had been a Director of m.Net Corporation Limited since 2001 and Chairman since November 2005. He is also the Chairman of Dexus Property Group, Eccosphere International and Accede Capital Venture Partners and is a Director of BBB Capital, National ICT Australia Limited, SMARTS Group and the holding companies for Sealy in Australia and Asia.

Alexander Beard

BCom, FCA, MAICD
Non-Executive Director

Mr Beard has been a Board member since 1 June 2007. Alexander (Sandy) has extensive experience with investee and early stage businesses, in advisory and direct management capacities. He is the Managing Director of CVC Limited, a Director of Cellnet Limited, CVC Property Managers as responsible entity for CVC Property Fund and Amadeus Energy Limited. Mr Beard holds an interest in 230,000 shares in Mnet Group Limited as at the date of this report.

Mel Brookman

Non-Executive Director

Mr Brookman has been a member of the Board since the Company's incorporation on 1 June 2007. Mel has over 20 years experience in the telecommunications industry and is also a Director of Cellnet Limited. He holds an interest in 7,788,468 shares in Mnet Group Limited as at the date of this report.

Andrew Butterworth

BSc
Non-Executive Director

Mr Butterworth is Managing Director of Alcatel-Lucent Australia. Prior to the merger, Andrew was a Director of m.Net Corporation Ltd. He was appointed to the Mnet Group Limited Board on 6 November 2009.

Ross Fielding

BEng
Non-Executive Director

Mr Fielding is Executive Director, Mobility Products and Device Management with Telstra Corporation. Prior to the merger, Ross was a Director of m.Net Corporation Limited. He was appointed to the Mnet Group Limited Board on 6 November 2009.

Bruno Fiorentini Jnr

BEc, MBA (Marketing & General Management)
Non-Executive Director

Mr Fiorentini was Chief Operating Officer with Yahoo!7. Prior to the merger, Bruno was a Director of m.Net Corporation Limited and was appointed to the Mnet Group Limited Board on 6 November 2009.

Ben Grootemaat

Non-Executive Director

Mr Grootemaat has been a Board member since 1 June 2007. He was a co-founder of the Mercury Mobility business in 2001. Ben holds an interest in 10,001,321 shares in Mnet Group Limited as at the date of this report.

Alternate Directors:

Paul Doueihi

BBus, CPA

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



Directors' Report (continued)

2. Company Secretaries

Gary Moore (BCom, LLB (Hons), CA)

Mr Moore has been Finance Manager of Mnet Group since January 2008, and was appointed as joint Company Secretary on 30 October 2009.

Barry Porter (BAcc, MBA, CPA)

Mr Porter is the Chief Financial Officer (CFO) and was appointed as joint Company Secretary on 30 October 2009. Prior to the merger he was CFO and Company Secretary of m.Net Corporation Limited. Previously Barry held senior roles in finance and administration with a number of other companies and was an auditor with the South Australian Government. He is a Director on the Board of the Australian Dance Theatre and is also a Director and Company Secretary of m.Net Corporation Limited and Mercury Mobility (Australia) Pty Ltd and is the Company Secretary for Eccosphere International Pty Ltd. Barry holds an interest in 767,549 shares in Mnet Group Limited as at the date of this report.

Stephen Doyle (BCom, CA, GAICD)

Mr Doyle was Company Secretary from July 2007 until 30 October 2009. Stephen has over 17 years of domestic and international experience in information, communications and entertainment industries.

3. Directors' Meetings

The number of meetings of Directors and of each Board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each Director were:

Director	BOARD MEETINGS		AUDIT AND FINANCE COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
Chris Beare	5	5	1	1	-	-	1	1
Alexander Beard	12	13	2	2	-	-	1	1
Mel Brookman	13	13	1	1	-	-	-	-
Andrew Butterworth	3	5	-	-	-	-	-	-
Ross Fielding	5	5	-	-	-	-	-	-
Bruno Fiorentini Jnr	4	5	-	-	-	-	-	-
Ben Grootemaat	13	13	1	1	-	-	-	-
Alternate Director								
Paul Doueihy	0	2	-	-	-	-	-	-

Legend

A Number of meetings attended

B Number of meetings held throughout the year, during the time the Director held office.

Directors' Report (continued)

4. Principal activities

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

5. Significant changes in the state of affairs

The following significant changes in the state of affairs of Mnet Group Limited occurred during the financial year:

- The merger between Mercury Mobility Ltd and m.Net Corporation Limited was completed on 30 October 2009.
- Following the merger Mr Horden Wiltshire was appointed as the CEO of the combined company.
- At the Company's AGM in November 2009 members approved that the Company name be changed from Mercury Mobility Limited to Mnet Group Limited and BDO were appointed as the Group's Auditor.
- In January 2010 Mnet Group changed the address of its Registered Office to Level 1, 50 James St, Fortitude Valley, Qld 4006.

6. Operating and financial review

During the year Mercury Mobility Limited merged with m.Net Corporation Limited (ACN 097 086 390) after the Company purchased 100% of the shares in m.Net Corporation. Following the acquisition, Mercury Mobility Limited changed its name to Mnet Group Limited.

For the year ended 30 June 2010 the Group recorded a net loss after tax of \$712,695 (2009: \$2,729,540) after incurring one-off costs related to the purchase of m.Net Corporation shares and the merger of the two companies.

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

	2010 \$	2009 \$
Revenue and other income	9,496,627	5,535,076
Total expenses	10,294,764	7,188,115
Profit / (loss) before tax	(798,137)	(1,653,039)
Income tax benefit / (expense)	85,442	(1,076,501)
Profit / (loss) after tax	(712,695)	(2,729,540)

The net assets of the consolidated group have increased from \$937,431 in 2009 to \$6,086,944 in 2010. This increase is predominantly due to the goodwill acquired through the acquisition of m.Net Corporation Limited.

Likely future developments

In addition to consolidating and expanding its position as Australia's leading full service, mobile solutions company, The Group intends to continue to look for opportunities to expand its presence in overseas markets. It will also continue to offer high quality and innovative services to both telecommunications carriers and other companies principally in the media industry, both in Australia and overseas.



Directors' Report (continued)

7. Corporate Governance

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

7.1 Board of Directors

Role of the Board

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

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

The CEO is responsible for implementing Group strategies and policies.

The Board charter specifies that these are separate roles to be undertaken by separate people.

Board processes

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board has established a number of Board committees. These include an audit committee, nomination committee and remuneration committee, all of which have their own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate.

Composition of the Board

The names of Directors of the Company in office at the date of this report are set out in the Directors' Report on page 8 of this report.

Independent professional advice

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

Performance evaluation

As the Board was re-constituted during the year as a result of the merger, the Board decided it was not appropriate to conduct a formal performance evaluation this year.

7.2 Audit committee

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

The members of the audit committee during the year were:

- Dr Chris Beare
- Mr Alexander Beard
- Mr Mel Brookman
- Ben Grootemaat

The committee met twice during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 9.

Directors' Report (continued)

7.3 Nomination committee

The nomination committee was established on 4 April 2008. The main responsibilities of the committee are to assess the skills required by the Board; to assess the extent to which the required skills are represented on the Board, to establish processes for the review of the individual Directors and the Board as a whole, to establish processes for identification of suitable candidates for appointment to the Board as additional members or to succeed existing members, and to make recommendations to the Board on Directors' appointments and Board and Committee structure.

The nomination committee comprised the following members during the year, all of whom were non-executive directors:

- Mr Alexander Beard
- Mr Mel Brookman

The committee did not meet during the year.

7.4 Remuneration committee

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

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

The members of the remuneration committee during the year were:

- Dr Chris Beare
- Mr Alexander Beard

The committee met once during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 9.

7.5 Risk assessment and management

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

Financial reporting

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

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

Environmental regulation

There are no significant environmental regulations applying to the Group.

External auditors

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



Directors' Report (continued)

7.6 Code of Conduct

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

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company are set out in Note 20 to the financial statements.

7.7 Continuous disclosure and Shareholder communication

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

7.8 ASX corporate governance principles and recommendations

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

Comments on departures are set out below.

