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Preliminary Final Report of MobileActive Limited for the Financial Year Ended 30 June 2010

(ACN 089 805 416)

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

Current Reporting Period:	Financial Year Ended 30 June 2010
Previous Corresponding Period:	Financial Year Ended 30 June 2009

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit		Percentage change		Amount $
Revenue from ordinary activities	down	9.1%	to	12,073,073
Earnings before interest, depreciation, and amortisation	down	3.7%	to	1,392,424
Profit from ordinary activities before tax attributable to members	down	56.3%	to	141,648
Net profit for the period attributable to members	down	69.0%	to	81,556

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

Net Tangible Asset Backing		¢ per share 2010		¢ per share 2009
Net tangible assets per security		0.05		0.62

Brief Explanation of Figures Included Above

Revenue from services rendered for the financial year ended 30 June 2010 was $12.07 million down from $13.29 million.

The consolidated group made earnings before interest, depreciation and amortisation (EBITDA) of $1.39 million, down 4% on the prior year.

The Net Profit After Tax attributable to members of the parent entity was $81,556, down from $263,326 in the previous corresponding period.

Investment in capital assets totalled $1.26 million compared to the prior corresponding period of $1.42 million.

Cash at bank as at 30 June 2010 was $0.83 million (June 2009 $1.24 million).

For more detail, please refer to Note 3 – Commentary on Consolidated Results.

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Consolidated income statement for the financial year ended 30 June 2010

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
Revenue from services rendered		12,073,073	13,286,758
Cost of sales		(1,097,083)	(726,060)
		10,975,990	12,560,698
Interest income		33,489	74,278
Other income from ordinary activities		-	-
Service providers and commissions		189,992	(162,100)
Administration expenses		(289,205)	(407,528)
Advertising and marketing expenses		(3,412,009)	(4,765,714)
Finance costs		(5,278)	(6,046)
Depreciation and amortisation expense		(1,205,587)	(1,113,701)
Impairment of intangible assets		(37,143)	-
Impairment of property, plant and equipment		(2,768)	(2,593)
Employee benefits expense		(4,551,002)	(4,168,140)
Occupancy expenses		(286,217)	(268,915)
Operational expenses		(870,683)	(1,048,141)
Other expenses from ordinary activities		(397,731)	(368,197)
Profit before income tax		**141,648**	**323,901**
Income tax expense		(82,362)	(60,575)
Profit for the year		**59,286**	**263,326**
Non-controlling interest share		22,270	-
Profit attributable to members of the parent entity		**81,556**	**263,326**
Basic earnings per share (cents per share)	8	0.04	0.15
Diluted earnings per share (cents per share)	8	0.04	0.15
Profit for the year		**59,286**	263,326
Other comprehensive income		-	-
Income tax relating to other comprehensive income		-	-
Other comprehensive income for the year net of tax		**59,286**	263,326
Total comprehensive income for the year		**59,286**	263,326
Members of the parent entity		**81,556**	263,326
Minority equity interest		**(22,270)**	-
		59,286	263,326

The accompanying notes form part of these financial statements

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Consolidated statement of financial position as at 30 June 2010

	Note	Consolidated group 2010 $	Consolidated group 2009 $
Current assets			
Cash and cash equivalents	5(a)	829,511	1,243,814
Trade and other receivables		1,853,742	2,329,514
Other assets		206,448	225,020
TOTAL CURRENT ASSETS		**2,889,701**	**3,798,348**
Non-current assets			
Plant and equipment		183,254	157,401
Deferred tax assets		743,392	835,092
Intangible assets		2,612,648	1,360,440
Other non-current assets		45,719	8,494
TOTAL NON-CURRENT ASSETS		**3,585,013**	**2,361,427**
TOTAL ASSETS		**6,474,714**	**6,159,775**
Current liabilities			
Trade and other payables		1,559,191	2,288,042
Borrowings		27,854	-
Short-term provisions		129,865	509,129
Other current liabilities		1,046,025	-
TOTAL CURRENT LIABILITIES		**2,762,935**	**2,797,171**
Non-current liabilities			
Deferred tax liability		-	13,500
Borrowings		39,098	-
Other non-current liabilities		215,040	-
TOTAL NON-CURRENT LIABILITIES		**254,138**	**13,500**
TOTAL LIABILITIES		**3,017,073**	**2,810,671**
NET ASSETS		**3,457,641**	**3,349,104**
Equity			
Issued capital		16,873,675	16,873,675
Reserves		526,039	519,202
Accumulated Losses		(13,962,217)	(14,043,773)
Parent interest		3,437,497	3,449,104
Non-controlling interest		20,144	-
TOTAL EQUITY		**3,457,641**	**3,349,104**

