mobile embrace

Annual Report 2017

MOBILE EMBRACE LIMITED

ABN 24 089 805 416

Introduction 1
What We Do 2
How it Works 3
Who We Help 4
Glossary of Terms 4
Three Year Strategy 5
Letter from the Chairman 6
CEO's Report 7
Directors' Report 9
Auditor's Independence Declaration 22
Consolidated Statement of Profit or Loss and Other Comprehensive Income 23
Consolidated Statement of Financial Position 24
Consolidated Statement of Cash Flows 25
Consolidated Statement of Changes in Equity 26
Notes to the Financial Statements 27
Directors' Declaration 58
Auditor's Independence Report 59
Additional Investor Information 66
Corporate Directory 67

DISCLAIMER

Forecasts and estimates may be materially different and may be affected by many factors such as the timely release of products and services, dependencies on third parties, the overall global economy, competition in the industry and other events beyond the control of or unforeseen by Mobile Embrace Limited and its subsidiaries.

INTRODUCTION

ABOUT MOBILE EMBRACE

Mobile Embrace Limited (ASX:MBE) is a technology led Digital Performance Marketing company that is building out its Performance Marketing platforms and infrastructure globally. This infrastructure utilises its proprietary technology, tools and data assets from its offices in Australia, New Zealand and the UK to seamlessly target and connect consumers to products they value, generating high quality customer acquisitions for businesses at scale, via online and mobile devices.

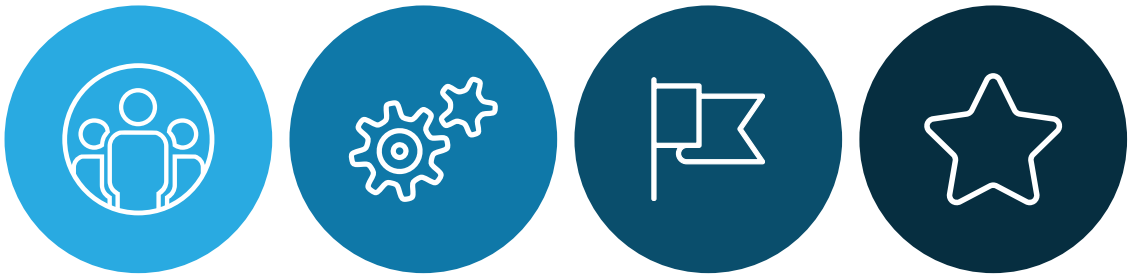
Mobile Embrace is providing increasing value and market opportunity to its 200+ brand partners, while expanding its catalogue of Digital Performance Marketing products.

Businesses globally are urgently seeking to alleviate the growing risks and impacts in relation to advertising fraud and viewability, brand safety and marketing wastage. Mobile Embrace enables businesses, through its machine learning technology and data assets, to attain measurable ROI (Return on Investment) for every dollar spent, addressing these concerns and simplifying the complexities of digital customer acquisition for businesses.

Businesses can reach and acquire their best customers, at scale, through digital channels and most importantly, on the devices where consumers are choosing to spend more and more of their time.

Mobile Embrace has a proven, aggressive commitment to technology innovation and agility that drives its competitive strength, and a focused determination to continually succeed in the dynamic digital marketing industry. This industry is forecast to have strong and sustained growth globally.

TECHNOLOGY LED
DIGITAL PERFORMANCE MARKETING COMPANY



OUR TEAM
Digital and Performance Marketing specialists in Australia, New Zealand and UK.

TECHNOLOGY
Powerful proprietary technology platforms.

LEADERSHIP
Led by highly experienced management team holding substantial equity in MBE.

EXPERIENCE
Leaders have decades of expertise across the online and mobile digital marketing industries.

WHAT WE DO

Digital Performance Marketing is the new means and natural evolution of connecting willing consumers to businesses and is being used by some of the world's biggest brands. The growth in Performance Marketing arises from the demand to see results from marketing spend, keeping ROI at the forefront, so Mobile Embrace ensures every campaign it delivers for its clients has a measurable ROI.

The industry outlook for Performance Marketing is encouraging. Generating traffic and leads is the top marketing challenge for 65% of all businesses, and converting leads to customers is the key marketing priority for 74% of all businesses[1].

As a technology led Digital Performance Marketing company Mobile Embrace is focused on the continual innovation and development of its proprietary technology infrastructure. A component of this is the recently announced AddGlu platform.

AddGlu is a highly scalable proprietary technology platform that uses predictive analytics to present consumers with product and service offerings of the greatest personal value to them. AddGlu generates high quality permissioned consumer leads that enable businesses to acquire valuable customers at scale via online and mobile devices. MBE's client retention is strengthened by superior consumer lead quality enabling high customer conversion rates and improved ROI from client marketing spend.

AddGlu

Predictive acquisition platform

delivering consumers offers of the highest personal value via online and mobile devices, with seamless engagement that enables high quality "sticky" customer acquisitions at scale

Serving the most relevant offers

and promotions based on the consumer's needs and interests automatically and in real time

Automated optimisation

utilising permissioned first party data to ensure relevance and quality results

Driving increased revenue for marketers

through personally connected consumers that convert to sticky customers

Underpinned by proprietary technology

with performance algorithms and real time machine learning putting the right offer in front of the right consumer, in the right place, at the right time, via online and mobile devices

[1] 2016 HubSpot Report

HOW IT WORKS

01 Identify core audience.

Customer profiling and segmentation. **02**

Tech and people based.

03 Machine learning optimisation.

Presentation of offers of high personal value that engage. **04**

05 Collect and collate interested and consenting customers.

Validation:
- Email
- Phone
- SMS
- Database

06

07 Interested and consenting customers delivered to clients digitally.

Improved contact rate, sales conversion and ROI. **08**

09 Loyal, happy and more valuable customers.

Alerting and Auto-Managing Demand and Supply Sources Optimising Performance

Auto-Optimising System-Wide Financial Performance

AddGlu

www.addglu.com

WHO WE HELP

Mobile Embrace has more than 200 simultaneous client campaigns now live and client retention rates exceed 90%. The expanding client base covers major industries including gas, electricity, telecommunications, finance, health, travel, insurance, education, entertainment and FMCG (Fast Moving Consumer Goods). Following are some of the leading brands our Digital Performance Marketing operations have delivered quality consumer leads.

GLOSSARY OF TERMS

Advertising Fraud (Ad Fraud) is when an advertiser is misled into paying for something that is worthless to them, such as fake traffic, fake leads or misrepresented and ineffective ad placement.

Brand Safety refers to the tools and strategies that ensure an online ad does not appear in a context that could potentially damage the advertiser's brand. Advertiser's want to ensure their ads don't end up next to offensive, inappropriate, or contextually negative information that could negatively impact on sales and the reputation of the brand.

Campaign a course of action an advertiser takes to promote and sell a product or service, for example they could do an online ad campaign or an email marketing campaign.