RECOMMENDATIONS	COMMENT
1.3 - Companies should provide the information indicated in the Guide to reporting on Principle 1.	As the senior executive team has been significantly restructured no performance evaluation has been taken of the senior executive team in the reporting period. The board charter is available on the ASX announcements platform but not the Company's website
2.1 - A majority of the Board should be independent Directors.	Only Chris Beare and Mel Brookman are independent Directors in terms of the ASX Principles.
2.4 - The Board should establish a nomination committee.	The nomination committee is comprised of two non-executive directors. The committee chairman is not independent in terms of the ASX Principles.
2.6 - Companies should provide the information indicated in the Guide to reporting on Principle 2.	As the Board is newly constituted no performance evaluation has been taken of the Board, its committees or Directors in the reporting period.
3.3 - Companies should provide the information indicated in the Guide to reporting on Principle 3.	The following information is available on the ASX announcements platform but not the Company's website: <ul style="list-style-type: none">• any applicable code of conduct or a summary• the trading policy or a summary.
4.2 - The audit committee should be structured so that it: <ul style="list-style-type: none">• consists only of non-executive directors;• consists of a majority of independent Directors;• is chaired by an independent chair, who is not the chair of the Board; and• has at least three members.	The audit committee is comprised of two non-executive directors, only one of whom is independent in terms of the ASX Principles.

Directors' Report (continued)

4.4 - Companies should provide the information indicated in the Guide to reporting on Principle 4.	The following information is available on the ASX announcements platform but not the Company's website: <ul style="list-style-type: none">• the audit committee charter• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
5.2 - Companies should provide the information indicated in the Guide to reporting on Principle 5.	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements are available on the ASX announcements platform. However, these policies have not been posted to the Company's website.
7.4 - Companies should provide the information indicated in the Guide to reporting on Principle 7.	A summary of the company's policies on risk oversight and management of material business risks has not been made available on the Company's website.
8.1 - The Board should establish a remuneration committee.	The remuneration committee is comprised of two non-executive directors, only one of whom is independent in terms of the ASX Principles.
8.3 - Companies should provide the information indicated in the Guide to reporting on Principle 8.	The following information has not been made available on the Company's website: <ul style="list-style-type: none">• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

8 Dividends

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

9 Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the Group operations in future financial years, or results of those operations in future financial years, or the state of affairs in future financial years.

10 Remuneration Report

The information provided in this remuneration report relates to the Group for the year ended 30 June 2010 and has been audited as required by section 308(3C) of the Corporations Act 2001.

10.1 Principles used to determine the nature and amount of remuneration

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



Directors' Report (continued)

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The framework provides a mix of fixed pay (base salary and compulsory superannuation), short-term incentives and long-term incentives. This clear alignment between employee and shareholder interests ensures the Group attracts and retains high calibre employees and executives whose personal rewards are aligned to Group economic profit, cash flow and other non financial metrics which deliver long term profitable growth.

Short-term incentive (STI)

Executives have STI targets depending on the accountabilities of their role and impact on the organisation. These STI's normally vary between 0% and 20% of base pay. For the year ended 30 June 2010 the key performance indicators linked to STI plans were based on individual and personal objectives. The Key Performance Indicator's ("KPIs") required performance in reducing operating costs, winning new business and growing existing business.

Long-term incentive (LTI)

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

Non-executive directors and directors' fees

Payments were made by the Group for services rendered by non-executive directors during the year ended 30 June 2010 to Dr Chris Beare totalling \$16,000 and Mr Ben Grootemaat totalling \$27,700.

10.2 Details of remuneration

Amounts of remuneration

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

For the 2009 financial year Ben Grootemaat was the Managing Director and the executives that reported directly to him were Stephen Doyle (CFO) and Paul Paoliello (Chief Operating Officer).

Following the merger during 2010, Horden Wiltshire was appointed as CEO, replacing Ben Grootemaat, while Stephen Doyle was replaced as CFO by Barry Porter. Paul Paoliello changed roles to Chief Sales & Marketing Officer (CSMO) and the following executives were also appointed; Robert Humphreys (Chief Operations Officer (COO)) and Luigi Iuliano (Chief Technology Officer (CTO)).

Directors' Report (continued)

NAME	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL
	CASH SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION			OPTIONS	
	\$	\$	\$	\$	\$	\$	\$	\$
2010								
<i>Non-executive Directors</i>								
Chris Beare ¹	16,000	-	-	-	-	-	-	16,000
Ben Grootemaat ²	27,700	-	-	-	-	-	-	27,700
Mel Brookman, Alexander Beard, Andrew Butterworth, Ross Fielding, Bruno Fiorentini Jnr ³ and Paul Doueih ⁴ did not receive remuneration during the period								
<i>CEO</i>								
Horden Wiltshire ⁵	139,769	-	2,997	15,508	-	-	30,322	188,596
<i>Managing Director</i>								
Ben Grootemaat	181,222	-	-	19,361	26,177	43,455	-	270,215
<i>Key management personnel</i>								
Stephen Doyle ⁶	56,346	-	-	5,077	-	58,462	-	119,885
Robert Humphreys ⁷	99,364	-	3,073	10,877	-	-	12,042	125,356
Luigi Iuliano ⁸	86,495	-	-	9,238	-	-	11,156	106,889
Paul Paoliello	199,991	20,000	-	18,822	1,118	-	3	239,934
Barry Porter ⁹	105,981	-	6,035	12,234	-	-	19,536	143,786
Total	912,868	20,000	12,105	91,116	27,295	101,917	73,059	1,238,360
2009								
<i>Non-executive Directors</i>								
Mel Brookman, Alexander Beard, and Ben Loiterton ¹⁰ did not receive remuneration during the period								
<i>Managing Director</i>								
Ben Grootemaat	194,071	-	13,745	8,142	8,142	-	-	215,958
<i>Key management personnel</i>								
Stephen Doyle	160,000	-	13,745				44,487	218,232
Paul Paoliello	167,021		13,745				44,488	225,254
Total	521,092		41,235	8,142			88,975	659,444

¹ Chris Beare was appointed to the Board and Chairman on 6 November 2009.

² Ben Grootemaat was Managing Director from June 2007 to December 2009. Since 1 January he has provided consultancy services in addition to his role as a non-executive director.

³ Andrew Butterworth, Ross Fielding and Bruno Fiorentini Jnr were appointed to the Board on 6 November 2009.

⁴ Paul Doueih was appointed as Andrew Butterworth's Alternate Director on 1 February 2010.

⁵ Horden Wiltshire was appointed as CEO on 30 October 2009.

⁶ Stephen Doyle was CFO from 2 July 2007 to 6 November 2009.

⁷ Robert Humphreys was appointed COO on 30 October 2009.

⁸ Luigi Iuliano was appointed CTO on 30 October 2009.

⁹ Barry Porter was appointed as CFO on 30 October 2009.

¹⁰ Ben Loiterton was appointed a Director on 20 March 2008 and resigned 27 February 2009.

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



Directors' Report (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2010	2009	2010	2009	2010	2009
<i>CEO of Mnet Group Limited</i>						
Horden Wiltshire	84%	-	-	-	16%	-
<i>Managing Director of Mnet Group Limited</i>						
Ben Grootemaat	100%	100%	-	-	-	-
<i>Other key management personnel of the Group</i>						
Stephen Doyle	100%	80%	-	-	-	20%
Robert Humphreys	90%	-	-	-	10%	-
Luigi Iuliano	90%	-	-	-	10%	-
Paul Paoliello	92%	80%	8%	-	-	20%
Barry Porter	86%	-	-	-	14%	-

10.3 Service agreements

The CSMO has a service agreement with the Group which was previously approved by the Remuneration Committee. The CEO, COO, CTO and CFO have pre-existing employment contracts with m.Net Corporation Limited. There are no guaranteed base pay increases included in any executives' contracts. Other major provisions of the agreements relating to remuneration are set out below.

NAME AND POSITION	COMMENCEMENT DATE OF ON-GOING SERVICE AGREEMENT	TERMINATION BENEFIT OTHER THAN FOR GROSS MISCONDUCT	PERIOD OF NOTICE TO TERMINATE CONTRACT
Horden Wiltshire (CEO)	5 December 2001	3 months base salary	3 months base salary
Robert Humphreys (COO)	31 January 2005	1 month base salary	1 month base salary
Luigi Iuliano (CTO)	18 August 2003	1 month base salary	1 month base salary
Paul Paoliello (CSMO)	16 July 2007	4 months base salary	4 months base salary
Barry Porter (CFO)	29 January 2002	1 month base salary	1 month base salary

10.4 Share-based compensation – options

Options over shares in the Company are granted under the Mercury Mobility Directors and Executive Share and Option Plan. Under the plan, participants are granted options which only vest if certain employment criteria are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted carry no dividend or voting rights or rights to participate in any other share issue of the company or any other entity. When exercisable, each option is convertible into one ordinary share.