The accompanying notes form part of these financial statements

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Consolidated statement of cash flows
for the financial year ended 30 June 2010

	Notes	Consolidated Group 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,594,007	12,732,689
Payments to suppliers and employees		(11,914,890)	(11,797,484)
Interest received		33,489	74,278
Net cash provided by operating activities	5	712,606	1,009,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiaries		(100,358)	(3,231)
Purchase of property, plant and equipment		(132,940)	(48,680)
Purchase of intangible assets		(960,563)	(1,375,976)
Net cash used in investing activities		(1,193,861)	(1,427,887)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		66,952	-
Repayment of borrowings		-	-
Net cash provided by/(used in) financing activities		66,952	-
Net decrease in cash held		(414,303)	(418,404)
Cash at beginning of financial year		**1,243,814**	**1,662,218**
Cash at end of financial year		**829,511**	**1,243,814**

The accompanying notes form part of these financial statements

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Consolidated statement of changes in equity
for the financial year ended 30 June 2010

	Issued Capital $	Accumulated Losses $	Reserves $	Minority Interest	Total Equity $
Balance as at 1 July 2008	16,476,075	(14,307,099)	519,202	-	2,688,178
Issued Capital	397,600	-	-	-	397,600
Profit for period	-	263,326	-	-	263,326
Movement in reserves	-	-	-	-	-
Balance as at 30 June 2009	16,873,675	(14,043,773)	519,202	-	3,349,104
Issued Capital	-	-	-	-	-
Profit for period	-	81,556	-	-	81,556
Movement in reserves	-	-	6,837	-	6,837
Minority equity interest	-	-	-	20,144	20,144
Balance as at 30 June 2010	**16,873,675**	**(13,962,217)**	**526,039**	**20,144**	**3,457,641**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2010

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Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

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

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by MobileActive Limited at the end of the reporting period. A controlled entity is any entity over which MobileActive Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

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

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the

Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(g)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

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

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

b. Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at

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Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

Tax Consolidation

MobileActive Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003.

The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities de-recognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis.

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

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

Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation (continued)

Depreciation

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Leases

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

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

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

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

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

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Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

e. Financial Instruments

i. Initial Recognition and Measurement

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

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

ii. Classification and Subsequent Measurement

Loans and Receivables

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

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

f. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

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

g. Intangible Assets

Goodwill

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

i. the consideration transferred;
ii. any non-controlling interest; and
iii. the acquisition date fair value of and previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.

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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation (continued)

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

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

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

h. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

- assets and liabilities are translated at year-end exchange rates prevailing at the end of that reporting period;

Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation (continued)

- income and expenses are translated at average exchange rates for the period; and

- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

i. Provisions

Provisions are recognised 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.

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

k. Cash and Cash Equivalents

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

l. Revenue

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

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

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Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

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m. Borrowing Costs

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

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

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Comparative Figures

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

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

p. Critical Accounting Estimates and Judgment

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

Key Estimates – Impairment

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

Key Judgments - Provision of Impairment of Receivables

No impairment has been recognised in respect of receivables as at the year ended 30 June 2010.

q. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of MobileActive Limited.

1. Basis of preparation (continued)

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AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of ownership interest in 12Follow Pty Ltd and Topbetta Pty Ltd.