Carrier Billing a mobile payment method that allows a consumer to purchase a product from a third-party vendor via their mobile phone bill.

First Party Data is data collected directly from the source. This includes information that consumers volunteer about themselves via surveys and social media profiles. This data is easily resolved to an individual verifiable identity making it key to a successful people based campaign.

Machine Learning is a method of data analysis that automates analytical model building. Using algorithms that iteratively learn from data, machine learning allows computers to find hidden insights without being explicitly programmed where to look.

Marketing Wastage is when advertisers spend marketing budget targeting the wrong people. Ideally, advertisers want to spend the least amount of money to acquire a customer and so aim to target people they think could be potential customers. Marketing wastage therefore is when an advertiser's online ad is not seen by people who may be interested in the ad or anyone at all.

People Based Marketing enables brands to create a cohesive marketing system, centred around the individual consumer and anchored by the collection of real time behavioural data combined with first party brand data. With people based marketing, brands can ingest and respond strategically to consumers in real time across devices and channels, unifying the customer journey to unlock a new source of revenue.

Performance Marketing is a comprehensive term that refers to online marketing and advertising programs in which advertisers (i.e. "retailers" or "merchants") and marketing companies (i.e. "affiliates" or "publishers") are paid when a specific action is completed; such as a sale, lead, install or click.

Permissioned Consumer or **Customer Leads** when a prospect explicitly agrees in advance to receive marketing information about a certain product or offer they express their permission for their information to be handed over to an interested party to contact them about that particular product/offer.

Predictive Analytics is the practice of extracting information from existing data sets in order to determine patterns and predict future outcomes and trends.

Real Time when the data collated by a platform or the offers shown to the consumer happen at the actual time during which the data is received or the consumer is engaging with a platform.

ROI (Return on Investment) is a measure of the profit earned from each investment. Like the "return" (or profit) that you earn on your portfolio or bank account, it's calculated as a percentage.

Viewability is an online advertising metric that aims to track only impressions that can actually be seen by users. For example, if an ad is loaded at the bottom of a webpage but a user doesn't scroll down far enough to see it, that impression would not be deemed viewable.

THREE YEAR STRATEGY

1

INTERNATIONAL GROWTH

2

PROPRIETARY DATA ASSETS

3

TECHNOLOGY

1

International Growth:

Grow market share and broaden business verticals in existing territories. Replicate into new markets building expansive MBE global operational footprint and financial performance.

2

Proprietary Data Assets:

Grow and consistently increase granularity of proprietary data assets to enable greater targeted acquisition of valuable customers at massive scale on any online/mobile device.

3

Technology:

Continued innovation and enhancement of Mobile Embrace technology platform assets to further strengthen competitive advantage, consumer and business partner value, and global scalability.

LETTER FROM THE CHAIRMAN

DREW KELTON

I can assure shareholders that we have the necessary balance sheet strength and financial flexibility to continue growing the Performance Marketing business.

Overall, Financial Year 2017 has been a challenging year for Mobile Embrace, due primarily to the impact of external factors on the Carrier Billing business that had an adverse impact on revenue, earnings and margins.

Revenue of $52.5 million was down 13%, earnings before interest, tax, depreciation and amortisation (EBITDA) was $5.39 million and net profit after tax was $1.59 million.

Despite these results, the Company has been able to absorb any impact to earnings and shift its focus to growing its Performance Marketing operations. Neil Wiles, Simon Allison and the leadership team are to be commended for their efforts in stabilising the Company, de-risking operations and establishing a platform for Mobile Embrace to deliver stable and predictable revenue and earnings, and therefore, dependable returns for our shareholders in the future.

The Board is fully supportive of this strategy and it is pleasing to note the strong progress already being made in the current financial year. It is indeed a testament to our Company, and the diversity and adaptability of our technology platforms and client service capabilities, that we have been able to scale up Performance Marketing operations so quickly.

I can assure shareholders that we have the necessary balance sheet strength and financial flexibility to continue growing the Performance Marketing business. We ended the year with cash at bank of more than $9 million, with sufficient head room in our financing facility with CBA to pursue a number of key growth steps. Together with our lower cost base and stable cash flows, Mobile Embrace remains well funded for the future.

Divesting non-core assets and further streamlining our operations has also been a focus for Mobile Embrace this year. We have sold the Eggmobi mobile creative business, and we are assessing options for the Clipp business, which we have also determined to be non-core and not part of the Company's future direction. These initiatives are further evidence of our determination and focus on building a leading Digital Performance Marketing business with the very best people, technology platforms, and a reputation for outstanding client service.

I would also like to take this opportunity to acknowledge the commitment of the Company's co-founder Chris Thorpe who has taken the decision to step down from his executive duties but will remain on the Board and act as a consultant to the Company. Chris has been key to the success of Mobile Embrace since 2001 and he has helped establish the Company as a leader in mobile engagement. He remains a large shareholder and we look forward to his continued counsel.

Gavin Whyte also decided to step down as a Non-executive Director in April and we thank him for his 12 years of service.

Finally, I would like to thank our shareholders for their support this year. Already we are witnessing some excellent progress being made by the Performance Marketing business with new organic growth initiatives and the benefit of a compelling, earnings accretive acquisition.

On behalf of the Board, I can assure you that Mobile Embrace is in very good hands with the current leadership team and we are looking forward to a year of significant progress and delivering value to our shareholders.

Drew Kelton
Non-executive Chairman

CEO'S REPORT

NEIL WILES

I am confident when I say that Mobile Embrace's best days are ahead, and we are working hard to position the Company as a leader in online and mobile consumer engagement and acquisition across the markets in which we operate.

Financial Year 2017 has been a transitional year for Mobile Embrace with the Company shifting its focus and weighting its resources and talent to strengthening its Performance Marketing operations.

As shareholders are aware, external changes in the Carrier Billing market, which were outside of the Company's control, had a material impact on the earnings and growth prospects of the Carrier Billing business. The impact on revenue and earnings has been disappointing, and as we have witnessed, this has been reflected in Mobile Embrace's share price. I share and understand the frustration that many of our shareholders have experienced this year.

Whilst this has been a disappointing outcome for our shareholders and indeed for many of our people, Mobile Embrace's agility and adaptability has been proven with the very swift transition and refocus on scaling up the Performance Marketing business.

I am pleased to say that I am leading a team of very talented and motivated people who are intent on restoring value and establishing Mobile Embrace as a leading global Digital Performance Marketing company with the best people and technology. We are now delivering on this objective.

The Performance Marketing division grew year on year. Revenues grew by 8.29% and EBITDA by 14.57%. However, this growth did not show in the overall m-marketing segment due to the impacts of the consolidation of 1st Screen Advertising (as announced in February) and the mobile creative business Eggmobi that has been divested (as announced in August), which were both included in the segment.