At the time of the merger options that had previously been granted by m.Net Corporation Limited to its executives were rolled over into options in Mercury Mobility Limited. These options were issued under the terms and conditions equivalent to the m.Net Corporation options. The Group also issued new options to the executive team subject to the terms and conditions of the Mercury Mobility Directors and Executive Share and Option Plan.

Directors' Report (continued)

The terms and conditions of each grant of options affecting key management personnel remuneration in previous, in this or future reporting periods are as follows:

GRANT DATE	DATE FULLY VESTED AND EXERCISABLE	EXPIRY DATE	NUMBER OF OPTIONS	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE
6 November 2009	6 November 2009	28 September 2015	2,018,483	4.9¢	5.0¢
6 November 2009	28 November 2011	28 November 2017	784,080	9.7¢	3.1¢
6 November 2009	3 March 2013	3 March 2019	2,393,796	12.4¢	2.5¢
6 November 2009	6 November 2013	3 October 2014	6,795,360	5.1¢	4.7¢
30 June 2010	7 December 2013	7 December 2014	1,800,000	8.8¢	0.1¢

As at 30 June 2010 there were 13,791,720 outstanding options to acquire 13,791,720 ordinary shares. All options were granted for no consideration.

Fair values at grant date are determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Model inputs for options granted during the year are disclosed in note 31 of the financial report.

Options by individual

NAME	OPTIONS GRANTED		OPTIONS CANCELLED BY THE BOARD	
	2010	2009	2010	2009
<i>CEO</i>				
Horden Wiltshire	5,173,883	-	-	-
<i>Other key management personnel</i>				
Stephen Doyle	-	-	-	800,000
Robert Humphreys	2,099,505	-	-	-
Luigi Iuliano	1,472,894	-	-	-
Paul Paoliello	1,800,000	-	-	800,000
Barry Porter	3,245,438	-	-	-
	13,791,720	-	-	1,600,000

Note: 11,991,720 options granted in 2010 were issued to replace similar existing options previously issued in m.Net Corporation.



Directors' Report (continued)

10.5 Additional information

Details of remuneration: cash bonuses and options

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

NAME	CASH BONUS		YEAR GRANTED	CANCELLED BY THE BOARD %	OPTIONS		FINANCIAL YEARS IN WHICH OPTIONS MAY FULLY VEST
	PAID %	FORFEITED %			FORFEITED %	% OF OPTIONS VESTED DURING THE YEAR	
Horden Wiltshire	-	-	2010	-	-	100	2010
			2010	-	-	62	2011
			2010	-	-	31	2013
			2010	-	-	16	2013
Stephen Doyle	-	-	2009	100	-	-	-
			2009	100	-	-	-
			2009	100	-	-	-
Robert Humphreys	-	-	2010	-	-	100	2010
			2010	-	-	62	2011
			2010	-	-	31	2013
			2010	-	-	16	2013
Luigi Iuliano	-	-	2010	-	-	31	2013
			2010	-	-	16	2013
Paul Paoliello	100	-	2009	100	-	-	-
			2009	100	-	-	-
			2009	100	-	-	-
			2010	-	-	0	2013
Barry Porter	-	-	2010	-	-	100	2010
			2010	-	-	62	2011
			2010	-	-	31	2013
			2010	-	-	16	2013

Further details relating to options are set out below.

2010	A	B	C	D
NAME	REMUNERATION CONSISTING OF OPTIONS	VALUE AT GRANT DATE \$	VALUE AT EXERCISE DATE \$	VALUE AT LAPSE DATE \$
Horden Wiltshire	16%	220,351	-	-
Stephen Doyle	-	-	-	-
Robert Humphreys	10%	87,428	-	-
Luigi Iuliano	10%	59,822	-	-
Paul Paoliello	0	1,800	-	-
Barry Porter	14%	136,856	-	-
		506,257		

Directors' Report (continued)

2009	A	B	C	D
NAME	REMUNERATION CONSISTING OF OPTIONS	VALUE AT GRANT DATE \$	VALUE AT EXERCISE DATE \$	VALUE AT LAPSE DATE \$
Stephen Doyle	20%	-	-	-
Paul Paoliello	20%	-	-	-

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

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

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

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

11 Shares Under Options

At the date of this report there were no unissued ordinary shares of any controlled entity within the Group under option.

12 Loans to Directors and executives

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

13 Insurance and Indemnification of officers

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

14 Non-audit services

BDO was appointed auditor of the Group on 30 November 2009 following the merger and continues in office in accordance with Section 327 of the Corporations Act 2001. Prior to this date Johnston Rorke was the Company's auditor.

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

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

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



Directors' Report (continued)

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

	CONSOLIDATED	
	2010 \$	2009 \$
Taxation services - Johnston Rorke	8,900	19,000
Taxation services - BDO	5,580	-
	14,480	19,650

15 Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on page 59 of the Annual Report.

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



Chris Beare
Chairman
30 August 2010

Financial Statements



Statement of Comprehensive Income

For the year ended 30 June 2010

	NOTES	2010 \$	2009 \$
Revenue and other income			
Service revenue		6,228,983	224,018
Sale of content		3,045,917	5,116,291
Other income	3	221,727	194,767
		<u>9,496,627</u>	<u>5,535,076</u>
Expenses			
Employee benefits		4,464,383	3,197,380
Share-based payments	31	73,059	88,975
Depreciation	9	114,315	87,864
Amortisation of intangibles	10	32,190	324,142
Delivery and hosting costs		3,321,225	135,461
Content costs		913,405	1,473,984
Advertising		64,476	30,512
Occupancy costs		496,461	201,703
Financing costs		10,971	7,361
Professional fees		236,382	141,687
Travel and entertainment		254,599	317,641
Impairment of intangibles	10	-	1,070,431
Foreign exchange losses		31,994	-
Other expenses		281,304	110,974
Total expenses		<u>10,294,764</u>	<u>7,188,115</u>
Profit / (loss) before tax		(798,137)	(1,653,039)
Income tax benefit / (expense)	5	85,442	(1,076,501)
Profit / (loss)		<u>(712,695)</u>	<u>(2,729,540)</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>(712,695)</u>	<u>(2,729,540)</u>
Profit (loss) is attributable to:			
Owners of Mnet Group Limited		(712,583)	(2,729,540)
Non-controlling interest		(112)	-
Total comprehensive income attributable to:			
Owners of Mnet Group Limited		(712,583)	(2,729,540)
Non-controlling interest		(112)	-
		Cents	Cents
Basic and diluted earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company	30	(0.4)	(2.6)

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

Statement of Financial Position

As at 30 June 2010

	NOTES	CONSOLIDATED	
		2010 \$	2009 \$
Current assets			
Cash and cash equivalents		670,374	1,175,414
Trade and other receivables	6	2,589,297	802,966
Other current assets	7	35,178	71,941
Total current assets		3,294,849	2,050,321
Non-current assets			
Trade and other receivables	6	-	222,578
Property, plant and equipment	9	221,212	135,955
Intangible assets	10	5,108,016	-
Deferred tax assets	11	258,562	-
Other non-current assets	8	68,999	-
Total non-current assets		5,656,789	358,533
Total assets		8,951,638	2,408,854
Current liabilities			
Trade and other payables	12	2,446,548	1,311,996
Provisions - current	14	287,766	97,271
Total current liabilities		2,734,314	1,409,267
Non-current liabilities			
Provisions - non-current	14	130,380	62,156
Total non-current liabilities		130,380	62,156
Total liabilities		2,864,694	1,471,423
Net assets		6,086,944	937,431
Equity			
Contributed equity	15	10,540,067	4,863,489
Reserves	16	185,630	151,200
Accumulated losses		(4,638,753)	(4,077,258)
Capital and reserves attributable to the owners of Mnet Group Limited		6,086,944	937,431
Non-controlling interest		-	-
Total equity		6,086,944	937,431

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



Statement of Changes in Equity

For the year ended 30 June 2010

	CONTRIBUTED EQUITY	SHARE-BASED PAYMENT RESERVE	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL	NON- CONTROLLING INTEREST	TOTAL EQUITY
CONSOLIDATED	\$	\$	\$	\$	\$	\$
At 1 July 2008	4,863,489	62,225	(1,347,718)	3,577,996	-	3,577,996
Employee share options	-	88,975	-	88,975	-	88,975
Total comprehensive income	-	-	(2,729,540)	(2,729,540)	-	(2,729,540)
Balance at 30 June 2009	4,863,489	151,200	(4,077,258)	937,431	-	937,431
At 1 July 2009	4,863,489	151,200	(4,077,258)	937,431	-	937,431
Contributions of equity, net of transaction costs	5,668,672	-	-	5,668,672	-	5,668,672
Employee share options	-	73,059	-	73,059	-	73,059
Employee share options on acquisition of subsidiary	-	112,571	-	112,571	-	112,571
Non-controlling interest on acquisition of subsidiary	-	-	-	-	1,405	1,405
Acquisition of non-controlling interest	7,906	-	-	7,906	(1,293)	6,613
Cancelled / forfeited options transferred to accumulated retained earnings (accumulated losses)	-	(151,200)	(151,200)	-	-	-
Total comprehensive income	-	-	(712,695)	(712,695)	(112)	(712,807)
Balance at 30 June 2010	10,540,067	185,630	(4,638,753)	6,086,944	-	6,086,944