Recognition and measurement impact

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

As such $39,758 of costs associated with the acquisition of ownership interest in 12Follow Pty Ltd and Topbetta Pty Ltd were expensed during the current financial year.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of the ownership interest in 12Follow Pty Ltd and Topbetta Pty Ltd, a contingent consideration of $1,261,065 has been recognised. There has been no current year impact on the statement of comprehensive income. However, as the probability of payment changes, some impact may be noted in future reporting periods.

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

In accounting for the acquisition of ownership interest in 12Follow Pty Ltd and Topbetta Pty Ltd, the Group has elected to apply the full goodwill method. This has resulted in the recognition of $1,218,481 of goodwill.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability. There were no contingencies associated with the acquisition of ownership interest in 12Follow Pty Ltd and Topbetta Pty Ltd.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

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Notes to the Financial Statements for the year ended 30 June 2010

1. Basis of preparation (continued)

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement. The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

r. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  — simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  — simplifying the requirements for embedded derivatives;

  — removing the tainting rules associated with held-to-maturity assets;

  — removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

  — allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in

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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation (continued)

respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

— reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

a. the objective of the entity's business model for managing the financial assets; and

b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

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Notes to the Financial Statements
for the year ended 30 June 2010

2. Profit from operations

Profit from operations includes the following items of revenue and expense:

Profit from operations includes the following items of revenue and expense	Consolidated	
	2010 $	2009 $
(a) Operating revenue		
Management fee	-	-
(b) Operating expenses		
Share based payments expense	-	397,600
Interest expense	5,278	6,046
Amortisation of intangible assets	1,098,500	1,026,624
Depn. of tangible assets – computer equipment	68,375	50,198
Depn. of tangible assets – furniture & fittings	3,830	3,410
Depn. of tangible assets – leasehold improvements	34,882	33,468
Write back of prior year provision	(400,000)	(414,318)
Rental expense on operating lease	243,877	240,925

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Notes to the Financial Statements
for the year ended 30 June 2010

3. Commentary on consolidated results

MobileActive Limited has posted its third consecutive profit and delivered steady EBITDA after securing strategic acquisitions and cementing partnerships that position the company for future growth. This result was achieved against a backdrop of dramatic increases in industry regulation.

During the financial year, in assessing the impact of new and increased regulation in the market place, the company has taken a cautionary approach to marketing expenditure, decreasing its spending by 29%, which contributed to a 9.1% decline in revenue. However, careful management of the cost of customer acquisition and an extensive operational review resulted in the company delivering materially the same EBITDA year on year. This has been achieved while also carrying substantially increased compliance and investment costs as well as operating expenditure in developing diverse revenue streams and substantial new business opportunities.

Financial Summary

($ million)	**FY 2010**	**FY 2009**	**Variance**
Revenue	$12.07	$13.29	($1.22)
Cost of sales	$1.10	$0.72	($0.38)
Advertising expense	$3.41	$4.77	$1.36
Manpower costs	$4.55	$4.17	($0.38)
Other operating costs	$1.62	$2.19	$0.57
EBITDA	**$1.39**	**$1.44**	**($0.05)**
Depreciation and amortisation	$1.25	$1.12	($0.13)
Tax expense	$0.08	$0.06	$0.02
Minority interest share of loss	$0.02	-	$0.02
Net Profit After Tax	**$0.08**	**$0.26**	**($0.18)**

Investments in capital assets totalling $1.26 million were made during the financial year (2009: $1.42 million), the bulk of which relates to developments in the company's core Digital Asset Management, Digital Media Merchandising and Mobile Membership Services infrastructure. Net assets as at 30 June 2010 increased to $3.46 million from $3.35 million 12 months earlier.

Cash at bank has remained relatively stable since the implementation of the December 2009 operational review with a balance of $829,511 as at 30 June 2010 compared to $893,481 at 31 December 2009 (June 2009 $1,243,814).

Through transformation and diversification, the asset base of the company has been substantially strengthened to scale and deliver across multiple mobile product and service markets.