Our decision to scale back the Carrier Billing operations in favour of growing Performance Marketing has proven to be a prudent and timely occurrence given Carrier Billing continues to experience strong headwinds across a number of markets. Our objective is to insulate future earnings as best as we can from external factors, and we are confident that the business we are focusing on scaling up today achieves this.

We again reiterate the external factors that impacted the Carrier Billing operations are not applicable to our Performance Marketing business. The Performance Marketing business operations are not reliant on the Carrier Billing business.

Online and Mobile Continues to Dominate

Every year, many statistics and reports are published that illustrate the continued and rapid shift of consumer attention to mobile globally, as more and more aspects of people's everyday activities are connected and conducted through handheld and wearable smart devices.

Devices are evolving more rapidly than ever before. The challenge, and demand, for attracting and retaining consumers through mobile devices has become hugely important and the market continues to grow. Mobile Embrace has been at the forefront of the rapidly evolving mobile market for many years. Our job is to ensure we are ahead of the curve and deliver to marketers the very best products, services and technology platforms that help our clients attract and engage with consumers in the most personalised way that enables seamless customer conversion. We are confident that the mobile space will continue to grow and evolve with the sector, providing a sound foundation for Mobile Embrace to continue to expand its operations and client base in the markets in which it operates.

A Favourable Outlook

Financial Year 2018 has begun well for Mobile Embrace with a number of growth initiatives undertaken that position us well for the future and deliver immediate scale, enhanced technology, and greater capability to our Digital Performance Marketing business.

CEO'S REPORT

CONTINUED

The acquisition of the profitable and growing Performance Marketing business C2B Solutions Pty Ltd (C2B) in August was one such initiative. C2B delivers successful customer acquisition campaigns including the generation of high volume, permissioned consumer leads via online and mobile devices.

As C2B has been partnering with MBE's The Performance Factory (TPF) for approximately 18 months, C2B has now been successfully integrated into Mobile Embrace and is maintaining its +90% client retention rate and is already making a positive contribution to earnings and organic growth.

The launch of AddGlu in September is another important growth initiative for Mobile Embrace. It is a platform that we believe will help position the Company as a standout leader in the Digital Performance Marketing industry across Australia, New Zealand and the United Kingdom.

AddGlu is a proprietary technology Predictive Customer Acquisition platform that has evolved from the Vizmond Media business and puts Mobile Embrace at the very forefront of delivering the most targeted predictive people based marketing campaigns that promote a wide range of products and services to consenting consumers.

Today, Mobile Embrace is running some 200 Performance Marketing campaigns at any given time, which generate some 3 million marketing transactions across online and mobile devices per month.

Our commitment to continued innovation and ensuring we have the best technology platforms, like AddGlu, will underpin future growth and drive market leadership.

We will continue to assess organic growth initiatives and attractive acquisition opportunities that deliver greater technology capability, complement existing Performance Marketing operations, offer easy integration, deliver acceptable ROI, and make a positive contribution to earnings.

We are well advanced in our transition to becoming a higher margin, profitable and growing Performance Marketing business, and I would again like to reassure shareholders that we are determined to realise the Company's true value.

Performance Marketing is quickly adapting to be a business that will generate higher EBITDA margins, deliver improved return on funds employed, and strong group earnings, albeit off a lower revenue base in the near term.

I am confident when I say that Mobile Embrace's best days are ahead, and we are working hard to position the Company as a leader in online and mobile consumer engagement and acquisition across the markets in which we operate. We have successfully de-risked operations, and much better insulated revenue and earnings.

I would like to thank our shareholders for their continuing support, and also thank our hard working, dedicated and passionate staff whose efforts underpin the momentum that is driving the Company through its transition. With this support, the Company is able to take advantage of the substantial market opportunity to become a leading technology led Digital Performance Marketing company.

Neil Wiles
Managing Director and
Chief Executive Officer

Directors' Report

The directors of Mobile Embrace Limited present their report together with the financial statements of the Group, being the company and its controlled entities, for the year ended 30 June 2017.

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

Directors

Name	Particulars
Drew Kelton Independent Chairman Non-executive Director	Mr. Kelton joined the board of Mobile Embrace on 1 July 2010. He is currently engaged as a professional chairman and director on ASX listed companies in the Australian market. He was recently employed as vice-president and managing director Asia Pacific for DocuSign Inc. the world's leading provider of Digital Transaction Management (DTM) solutions. Formally he was the vice-president of T-Mobile in the United States and prior to that he was President Enterprise Services at Bharti Airtel, India's largest mobile phone operator and one of Asia's leading integrated telecom service providers and a member of Bharti's management board. Prior to joining Bharti Airtel, Mr. Kelton spent eight years as the managing director of Telstra Corporation's international business unit where he was responsible for driving business growth in Telstra's offshore operations and establishing a multinational customer division to oversee Telstra's biggest global customers. Mr. Kelton has over 30 years of experience in telecommunications and IT solutions and has worked in Europe, Australia, Asia and the US. He holds a Bachelor of Science in Electrical and Electronic Engineering (Hons) from Glasgow's Paisley College of Technology. In addition, he is a Chartered Engineer and Member of the Institution of Engineering and Technology.
Interest in shares & options	300,000 ordinary shares and nil options.
Special responsibilities	Mr. Kelton is a member of the audit committee, nomination committee and the remuneration committee.
Directorships held in other listed entities during the three years prior to the current year	Firstwave Cloud Technology (ASX:FCT) Non-executive Chairman. Megaport (ASX:MP1) Non-executive Director. Enice (ASX:ENC) Non-executive Director.
David Andrew Haines Independent Non-executive Director	A director of the company since May 2001. Mr. Haines holds a Bachelor of Education degree and was Secretary to the Standing Committee of Commonwealth, State and Territory Ministers with Censorship Responsibilities (1988 to 1994), Deputy Chief Censor, Australian Film Censorship Board (1986 to 1994) and Member of the Australian Film Censorship Board (1981-1994).
Interest in shares & options	415,000 ordinary shares and nil options.
Special responsibilities	Mr. Haines is a member of the audit and nomination committees and chairman of the remuneration committee.
Directorships held in other listed entities during the three years prior to the current year	Nil.