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

Statement of Cash flows

For the year ended 30 June 2010

	NOTES	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		7,882,280	5,559,332
Grant received		134,376	142,366
Payments to suppliers and employees		(8,953,600)	(5,979,160)
Income tax paid		(76,655)	(113,136)
Interest received		14,061	29,286
Interest paid		(10,971)	(7,361)
Net cash provided by / (used in) operating activities	29	(1,010,509)	(368,673)
Cash flows from investing activities			
Cash acquired from purchase of subsidiary	25	526,368	-
Proceeds from disposal of plant and equipment		14,237	959
Payments for plant and equipment		(21,299)	(2,746)
Payments for intangible assets		-	(3,000)
Net cash (used in) investing activities		519,306	(4,787)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	-
Payment of share issue costs		(13,837)	-
Net cash provided by financing activities		(13,387)	-
Net increase / (decrease) in cash and cash equivalents			
		(505,040)	(373,460)
Cash and cash equivalents at the beginning of the reporting period		1,175,414	1,548,874
Cash and cash equivalents at the end of the reporting period	29	670,374	1,175,414

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



Notes to the Financial Statements

For the year ended 30 June 2010

1. Summary of significant accounting policies

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

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

Level 1, 50 James Street, Fortitude Valley Qld 4006

The financial statements were authorised for issue on 30 August 2010.

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

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

Adoption of new and revised accounting standards

The Group has adopted all of the new and revised accounting standards which became operative for the current reporting period.

The affected policies and standards are:

- Principles of consolidation - revised AASB 127 Consolidated and Separate Financial Statements and changes made by AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Business combinations - revised AASB 3 Business Combinations
- Segments - new AASB 8 Operating Segments
- Presentation – revised AASB 101 Presentation of Financial Statements

Early adoption of standards

The Group has adopted AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project in the current reporting period, but has not elected to apply early adoption of any other standards to the annual reporting period.

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and Mnet Group Limited (the "Group") as at 30 June 2010 and the results of the Group for the year then ended. Mnet Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

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

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

The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no dividends paid out of pre-acquisition profits.

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

(c) Business combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the statement of comprehensive income. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets. Recognised acquired deferred tax assets will no longer be adjusted to goodwill after the initial acquisition accounting measurement period is over. As a consequence, the recognition of additional deferred tax assets will increase the Group's net profit after tax.



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of m.Net Corporation Limited disclosed in note 25.

Acquisition related costs of \$173,610 were recognised in the statement of comprehensive income. The Group has chosen to recognise the initial non-controlling interest that was held in m.Net Corporation Limited at the time of the acquisition at fair value of \$1,405.

(d) Segment reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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

The consolidated entity operates in one main business segment being the provision of content and services for mobile phones, but has a number of geographical segments (refer to Note 17).

(e) Foreign currency

Functional and presentation currency

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

Foreign currency transactions

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

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

Financial statements of foreign operations

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

Net investment in foreign operations

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

(f) Revenue

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

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

Service revenue is recognised as services are provided in accordance with the relevant service agreement.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

(g) Government grants

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

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

(h) Income tax

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

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

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

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

Tax consolidation legislation

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

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

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

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

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand and short term deposits held at call with financial institutions.

(j) Trade and other receivables

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

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



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

(k) Plant and equipment

Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of plant and equipment have different useful lives they are accounted for as separate items of plant and equipment. Gains or losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are off-set in the statement of comprehensive income.

Subsequent expenditure

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

Depreciation

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

- Plant and equipment 2 – 20 years

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

(l) Intangible assets

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

Amortisation

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

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

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

Research and development

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

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

(m) Impairment of assets

Goodwill which has an indefinite useful life is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Financial assets

Classification

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

Loans and receivables

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

(o) Fair value measurement

Investments are initially measured at fair value net of transaction costs.

The carrying value of current receivables and payables are assumed to approximate their fair values due to their short term nature.

(p) Trade and other payables

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

(q) Provisions

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

(r) Employee benefits

Wages, salaries, annual leave

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

Long-term service benefits

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

(s) Share-based payment transactions

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



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

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

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

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

(t) Contributed equity

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

(u) Dividends

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(w) Goods and services tax (GST)

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

(x) Leases

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

(y) Financial instruments

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

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

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2010, are as follows:

STANDARD/INTERPRETATION	APPLICATION DATE*	APPLICATION DATE FOR THE GROUP*
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	1 Jan 2010	1 Jul 2010
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issue	1 Jan 2011	30 Jun 2011
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 Jan 2012	30 Jun 2012
AASB 9 Financial Instruments	1 Jan 2014	30 Jun 2014
AASB 124 Related Party Disclosures	1 Jan 2012	30 Jun 2012
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 Jan 2011	30 Jun 2011

* Application date is for annual reporting periods beginning on or after the date shown in the above table.

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

- AASB 2009-8 introduces amendments to incorporate the requirements previously included in Interpretation 8 and Interpretation 11. The amendments require an entity that receives goods and services in share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments are not expected to have any significant impact on the financial statements.
- AASB 2009-10 clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to have any impact on the financial statements.
- AASB 2009-14 removes an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments require retrospective application; however they are not expected to have any impact on the financial statements.
- AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The standard is not expected to have any significant impact on the financial statements.
- AASB 124 simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will require retrospective application. This interpretation is not expected to have any significant impact on the financial statements.



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

2. Critical accounting estimates and judgements

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

Intangibles

During the 2010 financial year the carrying values of intangible assets were considered in terms of their estimated fair value. There were two categories of intangibles; software licences, which consists of Campaign Mobile and Goodwill. The carrying value of Campaign Mobile was assessed and it was determined that no impairment adjustment was required. Goodwill was estimated to be held at fair value following the acquisition of m.Net Corporation Limited (refer to note 10 for further details).

Ongoing operations

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

The Directors expect that the Group will continue to build on the improved financial performance that it reported in the second half of the 2010 financial year. The Group's budget for the 2011 financial year reflects a significant improvement in earnings, particularly as a result of a general increase in interest in the Group's mobile solutions business. The Directors are confident that, on the basis of current contracts and the increase in demand for mobile services, the Group's financial results will continue to improve in the 2011 financial year.

	CONSOLIDATED	
	2010 \$	2009 \$
3. Other income		
Government grants	134,376	142,366
Interest:		
Imputed interest on loans to key management personnel (note 20)	23,307	21,098
Other	14,061	29,286
Other Income	49,983	2,017
	221,727	194,767
4. Expenses		
Superannuation expenses	286,400	210,669
Rental expenses	274,106	79,129
(Gain)/loss on disposal of fixed assets	(6,444)	1,158

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010 \$	2009 \$
5. Income tax		
<i>Income tax expense</i>		
Current tax benefit/ (expense)	(76,655)	147,186
Deferred tax benefit relating to origination and reversal of temporary differences	162,097	316,055
	85,442	463,241
Deferred tax no longer recognised	-	(1,539,742)
Income tax (expense)/benefit	85,442	(1,076,501)
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
(Loss) from operations before income tax expense	(798,137)	(1,653,039)
Tax at the Australian tax rate of 30% (2009: 30%)	239,441	495,912
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Share based payments	(21,918)	(26,693)
Research and development	-	13,247
Foreign income tax credit not recoverable	(76,655)	-
Other	(12,751)	(19,225)
Income tax (expense)/benefit	128,117	463,241
Prior period net deferred tax assets (written off)/now recognised	41,725	(963,365)
Current net deferred tax assets written off	(84,400)	(576,377)
Income tax (expense)/benefit	85,442	(1,076,501)
<i>Amounts recognised directly in equity</i>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – credited directly to equity (note 11)	-	-



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

5. Income tax (continued)

	CONSOLIDATED	
	2010	2009
	\$	\$
<i>Tax Losses</i>		
Tax losses for which no deferred tax asset has been recognised	4,473,516	4,192,183
Tax losses for which no deferred tax asset has been recognised from business acquisition	10,983,867	-
	15,457,383	4,192,183
Tax benefit at 30%	4,637,215	1,257,655
<i>Unrecognised temporary differences</i>		
Unrecognised temporary differences for which no net deferred tax asset has been recognised attributable to:		
Amortisation of share issue expense	-	87,164
Employee benefits	-	47,828
Accruals	-	16,532
Sundry items	-	2,412
Intangible assets	-	128,152
Net temporary differences not recognised	-	282,088

Tax consolidation legislation

Management is confident of future taxable profits, therefore a net deferred tax asset of \$258,562 has been recognised for the Consolidated Group for the current year.