The directors recognise that the successful deployment and commercialisation of the Group's new growth initiatives will require additional funding, which is being assessed and will be announced as soon as practicable.

Notes to the Financial Statements
for the year ended 30 June 2010

4. Accumulated losses

	Consolidated	
	2010 **$**	**2009** **$**
Balance at beginning of financial year	(14,043,773)	(14,307,099)
Net profit attributable to members of the parent entity	81,556	263,326
Balance at end of financial year	(13,962,217)	(14,043,773)

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Notes to the Financial Statements
for the year ended 30 June 2010

5. Notes to the cash flow statement

	Consolidated	
	2010 **$**	**2009** **$**
(a) Reconciliation of cash and cash equivalents		
For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:		
Cash and cash equivalents	829,511	1,243,814
Balance at end of financial year	829,511	1,243,814

(b) Reconciliation profit for the period to net cash flow from operating activities		
Profit for the period	59,286	263,326
Depreciation	107,087	87,077
Amortisation of non-current assets	1,098,500	1,026,624
Employee equity settled benefits	-	397,600
Deferred tax asset recognised on tax losses	82,361	62,194
Changes in assets and liabilities:		
Decrease/(increase) in receivables	502,362	(486,607)
Decrease/(increase) in other current assets	18,572	(67,463)
Increase/(decrease) in trade creditors	(783,135)	(288,487)
Increase/(decrease) in provisions	(372,428)	15,219
Net cash provided by operating activities	**712,606**	**1,009,483**

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Notes to the Financial Statements
for the year ended 30 June 2010

6. Details relating to dividends (distributions)

	Date dividend payable	Amount per security¢	Amount per security of foreign sourced dividend ¢
Interim dividend			
- 2010	N/A	Nil	Nil
- 2009	N/A	Nil	Nil
Final dividend			
- 2010	N/A	Nil	Nil
- 2009	N/A	Nil	Nil
Dividend reinvestment plans			
N/A			

7. Net tangible assets per security

	Consolidated	
	2010 ¢ per share	**2009 ¢ per share**
Net tangible assets per security	0.05	0.62

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Notes to the Financial Statements
for the year ended 30 June 2010

8. Earnings per share

	Consolidated	
	2010 ¢ per share	**2009 ¢ per share**
Basic earnings per share	0.04	0.15
Diluted earnings per share	0.04	0.15

Basic Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $	**2009 $**
Profit	81,556	263,326

	2010 No.	**2009 No.**
Weighted Average number of ordinary shares	186,766,683	170,778,349

Diluted Earnings Per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $	**2009 $**
Profit	81,556	263,326

	2010 No.	**2009 No.**
Weighted Average number of ordinary and potential ordinary shares	196,291,397	180,410,404

Notes to the Financial Statements for the year ended 30 June 2010

9. Details of entities over which control has been gained or lost

Control gained over entities

Name of entity (or group of entities)	12Follow Pty Ltd Topbetta Pty Ltd
Date control gained	1 May 2010

	2010 $
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of acquisition.	(22,359)

	2009 $
Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.	Nil

Loss of control of entities

Name of entity (or group of entities)	N/A
Date control gained	N/A

	2010 $
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control	Nil

	2009 $
Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.	Nil

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Notes to the Financial Statements
for the year ended 30 June 2010

10. Details of associates and joint venture entities

Name of entity	Ownership interest		Contribution to net profit / (loss)	
	2010 %	2009 %	2010 $	2009 $
Associates	-	-	-	-
Joint venture entities	-	-	-	-

11. Subsequent events

No significant events have occurred since the reporting date which would impact on the financial position of the Company and its controlled entities as disclosed in the balance sheet as at 30 June 2010 and the results and cash flows for the year ended on that date.

12. Information on audit or review

This preliminary final report is in the process of being audited or subject to review.

Description of any likely disputes or qualifications where the audit/review is not yet complete:

N/A

Description of the dispute or qualification where the audit/review is complete.

N/A

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