Directors

Name	Particulars
Neil Wiles CEO & MD Executive Director appointed 18 July 2017	Mr. Wiles was appointed executive director of the Company on 18 July 2017. Mr. Wiles was appointed CEO and managing director of the Company on 8 August 2017. Prior to his appointment as CEO and managing director Mr. Wiles had been managing director of the Company since 2005. For more than 27 years, Mr. Wiles has led, developed and grown businesses as managing director and CEO in the communications, digital, Information Technology and marketing sectors. Mr. Wiles is an awarded and accredited digital media innovator and industry expert having held executive leadership roles with key industry and regulatory bodies, and as an advisor to media on entertainment and technology convergence. He was Chairman of the committee for Pre-assessment Guidelines for the Classification of Mobile Content and sat on the Australian Direct Marketing Association (ADMA) Mobile Marketing Council. Mr. Wiles' acknowledgments include having been listed by B&T Digital as one of the 40 Biggest Players of Australia's Digital Age and having been named "Mobile Marketer of the Year" by ADMA the nation's peak body for information-based marketing with more than 500-member organisations.
Interest in shares & options	19,533,000 ordinary shares and 3,000,000 options
Special responsibilities	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.
Christopher Thorpe CEO from May 2001 to 8 August 2017 Non-executive Director	Mr. Thorpe was CEO of the company from May 2001 up until 8 August 2017. Mr. Thorpe has been an executive director of the Company since 2001 and remains a non-executive director of the company. Mr. Thorpe provides his expertise in the global mobile and telecommunications industry, with over 18 years' experience gained in the United States, Europe and Australia. The combination of this experience with a financial background provides him with a strong understanding of the industry, its issues and trends, enabling the ability to commercialise and deploy successful business strategies. Mr. Thorpe has been at the forefront of the mobile entertainment and telecommunications industry leading with a number of key innovations. His work has been acknowledged through the receipt of numerous business awards for these milestone achievements and contributions to the telecommunications industry. Mr. Thorpe provides leadership, insight, expertise, understanding along with a global network of leading industry associates and contacts. His vision and drive provide the company with opportunities to capitalise on its position as Australia's leading mobile services provider.
Interest in shares & options	22,176,639 ordinary shares and 3,000,000 options.
Special responsibilities	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.
Gavin Whyte Independent Non-executive Director resigned 4 April 2017	A director of the company from December 2005 to 4 April 2017. Mr. Whyte is the founder of Rubberduck Consulting Ltd, a consulting firm specialising in mobile advertising, gaming, payments and content. Mr. Whyte was an Advisor to adQuota International, a mobile ad network in Scandinavia which sold

	in 2015. Gavin was the co-founder and CEO of Touch Mobile Limited, a mobile start-up specialising in skill and lottery games. Touch was sold in 2011. He was previously the chief operating officer of NetPlay TV Plc. NetPlay TV is listed on AIM in London and is the UK's largest interactive TV gaming company with its flagship brand SuperCasino.com. Prior to this Mr. Whyte was the managing director of Rubberduck Media Lab (RDML) which is a leading supplier of TV to mobile streaming solutions in the UK and Scandinavia. RDML was sold to Aspiro in Sweden in 2006. He was previously the operations director of Monstermob Group Plc. a listed (AIM) mobile entertainment company in the UK.
Interest in shares & options	395,000 ordinary shares and nil options.
Special responsibilities	Mr. Whyte was a member of the nomination and remuneration committee. Mr. Whyte was the chairman of the audit committee.
Directorships held in other listed entities during the three years prior to the current year	Nil.

Company Secretary

Name	Particulars
Justin Clyne Company Secretary (appointed 1 August 2014)	Mr. Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services. Mr. Clyne is a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally. Justin holds a Master of Laws in International Law from the University of New South Wales and is a qualified Chartered Company Secretary.
Interest in shares & options	100,000 shares.

Principal Activities

Mobile Embrace Limited posted an EBITDA of $5.4 million and a NPAT of $1.6 million for the year results.

The principal activities of the consolidated entity in FY 2017 were mobile commerce (mobile marketing and carrier billing).

As a mobile marketing and carrier billing m-commerce company the consolidated entity, through its integrated mobile marketing and carrier billing infrastructure enables the acquisition of customers at scale on online and mobile devices.

The activities of the consolidated entity are business-to-business and business-to-consumer.

During the second half of FY 2017 as announced, the consolidated entity shifted its focus to its marketing operations as a technology-led digital performance marketing company

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

Review of Operations

Mobile Embrace Limited posted a full-year profit after tax of $1,595,677 compared to the prior year profit after tax of $4,916,116.

Refer Market Updates ASX release 7 February 2017, 24 April 2017 and Market Update ASX release 17 November 2016, and the Directors Report Review of Operations in the full year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit / (loss) from ordinary activities.

($) million	FY 2016	FY 2017	Variance
Revenue	$60.60	$52.50	($8.10)
Gross Profit	$25.70	$22.60	($3.10)
Employment costs	$11.90	$11.00	($0.90)
EBITDA	**$9.50**	**$5.40**	**($4.10)**
Depreciation and amortisation	$2.00	$4.20	$2.20
Impairment of intangible assets	$0.10	$0.10	-
Net Profit / (Loss) After Tax	**$4.90**	**$1.60**	**($3.30)**

Mobile Embrace Limited (ASX:MBE) in FY 2017 operated as a mobile commerce company.

Through our integrated and award winning mobile marketing and carrier billing infrastructure we enable the reach, engagement, transactions with and embracement of consumers via mobiles and tablets. We enable ourselves and our partners to reach and acquire customers at scale. For Mobile Embrace, this produces a combination of annuity and campaign based revenue streams. For more information please see: www.mobileembrace.com

During the second half of FY 2017 as announced, the consolidated entity shifted its focus to its marketing operations as a technology-led digital performance marketing company.

Based on current operations the Company believes that, off a lower revenue base, its EBITDA performance for FY 2018 will be improved over FY 2017.

Proprietary Technology

Mobile Embrace has grown a significant proprietary technology stack that has been built through a combination of internal development, strategic acquisitions, focused innovation and organic investment. Overall, this technology stack is a substantial component of the Company's competitive strength and enablement for it to scale and optimize revenue and EBITDA for current and future operations.

Personnel Change

With the shift of focus to performance marketing Co-founder and Managing Director Neil Wiles has been appointed CEO and Managing Director. Co-founder and former CEO Chris Thorpe has moved to a new role consulting to MBE and continues to act on the Board as a non-executive director (Refer ASX announce 8 August 2017).

Mr. Whyte resigned as a non-executive director from Mobile Embrace Limited on the 4 April 2017. Mr. Whyte has continued with the company as a consultant (Refer ASX announcement 5 April 2017).

Cash Flow

The Company's Cash at Bank was $9,071,741 at 30 June 2017, compared to $17,955,835 at 30 June 2016. Across the course of the financial year ending 2017 the company was forced, due to external factors beyond its control, to reduce marketing spend and hence customer acquisition in the direct carrier billing business unit.

As a result, the Company underwent restructuring which saw a one of cash outlay of $1,236,890 which has impacted the operational cash flow for FY 2017. Further at balance date overdue telco receivables were $ 896,560. Normalised operational cash flow was $11,295,191.

The Company continues to focus on building its cash reserves through positive operational cash flows and disposing of non-core business units. The Company has a GBP 4 million drawdown facility and has presently drawn down AUD $ 5,066,516, which leaves a capacity of GBP 1 million.