Losses prior to the merger have not been recognised for the consolidated group due to the inherent uncertainty of satisfying the Continuity of Ownership Test and Same Business Test.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010 \$	2009 \$
6. Trade and other receivables		
Current		
Trade and other debtors	2,058,134	114,923
Loans to key management personnel	245,885	-
Unbilled income	285,278	688,043
	2,589,297	802,966
Non-current		
Loans to key management personnel	-	222,578
	-	222,578

At 30 June 2010 no trade debtors or unbilled income was assessed as impaired. Trade debtors of \$653,392 (2009: \$17,726) were past due but not impaired. These relate to a number of customers with no recent history of default. The Group does not hold any collateral in relation to these receivables.

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

1 month	357,236	14,682
2 months	122,590	2,973
3 months and greater	173,566	71
	653,392	17,726

Loans to key management personnel

In accordance with the terms and conditions of the grant of 10 million options to Ben Grootemaat, which were exercised before 30 June 2007, payment of the \$250,000 exercise price (of 2.5 cents per share) has been treated as a loan carried at amortised cost based on a discount rate of 10%. This loan is due to be repaid in August 2010, and has therefore become a current asset during the financial year – refer to note 20 for further information.

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is provided in note 18.

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 18 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

7. Other current assets

Prepayments	35,178	71,941
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Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
8. Other non-current assets		
Prepayments	30,000	-
Security deposit	38,999	-
	68,999	-
9. Property, plant and equipment		
Plant and equipment – at cost	531,836	342,988
Accumulated depreciation	(310,624)	(207,033)
Carrying amount	221,212	135,955
<i>Movements in the carrying amounts of plant and equipment are set out below:</i>		
Balance at beginning of year	135,955	223,190
Additions	21,299	2,746
Acquisitions through business combination	188,848	-
Disposals/write down in value	(10,575)	(2,117)
Depreciation	(114,315)	(87,864)
Balance at end of year	221,212	135,955
10. Intangible assets		
Website development – at cost	432,260	432,260
Accumulated amortisation and impairment	(432,260)	(432,260)
	-	-
Systems development – at cost	1,380,640	1,380,640
Accumulated amortisation and impairment	(1,380,640)	(1,380,640)
	-	-
Content – at cost	894,978	894,978
Accumulated amortisation and impairment	(894,978)	(894,978)
	-	-
Software licences – at cost	445,203	-
Accumulated amortisation and impairment	(32,190)	-
	413,013	-
Software licences relate to the capitalised cost of developing the Group's mobile campaign management platform which is estimated to have a remaining useful life of 8 years.		
Goodwill – at cost	4,695,003	-
	4,695,003	-

Goodwill resulted from the purchase of the shares of m.Net Corporation Limited which is a separate cash generating unit. The recoverable amount of the cash-generating unit above is based on value in use calculations.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
10. Intangible assets (continued)		
Value in use is based on the present value of cash flow projections over a 5 year period. These cash flow projections have a compound annual growth rate of 20% and are discounted at a rate of 15%.		
Total intangible assets	5,108,016	-
<i>Movements in intangible assets during the year were as follows:</i>		
<i>Website development</i>		
Balance at beginning of year	-	157,664
Amortisation	-	(49,036)
Impairment	-	(108,628)
Balance at end of year	-	-
<i>Systems development</i>		
Balance at beginning of year	-	1,013,203
Amortisation	-	(216,265)
Impairment	-	(796,938)
Balance at end of year	-	-
<i>Content</i>		
Balance at beginning of year	-	220,706
Additions	-	3,000
Amortisation	-	(58,841)
Impairment	-	(164,865)
Balance at end of year	-	-
<i>Software licences</i>		
Balance at beginning of year	-	-
Acquisition through business combination	445,203	-
Amortisation	(32,190)	-
Balance at end of year	413,013	-
<i>Goodwill</i>		
Balance at beginning of year	-	-
Acquisition through business combination	4,695,003	-
Balance at end of year	4,695,003	-

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

Goodwill has an infinite life and is allocated to cash-generating units which are based on the Group's reporting segments. Currently the Group has only one reporting segment and one cash-generating unit.



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
11. Deferred tax assets		
Amortisation of share issue expense	56,067	-
Employee benefits	125,444	-
Accruals	36,036	-
Capital raising costs	50,770	-
Unrealised foreign exchange	9,710	-
Sundry items	1,235	-
Tax losses	107,083	-
Total deferred tax assets	386,345	-
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(127,783)	-
Net deferred tax assets	258,562	-

Movements in carrying value:

At beginning of period	-	1,208,159
Credited/(charged) to the statement of comprehensive income	289,880	(1,208,159)
Acquisition through business combination	96,464	-
Tax withheld by customers	-	-
At end of year	386,345	-

12. Trade and other payables

Trade and other payables	2,446,548	1,311,996
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Trade and other payables are generally unsecured, non-interest bearing and paid in cash within 30-60 days of recognition.

Information about the Group's exposure to foreign exchange risk is provided in note 18.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

	CONSOLIDATED	
	2010 \$	2009 \$
13. Deferred tax liability		
Deferred tax liability	127,783	-
The balance comprises temporary differences attributable to:		
Intangible assets	127,783	-
Total deferred tax liabilities	127,783	-
Set off of deferred tax assets pursuant to set-off provisions (note 11)	(127,783)	-
Net deferred tax liabilities	-	-
<i>Movements in carrying value:</i>		
At beginning of period	-	244,794
(Credited)/charged to the statement of comprehensive income	127,783	(244,794)
Credited directly to equity	-	-
At end of year	127,783	-
14. Provisions		
<i>Current</i>		
Employee benefits	287,766	97,271
<i>Non-current</i>		
Employee benefits	130,380	62,156
15. Contributed equity		
<i>Share capital</i>		
208,788,584 (2009: 105,326,482) fully paid ordinary shares	10,540,067	4,863,489

The movement in fully paid ordinary shares for 2009 and 2010 is reconciled as follows:

DETAILS	NOTES	NO. OF SHARES	CONSOLIDATED ENTITY \$
Balance as at 1 July 2008		105,326,482	4,863,489
Balance as at 30 June 2009		105,326,482	4,863,489
Shares issued on acquisition of m.Net Corporation Limited	(a)	103,318,354	5,682,509
Shares issued on acquisition of non-controlling interest held in m.Net Corporation Limited	(b)	143,748	7,906
Share issue costs (net of tax)			(13,837)
Balance as at 30 June 2010		208,788,584	10,540,067



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

15. Contributed equity (continued)

There were no movements in share capital in the year ended 30 June 2009. For the year ended 30 June 2010 the movements were:

- (a) On 30 October 2009 the parent entity issued 103,318,354 ordinary shares at 5.5 cents per share to acquire m.Net Corporation Limited.
- (b) On 24 December 2009 the parent entity issued 143,748 ordinary shares at 5.5 cents per share to acquire the non-controlling interest.

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

Options

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

NO. OF OUTSTANDING OPTIONS		NO. OF OPTIONS VESTED		EXERCISE PRICE	EXPIRY DATE
2010	2009	2010	2009		
2,018,484	-	2,018,484	-	4.9 cents	28 September 2015
784,080	-	490,003	-	9.7 cents	28 November 2017
2,393,796	-	748,037	-	12.4 cents	3 March 2019
6,795,360	-	1,081,080	-	5.1 cents	3 October 2014
1,800,000	-	2,813	-	8.8 cents	7 December 2014
13,791,720	-	4,340,417	-		

The options were issued to employees under the Mercury Mobility Limited Employee Share Option Plan.

Capital Management

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

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

16. Reserves

	CONSOLIDATED	
	2010 \$	2009 \$
<i>Share-based payments reserve</i>		
Balance at beginning of year	151,200	62,225
Options vested during the year	73,059	-
Options issued and vested on acquisition of subsidiary	112,571	-
Options cancelled during the year	-	88,975
Transfer from reserve to retained earnings	(151,200)	-
Balance at end of year	185,630	151,200

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

17. Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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

The consolidated entity operates in one main business segment being the provision of content and services for mobile phones.