Capital Expenditure

The breakdown of the Capital Expenditure is presented by the below table; for the DCB business unit, a component of that expenditure was wages, this expenditure was capitalised: FY 2017 $1,273,790 (FY 2016 $1,122,500). This expenditure was primarily on the development of the company's IT platforms that has underpinned and facilitated the Company's expansion of markets, products and revenues both in Australia and overseas, the bulk of which will be claimed through the Governments Research and Development program.

Business Unit	FY 2017	FY 2016		Business Unit	FY 2017	FY 2016		FY 2017	FY 2016
DCB				**Marketing Punch**				**Total**	**Total**
External spend	888,140	1,151,243		External spend	708,790	354,047		1,596,930	1,505,290
Internal spend	1,273,790	1,122,500		Internal spend	-	-		1,273,790	1,122,500
Total	**2,161,930**	**2,273,743**		**Total**	**708,790**	**354,047**		**2,870,720**	**2,627,790**
Vizmond Media				**Clipp**					
External spend	169,000	-		External spend	-	-		169,000	-
Internal spend	-	-		Internal spend	682,455	-		682,455	-
Total	**169,000**	-		**Total**	**682,455**	-		**851,455**	
Total				**Total**				**Total**	
External spend	1,057,140	1,151,243		External spend	708,790	354,047		1,765,930	1,505,290
Internal spend	1,273,790	1,122,500		Internal spend	682,455			1,956,245	1,122,500
Total	**2,330,930**	**2,273,743**		**Total**	**1,391,245**	**354,047**		**3,722,175**	**2,627,790**

Divestment of Non-core Asset

As announced in the February shareholder update the Company has continued reviewing non-core assets. As a component the Eggmobi mobile creative business has been divested. Eggmobi has been sold through a management buyout to one of Eggmobi's founders for the consideration of $2,029,000 that consists of $1,630,000 of debt forgiveness and $399,000 in cash, effective 28 June 2017 (refer Market Update ASX release 8 August 2017).

Clipp

As announced to the ASX 10 June 2015, MBE acquired a 31% shareholding in Clipp from existing Clipp shareholders through the issue of a combination of MBE shares and options. As announced to the ASX 27 February 2017 MBE has now acquired a further 66% of Clipp for $550,000 in cash, taking MBE's stake in Clipp to 97%.

MBE's increased shareholding now allows the Company to exercise control over Clipp and set the strategic direction to develop the business and take it to the next level. This control provides the Company with a stronger platform to realise optimum value from its investment moving forward.

Following MBE increasing its shareholding in Clipp to 97% the business operations have been reviewed and a number of resource and system improvements implemented to strengthen performance. This has provided Clipp with a much stronger platform for growth.

The Board has determined that Clipp is non-core and does not fit with the future direction and focus of MBE and is considering options best suited for Clipp accordingly.

Financial Position

The net assets of the consolidated group have increased by $2,004,867 from 30 June 2016, to $41,977,943 in 2017.

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

Significant Changes in State of Affairs

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

Resolution of Litigation

The Company settled the litigation brought against it by GBD Ventures Pty Limited, who was suing Mobile Embrace Limited for $3.537 million for a loss alleged to have been incurred by GBD under a digital video advertising inventory supply agreement with MBE. Under the settlement judgement was awarded in favour of MBE, neither party was required to pay any amount to the other party, each party paid their own legal costs, and there was no award for damages (refer ASX announcement 19 July 2017).

After Balance Date Events

The Company acquired C2B Solutions Pty Limited (C2B) a profitable and strategically compelling performance marketing company, for an overall consideration of $6.5 million. The purchase price consists of an upfront consideration of $2.5 million followed by a two-year performance-based earn-out of $2 million in 12 months On Target Earnings (OTE), and $2 million in a further 12 months OTE (refer ASX announcement 14 August 2017).

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

Future Developments, Prospects and Business Strategies

The Company continues to increase its shift to and focus as a technology-led digital performance marketing company that is building out market-leading platforms and infrastructure globally. MBE has created digital performance marketing infrastructure from its offices in Australia, New Zealand and the UK so that its clients can utilise its proprietary technology, tools and data assets to seamlessly target and connect consumers to products they value, generating high quality customer acquisitions at scale, on online and mobile devices.

The group's greater emphasis on its performance marketing offering has provided strategic risk mitigation for MBE's broader operations. This transition is providing a stronger platform to drive greater near-term and sustainable returns for shareholders. The groups EBITDA margin will benefit from the greater focus on performance marketing, enabling stronger earnings off a lower revenue base.

Given the external factors that have led MBE to put the marketing of its carrier billing operations on hold, revenue-generating transactions will be predominantly performance marketing as carrier billing transactions reduce. Performance marketing transactions are already the dominant component of group earnings.

MBE will continue to increase its focus on the innovation, investment and development of the performance marketing division. Several operational initiatives are in development to reinforce and build on this strategy, and they are well advanced (refer Market Update ASX release 8 August 2017).

Performance Marketing

Since the April shareholder update, MBE is pleased to confirm that the performance marketing business unit continues to perform well and is benefiting from further investment in its underlying proprietary technology. As advised, several new brands and data assets have been successfully launched with customer activity and databases building. Client retention is very strong with live campaigns continuing to exceed 200. Performance marketing is a core strength of MBE's which has been bolstered through strategic acquisitions and organic investment, and MBE is intent on capitalising on this well entrenched market position. The superior EBITDA margins provide a stronger platform to deliver improved earnings per share.

Carrier Billing

MBE has previously advised that its carrier billing operations were being impacted by external factors, and that in order to better manage future earnings risk, a prudent course of action was to put marketing activities on hold and reduce spend across the division. This has proven to be the right approach given these external factors are unchanged. While MBE has the option to scale up carrier billing in the future, should conditions improve, the Company's resources are best deployed on building greater scale into the performance marketing division. As well, earnings are better insulated. The likely outcome of this is that MBE, through its performance marketing operations, quickly adapts to be a business generating higher EBITDA margins, delivering improved return on funds employed, and strong group earnings, off a lower revenue base in the near term.

Outlook

Mobile Embrace is well positioned to capitalise on the investment it has made in strengthening and shifting focus to its performance marketing business unit, and enabling improved EBITDA margin performance and growth through the scale up of its operations from its offices in Australia, New Zealand and the United Kingdom. Performance marketing is growing favourably which is being achieved entirely through organic growth initiatives and in-house technology development which reflects the depth of MBE's intellectual property and talent. The expanding client base covers major industries including utilities, telecommunications, finance, health, travel, insurance, education, entertainment and FMCG (Fast Moving Consumer Goods). MBE's operations have now been significantly de-risked and the Company looks forward to providing shareholders with details on its enhanced digital performance marketing offering very shortly (refer Market Update ASX release 8 August 2017).

Based on current operations the Company believes that, off a lower revenue base, its EBITDA performance for FY 2018 will be improved over FY 2017.

Environmental Issues

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

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

Dividends

There have been no dividends paid or declared since the beginning of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2017.