The Group is also organised into geographical regions and reports on that basis below. The Group operates predominantly in Australia (head office), New Zealand, Canada and the USA. There were no intersegment transfers in the reporting period.

Secondary reporting format – geographical segments

	SEGMENT REVENUES/OTHER INCOME		SEGMENT ASSETS	
	2010 \$	2009 \$	2010 \$	2009 \$
Australia	7,532,641	2,741,546	8,271,509	1,913,228
New Zealand	682,833	1,218,710	99,486	193,188
Canada	1,068,513	1,556,629	235,530	300,722
USA	120,763	-	138,245	-
Other	91,877	18,191	44,771	1,716
Total	9,496,627	5,535,076	8,789,541	2,408,854
Unallocated assets			162,097	-
Total assets			8,951,638	2,408,854

Acquisition of non-current assets, comprising plant and equipment and intangible assets, are located in Australia.

Accounting policies

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

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Major customers

The Group has a number of major customers to whom it provides both content and services. During the 2010 year three customers each generated more than 10% of the gross revenue, accounting for 44% of total gross revenue.

18. Financial risk management

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



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

18. Financial risk management (continued)

Market risk

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

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

	30-JUN-10					30-JUN-09				
	NZD \$	CAD \$	GBP £	EUR €	USD \$	NZD \$	CAD \$	GBP £	EUR €	USD \$
Deposits held at call	0	0	290	51	98,510	-	-	-	-	-
Trade and other receivables	159,135	302,091	2,684	791	165,600	240,104	279,533	72	898	-
Trade payables	(43,482)	(279)	0	0	(2,500)	(76,889)	(43)	-	-	(10,077)

Group sensitivity

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against other currencies with all other variables held constant, the Group's post-tax loss for the year would have shown negligible movements for each of the reporting periods.

Credit risk

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

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

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

Liquidity risk

The Group manages liquidity risk by continuously monitoring forecasted cash flow. The Group had \$670,374 of cash and cash equivalents at 30 June 2010 and no borrowings and has not sought access to undrawn debt facilities. The Group's net working capital position at that date, measured in terms of current assets less current liabilities, was \$561,535.

Fair value estimation	\$
Financial Assets	
• Cash and cash equivalents	670,374
• Trade and other receivables	2,589,297
Financial Liabilities	
• Trade and other payables	2,446,548

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

19. Dividends

No other dividends have been paid or declared during the period (2009: nil).

	CONSOLIDATED	
	2010 \$	2009 \$
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-
	-	-

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

- Franking credits that will arise from the payment of the amount of the provision for income tax;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

20. Key management personnel disclosures

Directors

The following persons were Directors of Mnet Group Limited during the financial year (1 July 2009 to 30 June 2010):

- Chris Beare (Chairman – non-executive, appointed 6 November 2009)
- Alexander Beard (Director – non-executive)
- Mel Brookman (Director – non-executive)
- Andrew Butterworth (Director – non-executive, appointed 6 November 2009)
- Ross Fielding (Director – non-executive, appointed 6 November 2009)
- Bruno Fiorentini Jnr (Director – non-executive, appointed 6 November 2009)
- Ben Grootemaat (Director – executive to 31 December 2009, non-executive from 1 January 2010)

Alternate Directors

- Paul Doueih (non-executive for Mr Andrew Butterworth, appointed 1 February 2010)

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

NAME	POSITION	FROM	TO
Horden Wiltshire	Chief Executive Officer	30 Oct 2009	current
Stephen Doyle	Chief Financial Officer	1 Jul 2009	6 Nov 2009
Robert Humphreys	Chief Operations Officer	30 Oct 2009	current
Luigi Iuliano	Chief Technical Officer	30 Oct 2009	current
Paul Paoliello	Chief Operating Officer	1 Jul 2009	30 Oct 2009
	Chief Sales & Marketing Officer	30 Oct 2009	current
Barry Porter	Chief Financial Officer	30 Oct 2009	current



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

20. Key management personnel disclosures (continued)

	CONSOLIDATED	
	2010 \$	2009 \$
Key management personnel compensation		
Short-term employee benefits	509,258	521,092
Post-employment benefits	43,260	41,235
Long-term benefits	27,294	8,142
Termination benefits	101,916	-
Share-based payments	73,059	88,975
	754,787	659,444

The Group has transferred the detailed remuneration disclosures to the Directors' report.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section 10 of the Directors' report.

Option holdings

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

2010 NAME	BALANCE AT THE START OF THE YEAR	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS CANCELLED	OPTIONS EXPIRED	BALANCE AT THE END OF THE YEAR
Directors						
Chris Beare	-	-	-	-	-	-
Alexander Beard	-	-	-	-	-	-
Mel Brookman	-	-	-	-	-	-
Andrew Butterworth	-	-	-	-	-	-
Paul Doueihy	-	-	-	-	-	-
Ross Fielding	-	-	-	-	-	-
Bruno Fiorentini Jnr	-	-	-	-	-	-
Ben Grootemaat	-	-	-	-	-	-
Ben Loiterton	-	-	-	-	-	-
Other key management personnel						
Horden Wiltshire	-	5,173,883	-	-	-	5,173,883
Stephen Doyle	-	-	-	-	-	-
Robert Humphreys	-	2,099,505	-	-	-	2,099,505
Luigi Iuliano	-	1,472,894	-	-	-	1,472,894
Paul Paoliello	-	1,800,000	-	-	-	1,800,000
Barry Porter	-	3,245,438	-	-	-	3,245,438
	-	13,791,720	-	-	-	13,791,720

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

20. Key management personnel disclosures (continued)

2009	BALANCE AT THE START OF THE YEAR	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS CANCELLED	OPTIONS EXPIRED	BALANCE AT THE END OF THE YEAR
NAME						
<i>Directors</i>						
Alexander Beard	-	-	-	-	-	-
Mel Brookman	-	-	-	-	-	-
Ben Grootemaat	-	-	-	-	-	-
Ben Loiterton	-	-	-	-	-	-
<i>Other key management personnel</i>						
Stephen Doyle	800,000	-	-	(800,000)	-	-
Paul Paoliello	800,000	-	-	(800,000)	-	-
	1,600,000	-	-	(1,600,000)	-	-

Share holdings

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

2010	BALANCE AT THE START OF THE YEAR	OPTIONS EXERCISED	SHARES ISSUED	OTHER CHANGES	BALANCE AT THE END OF THE YEAR
NAME					
<i>Directors</i>					
Chris Beare	-	-	-	-	-
Alexander Beard	150,000	-	-	80,000	230,000
Mel Brookman	7,786,109	-	-	2,359	7,788,468
Andrew Butterworth	-	-	-	-	-
Paul Doueih	-	-	-	-	-
Ross Fielding	-	-	-	-	-
Bruno Fiorentini Jnr	-	-	-	-	-
Ben Grootemaat	10,001,321	-	-	-	10,001,321
Ben Loiterton	20,000	-	-	(20,000)	-
<i>Other key management personnel</i>					
Horden Wiltshire	-	-	1,889,437	-	1,889,437
Stephen Doyle	-	-	-	-	-
Robert Humphreys	-	-	255,741	-	255,741
Luigi Iuliano	-	-	137,737	-	137,737
Paul Paoliello	-	-	-	-	-
Barry Porter	-	-	767,549	-	767,549
	17,957,430	-	3,050,464	62,359	21,070,253



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

20. Key management personnel disclosures (continued)

2009 NAME	BALANCE AT THE START OF THE YEAR	SHARES ISSUED DURING THE PERIOD			BALANCE AT THE END OF THE PERIOD
		OPTIONS EXERCISED	BALANCE AT RESIGNATION	OTHER CHANGES	
<i>Directors</i>					
Alexander Beard	150,000	-	-	-	150,000
Mel Brookman	7,786,109	-	-	-	7,786,109
Ben Grootemaat	10,001,321	-	-	-	10,001,321
Ben Loiterton	20,000	-	-	-	20,000
<i>Other key management personnel</i>					
Stephen Doyle	-	-	-	-	-
Paul Paoliello	-	-	-	-	-
	17,957,430	-	-	-	17,957,430

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

Loans to key management personnel

A loan of \$250,000 was provided to Ben Grootemaat on 28 June 2007 on exercise of the 10 million options (at 2.5 cents per share) in accordance with the terms and conditions when the options were granted. The loan is due to be repaid in August 2010 or earlier if circumstances arise. No interest has been charged in respect of the loan as interest is only payable to the amount of any dividends paid during the term of the loan in respect to these shares. The loan is unsecured although the company is entitled to sell the shares and apply the proceeds against the loan if the loan is not repaid on the due date.