Share Based Payments

There has been no share based payments in the financial year ending 30 June 2017.

Remuneration Report

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

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

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

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

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's revenue, profits, shareholders' value as well as personal goals. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy

is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

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

Relationship between Remuneration Policy and Company Performance

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

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

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Revenue $	12,228,391	19,273,392	33,015,922	60,563,131	52,555,202
EBITDA $	1,068,116	3,149,716	5,097,767	9,495,954	5,394,573
Net profit / (loss) after tax	388,838	2,494,423	3,045,554	4,916,116	1,595,677
Share price (cents)	2.0	20.0	24.5	30.5	5.05

The Company's performance over the last five years is set out in the table above. The Company has positioned itself to take advantage of the growing market opportunity of enabling the acquisition of customers at scale on online and mobile devices. In the opinion of the board, this can be attributed, in part, to the previously described remuneration policy. The Group's operations are now more diverse than in the previous financial years.

Key management personnel headcount remained unchanged across the financial year 2017. Key management headcount was reduced in August 2017 (refer Market Update ASX release 8 August 2017).

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

Table of Employment Details of Members of Key Management Personnel

With the shift of focus to performance marketing Co-founder and Managing Director Neil Wiles has been appointed CEO and Managing Director. Co-founder and former CEO Chris Thorpe has moved to a new role consulting to MBE and continues to act on the Board as a non-executive director (refer Market Update ASX announcement 8 August 2017).

No STI bonuses were awarded to key management personnel for FY 2017 despite the high performance of the key executives as, due to the impacts from external factors on the carrier billing operations, revenue and EBITDA for FY 2017 was lower than FY 2016.

No Options were issued during FY 2017 to key management personnel or staff.

Table of Employment Details of Members of Key Management Personnel (continued)

No STI bonuses were awarded to key management personnel for FY 2017

Name	Christopher Thorpe *	Neil Wiles	Simon Allison
Position held 30 June 2017 8 August 2017	Chief Executive Officer. Exited CEO role.	Managing Director. Appointed CEO.	Chief Finance Officer.
Contract details	Four years and 7 months from the 4 November 2014. May be extended by mutual agreement.	Four years and 7 months from the 4 November 2014. May be extended by mutual agreement.	Appointment continued until date the employment is terminated pursuant to the terms of the agreement.
Notice period	12 months.	12 months.	6 months.
Total base salary	$390,000	$390,000	$260,000
Short-term incentive	A discretional amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the board. Refer to Remuneration Report for KPI's.	A discretional amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the board. Refer to Remuneration Report for KPI's.	A discretional amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the board. Refer to Remuneration Report for KPI's.
Other benefits	30 days of annual leave. Corporate parking. Life insurance policy paid for by MBE.	30 days of annual leave. Corporate parking. Life insurance policy paid for by MBE.	20 days of annual leave. Corporate parking.
Termination by company	12 months' notice or payment in lieu.	12 months' notice or payment in lieu.	6 months' notice or payment in lieu.
Restraint	12 months' post termination.	12 months' post termination.	6 months' post termination.
Interest in shares as at 30 June 2017	22,176,639	19,533,000	1,000,000
Long-term incentive / options	3,000,000 options with a vesting date of June 2016, an expiry date of June 2018, with an exercise price of 5 day VWAP of MBE shares on grant date plus a premium of 43% (as approved at the AGM 30 November 2012).	3,000,000 options were issued on the 24 July 2013 with a vesting date of June 2016, an expiry date of June 2018, with an exercise price of 5 day VWAP of MBE shares on grant date plus a premium of 43%.	

** Co-founder and former CEO Chris Thorpe has moved to a new role consulting to MBE and continues to act on the Board as a non-executive director (refer Market Update ASX announcement 8 August 2017).*

Director and Executive Remuneration

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

2017	Short-term Benefits			Post-employment Benefits	Equity-settle Share-based Payments		Total $
	Salary & Fees & Leave $	Bonuses $ (Owed from FY 2015)	Non-monetary $	Super-annuation $	Shares $	Options $	
Non-Executive Directors							
Drew Kelton	87,672	-	-	**8,328**	-	-	**96,000**
David Haines	60,000	-	-	5,600	-	-	65,600
Gavin Whyte	16,665	-	-	-	-	-	16,665
Executives							
Chris Thorpe	353,584	*306,000	40,659	19,615	-	-	719,858
Neil Wiles	320,693	*306,000	43,165	19,615	-	-	689,473
Simon Allison	200,000	*196,200	-	19,615	-	-	415,815
	1,038,614	**808,200**	**83,824**	**72,773**	-	-	**2,003,411**

* STI Bonus was for FY 2015. No STI bonuses were awarded for FY 2017

2016	Short-term Benefits			Post-employment Benefits	Equity-settle Share-based Payments		Total $
	Salary & Fees & Leave $	Bonuses $	Non-monetary $	Super-annuation $	Shares $	Options $	
Non-Executive Directors							
Drew Kelton	87,672	-	-	8,328	-	-	96,000
David Haines	**80,511	-	-	7,447	-	-	87,958
Gavin Whyte	146,532	40,000	-	-	-	-	186,532
Executives							
Chris Thorpe	**394,795	*90,000	46,642	27,858	-	-	559,295
Neil Wiles	**395,670	*90,000	38,643	19,308	-	-	543,621
Simon Allison	200,769	*115,000	9,960	22,496	-	-	348,225
	1,305,949	**335,000**	**95,245**	**85,437**	-	-	**1,821,631**

* STI Bonus was for FY 2014.
** Includes reimbursement of FY 2011 & FY 2012 temporary pay reduction the Chairman, CEO and MD elected to take to assist the Company. Reimbursement of $64,000 to each of Chris Thorpe and Neil Wiles and $20,511 to David Haines.

Short-term Incentive Plan – Cash Bonuses

The Company has in place short-term incentive plans. Key management are entitled to a short-term cash incentive based on performance criteria as determined by and at the discretion of the board. The metrics for the short-term incentive plans relate to EBITDA performance and personal goals.

The performance criteria must be met within the financial year for the bonus entitlement to be realised.

For FY 2016 & FY 2017 the STI weighting is 80% EBITDA and 20% personal goals.

STI target FY 2017 was to achieve a minimum growth rate of 30% of EBITDA against the FY 2016 result.

Details of Base Incentive Entitlements are detailed as follows:

Executive / Position	Incentive Base
Neil Wiles / MD & CEO	$210,000
Simon Allison / CFO	$137,000

Incentive Payment Determination

The short-term incentive plan for FY 2017 provides for the board to apply at its discretion an adjusted multiplier to the incentive base of each incentive plan participant, based on overall performance, of between 0 and 1.5.

For FY 2017 the performance of the key executives in delivering the Company's strategy was high in what proved to be a very challenging year. MBE has previously advised that its carrier billing operations were being impacted by external factors, and that in order to better manage future earnings risk a prudent course of action was to put marketing activities on hold and reduce spend across the division. This has proven to be the right approach given these external factors are unchanged.

The board commends the key executives for their management of, and tactical response to the impacts by external factors on the carrier billing operations, and the subsequent shift of focus to building greater scale into the performance marketing division where earnings are better insulated.

Bonuses for FY 2017

No STI bonuses were awarded for FY 2017 despite the high performance of the key executives as, due to the impacts from external factors on the carrier billing operations, revenue and EBITDA for FY 2017 was lower than FY 2016.

Share Options

Long-term incentive plan – share options.

There were no options issued during financial year ending 2017.

Share options granted to executives during the financial year.

There were no options issued during financial year ending 2017.

Share options granted to other parties during the financial year.

There were no options issued during financial year ending 2017.

Share Options on Issue at Year End

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

Grant Date	Date of Expiry	Exercise Price (cents)	Number Under Option
28-Jun-13	27-Jun-18	3.100	3,000,000
24-Jul-13	1-May-18	4.655	3,000,000
9-Jan-15	1-Sep-17	15.850	350,000
4-Dec-15	26-Dec-18	39.000	1,000,000
4-Dec-15	31-Dec-18	39.000	2,000,000
			9,350,000

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

There have been no unissued shares or interests in options of any controlled entity within the Group during or since the end of the reporting period. For details of options issued to directors and executives as remuneration, refer to the

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

Meetings of Directors

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
David Haines	8	8	2	2	1	1
Chris Thorpe	8	8	2	2	1	1
Gavin Whyte	8	5	2	2	1	1
Drew Kelton	8	8	2	2	-	-

Proceedings on Behalf of Company

The Company settled the litigation brought against it by GBD Ventures Pty Limited, who was suing Mobile Embrace Limited for $3.537 million for a loss alleged to have been incurred by GBD under a digital video advertising inventory supply agreement with MBE. Under the settlement judgement was awarded in favour of MBE, neither party was required to pay any amount to the other party, each party paid their own legal costs, and there was no award for damages (refer ASX announcement 19 July 2017).

There are no proceedings on behalf of the Company at reporting date.

Indemnification of Officers and Auditors

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

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

Non-Audit Services

The Board of Directors is satisfied that the general standard of independence for auditors imposed by the Corporations Act has been met. No non-audit services were performed during the financial year to 30 June 2017.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 22 of this Report.

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

Neil Wiles
Managing Director & CEO
31 August 2017

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 31st day of August 2017

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2017

	Notes	Consolidated Group 2017 $	2016 $
Continuing Operations			
Revenue from Continuing Operations rendered	3	52,555,202	60,563,131
Cost of sales		(18,012,225)	(13,029,120)
		34,542,977	47,534,011
Interest income	3	15,146	24,808
Service providers and commissions		(3,547,549)	(3,615,551)
Administration expenses		(652,665)	(619,076)
Advertising and marketing expenses		(9,945,432)	(17,580,965)
Finance costs		(214,911)	(24,893)
Depreciation and amortisation expense		(4,235,468)	(1,985,062)
Impairment of intangible assets		(138,439)	(116,647)
Employee benefits expense	4	(11,055,090)	(11,894,552)
Legal expenses	4	(259,558)	(317,473)
Occupancy expenses		(653,497)	(434,922)
Operational expenses		(2,273,469)	(1,715,458)
Other expenses from ordinary activities		(761,144)	(1,860,060)
Profit / (loss) before income tax		820,901	7,394,160
Income tax (expense) / benefit	5	774,776	(2,478,045)
Net profit / (loss) for the year		1,595,677	4,916,116
Other comprehensive income			-
Exchange differences on translating foreign operations		(224,797)	(158,486)
Income tax relating to other comprehensive income		(224,797)	(158,486)
Other comprehensive income for the year net of tax			-
Total comprehensive income for the year		1,370,880	4,757,629
Basic earnings per share (cents per share)	8	0.36	1.26
Diluted earnings per share (cents per share)	8	0.35	1.15

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2017

	Notes	Consolidated Group 2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	9,071,741	17,955,835
Trade and other receivables	10	9,402,899	13,511,280
Other assets	11	2,903,301	761,373
TOTAL CURRENT ASSETS		21,377,941	32,228,488
NON-CURRENT ASSETS			
Trade and other receivables	10	249,804	539,187
Plant and equipment	17	1,281,407	1,647,719
Deferred tax assets	20	1,943,829	-
Intangible assets	16	15,418,567	11,889,143
Investments		-	3,686,721
Goodwill	15	20,087,209	18,711,483
Other non-current assets	11	6,300	9,024
TOTAL NON-CURRENT ASSETS		38,987,116	36,483,277
TOTAL ASSETS		60,365,057	68,711,765
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	3,555,083	5,906,883
Deferred consideration		4,626,606	5,666,666
Borrowings	19	314,936	343,264
Deferred tax liabilities	20	1,735,476	967,056
Income tax payable	5	656,489	1,521,903
Short-term provisions	21	1,481,812	1,467,978
TOTAL CURRENT LIABILITIES		12,370,402	15,873,750
NON-CURRENT LIABILITIES			
Deferred consideration		-	7,066,666
Borrowings	19	5,994,380	5,626,666
Provisions	21	22,332	171,607
TOTAL NON-CURRENT LIABILITIES		6,016,712	12,864,939
TOTAL LIABILITIES		18,387,114	28,738,689
NET ASSETS		41,977,943	39,973,076
EQUITY			
Issued capital	22	46,629,898	45,300,648
Reserves	23	98,222	793,484
Retained earnings / (accumulated losses)		(4,366,894)	(5,962,570)
Parent interest		42,361,226	40,131,562
Foreign currency translation reserve		(383,283)	(158,486)
TOTAL EQUITY		41,977,943	39,973,076

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2017

	Notes	Consolidated Group 2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		61,954,385	62,390,084
Payments to suppliers and employees		(58,479,452)	(54,763,888)
Interest Received		15,146	24,808
Interest Paid		(214,911)	(24,893)
Income tax (Paid) / Refund		(727,072)	(1,294,510)
Net cash provided by / (used in) operating activities	25	2,548,096	6,331,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in acquisitions		(7,098,834)	(8,864,039)
Investment in Clipp		-	(1,749,999)
Purchase of property, plant and equipment		(1,035,932)	(1,630,947)
Purchase of intangible assets		(3,665,139)	(3,325,800)
Net cash used in investing activities		(11,799,905)	(15,570,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		367,715	5,626,666
Issue of capital		-	12,029,449
Net cash provided by / (used in) financing activities		367,715	17,656,115
Net increase / (decrease) in cash held		(8,884,094)	8,416,931
Cash at beginning of financial year		17,955,835	9,538,904
Cash at end of financial year	9	9,071,741	17,955,835