The loan was recorded at cost less an imputed interest amount of \$69,125 over the life of the loan— refer to note 6. The imputed interest is being recognised as revenue over the term of the loan – see note 3.

Other transactions with key management personnel

Joanne Plozza, the wife of Ben Grootemaat was an employee of Mercury Mobility (Australia) Pty Ltd and was employed on normal commercial terms and conditions during the 2010 financial year.

Chairman, Chris Beare, received Director's fees totalling \$16,000 from the Group during the 2010 financial year.

A number of key management personnel hold positions in other entities that result in them having influence over the financial and/or operating policies of those entities. The aggregate value of transactions with entities over which key management personnel have control of significant influence were as follows:

- Alexander (Sandy) Beard, is the Managing Director of CVC Limited. The Group entered into a contract with CVC Limited in 2009 for the provision of professional services on normal commercial terms. During the 2010 financial year the Group incurred costs of \$8,333 to CVC Limited in respect of professional services on normal commercial terms, which remain payable at reporting date (2009: \$25,709).
- During the financial year the Group paid Telstra Corporation for SMS and IVR services, rental of spectrum and accommodation for its network equipment and mobile phone expenses used in the course of its operations. The expense incurred by the Group for 2010 totalled \$132,965 (2009: nil). The Group also received revenue of \$1,792,635 (2009: \$63,438) for various mobile services provided to the company. Ross Fielding, is a senior executive with Telstra Corporation. All amounts billed were based on normal market rates for such supplies and were due and payable under normal payment terms.
- The Group has an agreement with Yahoo!7 to provide mobile services. Revenue of \$271,791 was received for the 2010 year (2009: nil). The Group also rents office accommodation from Yahoo!7. Rental expenses for the 2010 year totalled \$90,605 (2009: nil). Bruno Fiorentini was a senior executive of Yahoo!7. All amounts paid to and charged by Yahoo!7 are based on normal market rates for such services and were due and payable under normal payment terms.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

20. Key management personnel disclosures (continued)

The terms and conditions of the transactions with key management personnel and their related parties were based on normal commercial terms and conditions and were no more favourable than those available, or which might reasonably be expected to be available for similar transactions incurred on an arm's length basis.

21. Remuneration of auditors

BDO was appointed auditor of Mnet Group Limited on 30 November 2009. Prior to this date Johnston Rorke were the Group's auditor. The following fees were paid or payable for the following services:

	CONSOLIDATED	
	2010 \$	2009 \$
Audit services		
Audit and review of financial reports – Johnston Rorke	28,000	51,000
Audit and review of financial reports – BDO	15,000	-
Total remuneration for audit services	43,000	51,000
Non-audit services		
Taxation services – Johnston Rorke	8,900	19,650
Taxation services – BDO	-	-
Total remuneration for non-audit related services	8,900	19,650

22. Contingent asset and liabilities

The Group does not have any significant contingent assets or liabilities.

23. Commitments

Non-cancellable operating leases:

Office rental commitments

Within one year	354,136	-
Later than one year but not later than five years	172,883	-
Later than five years	-	-
	527,019	-

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

Equipment rental commitments

Within one year	69,989	3,204
Later than one year but not later than five years	75,923	6,833
Later than five years	-	-
	145,912	10,037

The Group has entered into short-term equipment rental agreements for various office equipment and computer servers. Generally these agreements require rent paid monthly in advance and are for periods of between 2-5 years.



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

24. Related party transactions

Parent entities and controlled entities

The parent entity of the Group is Mnet Group Limited. The subsidiaries and controlled entities are set out in note 27. Transactions between Mnet Group Limited and its subsidiaries during the year include the following:

1. Loans advanced to subsidiaries during the period. Inter-group balances are interest free, unsecured with no set repayment terms and are repayable in cash.
2. Transactions between the Company and its wholly-owned controlled entities in accordance with the tax funding agreement.

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

25. Business Combination

On 31 October 2009 Mnet Group Limited acquired 99.86% of the issued shares in m.Net Corporation Limited, a provider of mobile phone solutions, for equity consideration of 103,318,354 shares. The acquisition is expected to enable the Group to provide a full range of mobile solutions and reduce cost through economies of scale.

Details of net assets acquired and goodwill are as follows:

	\$
Purchase consideration	
Add: 103,318,354 Mnet Group Limited ordinary shares	5,682,509
Add: Proportion of acquisition date fair value of options issued relating to pre-combination service	112,571
Total purchase consideration	<u>5,795,080</u>
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	526,368
Trade and other receivables	721,535
Other current assets	149,846
Property, plant and equipment	188,848
Intangible assets	445,203
Deferred tax assets	96,464
Other non-current assets	97,500
Trade and other payables	(822,096)
Provisions-current	(215,109)
Provisions-non-current	(80,466)
Net identifiable assets acquired	<u>1,108,093</u>
Less: non-controlling interest	(1,405)
Add: Goodwill	4,688,392
	<u>5,795,080</u>

The goodwill is attributable to the synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

Acquisition-related costs of \$173,610 are included in professional fees and other expenses in the statement of comprehensive income.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

25. Business Combination (continued)

Acquired Receivables

Identifiable assets acquired include trade and other receivables of \$721,535.

Share based payment replacement award

As part of the business combination exercisable options valued at \$112,571 were issued to m.Net Corporation employees. These options were valued using a binomial option pricing model.

Revenue and profit contribution

The acquired business contributed revenues of \$6,044,046 and net profit of \$326,511 to the Group for the period from 1 November 2009 to 30 June 2010. If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated loss for the year would have been \$11,610,084 and \$978,872 respectively.

The assets and liabilities arising from the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT \$	FAIR VALUE \$
Cash and cash equivalents	526,368	526,368
Trade and other receivables	721,535	721,535
Other current assets	149,846	149,846
Property, plant and equipment	188,848	188,848
Intangible assets	445,203	445,203
Deferred tax assets	3,391,624	96,464
Other non-current assets	97,500	97,500
Trade and other payables	(822,096)	(822,096)
Provisions-current	(215,109)	(215,109)
Provisions-non-current	(80,466)	(80,466)
Net assets	4,403,253	1,108,093
Non-controlling interests (measured at the proportionate share of the acquiree's identifiable net assets)		(1,405)
Net identifiable assets acquired		1,106,688

Management has determined that there is significant doubt about the Group's ability to utilise the deferred tax assets of m.Net Corporation Limited. Accordingly, the net deferred tax asset of \$3,391,624 has not been recognised as part of the fair value of the net assets acquired

26. Parent Entity

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

	PARENT ENTITY	
	2010 \$	2009 \$
Statement of comprehensive income		
Income	23,307	520,926
Expenses	4,899,370	11,910,348
Total profit/(loss)	(4,876,063)	(13,782,352)
Total comprehensive income	(4,876,063)	(13,782,352)



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

26. Parent Entity (continued)

	ACQUIREE'S CARRYING AMOUNT \$	FAIR VALUE \$
Statement of financial position		
Current assets	245,885	34,026
Non-current assets	6,258,068	5,478,075
Total assets	6,503,953	5,512,101
Current liabilities	119,696	113,988
Non-current liabilities	-	-
Total liabilities	119,696	113,988
Net assets	6,384,257	5,398,113
Issued capital	26,436,063	20,759,485
Retained earnings/(losses)	(20,237,436)	(15,512,572)
Reserves	185,630	151,200
Total equity	6,384,257	5,398,113

Guarantees

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

Contractual commitments

As at 30 June 2010 the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment (2009: nil).

27. Subsidiaries

The consolidated financial statements include the financial statements of Mnet Group Limited and the subsidiaries listed in the following table, in accordance with the accounting policy described in note 1(b).

	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING	
			2010 %	2009 %
Mercury Mobility (Australia) Pty Ltd		Australia	100	100
m.Net Corporation Limited	(a)	Australia	100	-
Mercury Mobility Canada Incorporated		Canada	100	100
Mercury Mobility Europe Limited	(b)	United Kingdom	n/a	100

- a) On 30 October 2009 the Company issued 103,318,354 new ordinary shares to eligible m.Net Corporation Limited shareholders (on the basis of 65.34 new Mercury Mobility Limited shares for 1 m.Net Corporation Limited share) and the respective m.Net Corporation Limited shares were transferred to Mercury Mobility Limited accordingly. As at 31 October 2009, Mercury Mobility Limited held 99.86% of the m.Net Corporation Limited ordinary shares on issue. Following the acquisition, Mercury Mobility Limited changed its name to Mnet Group Limited.

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

27. Subsidiaries (continued)

On 24 December 2009 the Company issued a further 143,748 shares to Lunaria International Pty Ltd in order to acquire the equity interest held by the non-controlling interest.

- b) Mercury Mobility Europe Limited was incorporated on 20 June 2006 and deregistered on 27 October 2009. It was a 100% wholly owned subsidiary of Mercury Mobility (Australia) Pty Ltd.

28. Subsequent Events

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the Group operations in future financial years, or the results of those operations in future financial years, or the Group's state of affairs in future financial years.

29. Cash flow information

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

	CONSOLIDATED	
	2010 \$	2009 \$
Loss for the year	(712,695)	(2,729,540)
Depreciation and amortisation	146,505	412,006
Non-cash employee benefits expense-share based payments	(73,059)	88,975
Non-cash interest accrued	(23,307)	(21,098)
Impairment of intangibles	-	1,070,431
Disposal of fixed assets	3,594	2,117
(Gain)/loss on disposal of fixed assets	(10,038)	(959)
(Increase)/decrease in trade and other debtors	1,609,444	76,865
(Increase)/decrease in deferred tax	(162,098)	963,365
(Increase)/decrease in prepayments	(36,763)	7,015
Increase/(decrease) in trade creditors	(1,134,551)	(255,718)
Increase/(decrease) in provisions	(258,719)	17,868
Net cash inflow (outflow) from operating activities	(1,010,509)	(368,673)
<i>Non-cash investing and financing activities</i>		
Options issued to key management personnel	73,059	88,975
Shares issued to employees	-	-
Shares issued to acquire subsidiaries	5,690,415	-
	5,763,474	88,975
<i>Cash and cash equivalents</i>		
Cash at bank and in hand	634,162	1,175,414
Short term bank deposits	36,212	-
	670,374	1,175,414



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

30. Earnings per share

	CONSOLIDATED	
	2010	2009
Basic earnings (loss) per share	(0.4) ¢	(2.6) ¢
Diluted earnings (loss) per share	(0.4) ¢	(2.6) ¢
Reconciliation of earnings used in calculating earnings per share		
Profit/(loss) after tax used in the calculation of basic and diluted earnings per share	(\$712,695)	(\$2,729,540)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share		
	173,618,548	105,326,482

31. Share-based payments

Directors and Executive Option Plan

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2010

31. Share-based payments (continued)

Share options

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

2010

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR
6 Nov 09	28 Sep 15	4.85	-	2,018,484	-	-	-	2,018,484
6 Nov 09	28 Nov 17	9.70	-	784,080	-	-	-	784,080
6 Nov 09	3 Mar 19	12.40	-	2,393,796	-	-	-	2,393,796
6 Nov 09	3 Oct 14	5.10	-	6,795,360	-	-	-	6,795,360
30 Jun 10	7 Dec 14	8.80	-	1,800,000	-	-	-	1,800,000
			-	13,791,720	-	-	-	13,791,720

Weighted average exercise price 7.1 cents.

2009

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR
12 Oct 07	11 Oct 09	30¢	300,000	-	-	(300,000)	-	-
12 Oct 07	11 Oct 10	40¢	500,000	-	-	(500,000)	-	-
12 Oct 07	11 Oct 11	50¢	800,000	-	-	(800,000)	-	-
			1,600,000	-	-	(1,600,000)	-	-

Weighted average exercise price 43.0 cents.

No options expired during the periods covered by the above tables. In 2009 all remaining unexercised options were cancelled. The weighted average remaining contractual life of share options outstanding at 30 June 2010 was 5.37 years (2009: nil). At 30 June 2010, 4,340,417 options were outstanding, had vested and were exercisable (2009: nil).

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

The model inputs for the valuation of the options granted during the 2010 financial year were as follows:

Grant Date	6 Nov 09	30 Jun 10
Share price at grant date	8.5 cents	8.8 cents
Expected price volatility of the Company's shares	20%	20%
Expected dividend yield	0%	0%
Risk free interest rate	5.62%	5.33%



Notes to the Financial Statements (continued)

For the year ended 30 June 2010

31. Share-based payments (continued)

Employee share plan

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

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

No shares were issued to participants in 2010 (2009: nil).

Expenses arising from share-based payment transactions

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

	CONSOLIDATED	
	2010 \$	2009 \$
Options issued under employee option plan	73,059	88,975
Shares issued under employee share scheme	-	-
	73,059	88,975

Directors' Declaration

For the year ended 30 June 2010

The Directors of the company declare that:

1. In the opinion of the Directors the attached financial statements and notes:
 - (a) comply with the International Financial Reporting Standards as stated in note 1 to the financial statements; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.
2. The Directors have been given the declarations required by s295A of the Corporations Act 2001; and
3. In the Directors' opinion there are reasonable grounds to believe that Mnet Group Limited will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures in the remuneration report comply with s 300A of the Corporations Act 2001.

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



Christopher Beare
Chairman and Director
30 August 2010



Alexander Beard
Director
30 August 2010



Auditor's Independence Declaration

For the year ended 30 June 2010



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AUDITOR'S INDEPENDENCE DECLARATION

Under s307C of the Corporations Act 2001

To the Directors of Mnet Group Limited and Controlled Entities

As lead auditor of Mnet Group Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold

Partner

BDO (SA)

Chartered Accountants

30 August 2010

BDO (SA) ABN 68 506 530 045 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO (SA) and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independent Audit Report

For the year ended 30 June 2010



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INDEPENDENT AUDITOR'S REPORT

To the members of Mnet Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Mnet Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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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Independent Audit Report (continued)

For the year ended 30 June 2010



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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Mnet Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 pages 12 to 18 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Mnet Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'BDO'.

BDO (SA)

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Partner

Dated 30 August 2010

Shareholder information

The shareholder information set out below was applicable as at 27 August 2010.

Distribution of equity securities

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

		CLASS OF EQUITY SECURITY ORDINARY SHARES	
		Holders	Shares
1 -	1,000	330	154,007
1,001 -	5,000	1,026	2,650,134
5,001 -	10,000	465	3,342,490
10,001 -	100,000	427	10,442,186
100,001 -	and over	70	192,198,767
		2,318	208,788,584

There were 1,860 holders of less than a marketable parcel of ordinary shares.

Equity securities holders

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

NAME	ORDINARY SHARES NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1 Yahoo! Digital Media (Content) Pty Ltd	32,268,028	15.46%
2 Alcatel-Lucent Australia Limited	31,828,486	15.24%
3 Telstra Corporation Ltd	26,647,612	12.76%
4 CVC Limited	25,467,307	12.20%
5 Mr Ben Grootemaat	10,001,321	4.79%
6 Stinoc Pty Ltd	8,155,807	3.91%
7 Melambrook Pty Ltd	7,786,109	3.73%
8 Trojan Equity Limited	5,360,000	2.57%
9 Bywater Investments Limited	4,293,867	2.06%
10 Hesley Consultants Limited	3,578,222	1.71%
11 Wenola Pty Limited <Pension Fund A/C>	3,217,011	1.54%
12 Starrison Pty Ltd	3,154,235	1.51%
13 Austereo Pty Ltd	2,342,178	1.12%
14 Chemical Trustee Ltd	2,325,844	1.11%
15 Tup Pty Ltd <J Gibbs S/F A/C>	2,285,432	1.09%
16 William Horden Wiltshire	1,889,437	0.90%
17 Yardley Holdings Limited	1,476,017	0.71%
18 Karidis Corporation Limited	1,414,415	0.68%
19 University Of South Australia	1,129,794	0.54%
20 North Balwyn Pty Ltd <Tobin Property A/C>	1,100,000	0.53%
Total percentage of issued shares	175,721,122	84.16%



Shareholder information (continued)

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
<i>Options issued under the Mercury Mobility Directors and Executive Share and Option Plan to take up ordinary shares</i>	13,791,720	5

Substantial holders in the company are set out below

NAME	ORDINARY SHARES NUMBER HELD	PERCENTAGE OF ISSUED SHARES
CVC Limited	33,623,114	16.10%
Yahoo! Digital Media (Content) Pty Ltd	32,268,028	15.46%
Alcatel-Lucent Australia Limited	31,828,486	15.24%
Telstra Corporation Ltd	26,647,612	12.76%

Voting rights

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

- (a) Ordinary shares
 - On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
 - No voting rights



MNETGROUP