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2017

Consolidated Group

	Issued Capital	Accumulated Losses	Reserves	Foreign Currency Reserve	Total Equity
	$	$	$	$	$
Balance as at 30 June 2015	**32,839,166**	**(10,878,686)**	**580,466**	**-**	**22,540,946**
Issued Capital	13,040,000	-	-	-	13,040,000
Profit for the year	-	4,916,116	-	-	4,916,116
Share issued costs	(766,730)	-	-	-	(766,730)
Option reserve: options issued	-	-	371,781	-	371,781
Option reserve: options expired	-	-	-	-	-
Option reserve: options converting to capital	188,212	-	(158,763)	-	29,449
Foreign exchange (loss) / gain from OCI	-	-	-	(158,486)	(158,486)
Balance as at 30 June 2016	**45,300,648**	**(5,962,570)**	**793,484**	**(158,486)**	**39,973,076**
Issued Capital	1,277,045	-	-	-	1,277,045
Profit for the year		1,595,676		-	1,595,676
Share issued costs		-	-	-	-
Option reserve: options issued	-	-		-	-
Option reserve: options expired	-	-	(643,057)	-	(643,057)
Option reserve: options converting to capital	52,205	-	(52,205)	-	-
Foreign exchange (loss) / gain from OCI	-	-	-	(224,797)	(224,797)
Balance as at 30 June 2017	46,629,898	(4,366,894)	98,222	(383,283)	41,977,943

The accompanying notes form part of these financial statements.

Note 1. Significant Accounting Policies

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

The financial statements were authorised for issue on 31 August 2017 by the directors of the company.

Basis of Preparation

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

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

Except for cash flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Fair Value which is level 3 "unobservable inputs" is determined primarily from inputs reflective of management expectations.

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

A. Principles of Consolidation

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

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

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

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

Business Combinations

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

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

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

Note 1. Significant Accounting Policies (continued)

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

Goodwill

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

i. the consideration transferred;

ii. any non-controlling interest; and

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

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

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

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

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

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

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

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

B. Income Tax

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

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

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

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

Mobile Embrace limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation.

The head entity, Mobile Embrace Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Mobile Embrace Limited also recognizes 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 recognized as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognized as a contribution to (or distribution from) wholly-owned tax consolidated entities.

C. Plant and Equipment

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

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

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

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

Depreciation

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

Note 1. Significant Accounting Policies (continued)

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: developed	25%
Software Acquired through acquisitions	20%

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

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

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

D. Leases

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

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

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

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

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

E. Financial Instruments

i. Initial Recognition and Measurement

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

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

ii. Classification and Subsequent Measurement

Loans and Receivables

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

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

iii. Impairment

Note 1. Significant Accounting Policies (continued)

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

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

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

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

iv. De-recognition

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

F. Impairment of Assets

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

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

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

G. Intangible Assets Other Than Goodwill

Research and Development

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

H. Foreign Currency Transactions and Balances

Functional and Presentation Currency

Note 1. Significant Accounting Policies (continued)

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 profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

Group Companies

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

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

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

I. Provisions

Provisions are recognised when the Group has legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

J. Employee Benefits

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

Equity-settled Compensation

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

Note 1. Significant Accounting Policies (continued)

K. Cash and Cash Equivalents

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

L. Revenue

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST).

M. Borrowing Costs

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

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

N. Goods and Services Tax (GST)

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

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

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

O. Comparative Figures

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

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

P. Critical Accounting Estimates and Judgment

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

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenditures is provided below. Actual results may be substantially different.

Note 1. Significant Accounting Policies (continued)

Key Estimates – Impairment

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

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

As a result of impairment testing on the carrying amount of goodwill, a provision for impairment, has not been recognised in the financial year ending 30 June 2017.

Useful Lives of Depreciable Assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Key Judgements – Provisions of Impairment of Receivables

A provision for impairment of $233,401 has been recognised in respect of receivables as at year ended 30 June 2017.

Q. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

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

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019). When effective, this Standard will:

- replace AASB 117 Leases and some lease-related Interpretations;
- require all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; and
- require new and difference disclosures about leases.

This Standard will require retrospective restatement, as well as new and difference disclosures. Although the directors anticipate the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2: Parent Information

	2017 $	2016 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.		
Statement of Financial Position		
Assets		
Current assets	2,271,508	830,751
Total current assets	2,271,508	830,751
Non-current assets	29,829,605	25,904,133
Total non-current assets	29,829,605	25,904,133
Total assets	32,101,113	26,734,884
Liabilities		
Current liabilities	6,844,257	2,070,347
Total current liabilities	6,844,257	2,070,347
Non-current liabilities	-	-
Total non-current liabilities		-
Total liabilities	6,844,257	2,070,347
Net Assets	25,256,856	24,664,537
Equity		
Issued capital	46,629,898	45,300,648
Accumulated losses	(21,124,817)	(21,429,595)
Reserve	98,222	793,484
Total Equity	25,603,303	24,664,537
Foreign currency translation reserve	(346,446)	-
Total comprehensive income	25,256,857	-

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

Contractual Commitments
At 30 June 2017, Mobile Embrace Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: nil).

Note 3: Revenue and Other Income

	Consolidated Group 2017 $	 2016 $
A. Revenue from continuing operations		
Sales revenue:		
Revenue from services rendered	52,555,202	60,563,131
Interest received:		
other persons	15,146	24,808
Total revenue	52,570,348	60,587,939
B. Total revenue and other income		
Attributable to members of the parent entity	52,570,348	60,587,939
	52,570,348	60,587,939

Note 4. Profit / (Loss) for the Year

	Consolidated Group	
	2017	2016
	$	$
A. Expenses		
Borrowing expenses:		
Interest expense	214,911	24,893
Total borrowing expense	214,911	24,893
Legal expenses:		
Legal fees	259,558	317,473
Total legal expenses	259,558	317,473
Amortisation and impairment of intangible assets:		
Software and website development	3,764,503	1,790,477
Impairment of intangible assets	138,439	107,844
Total amortisation and impairment	3,902,942	1,898,321
Depreciation of non-current assets:		
Computer equipment	144,648	77,777
Furniture and fixtures	95,119	53,339
Leasehold improvements	171,373	6,833
Motor vehicle	59,825	56,636
Impairment of tangible assets	-	8,794
Total depreciation	470,965	203,379
Rental expense:		
Rental expense on operating leases	653,497	403,455
Total rental expense	653,497	403,455
Capitalised employee salaries:		
Capitalised IT development	296,033	169,865
Capitalise international development	1,016,763	583,423
Capitalised platform development	643,449	369,214
Total capitalised employee salaries	1,956,245	1,122,502
Employee benefits expense:		
Employee benefits expense	11,055,090	11,894,552
Total employee benefits expense	11,055,090	11,894,552
Total employee benefits expenditure	12,441,216	13,017,054

Note 5. Income Tax Expense

	Consolidated Group	
	2017	2016
	$	$
a. The components of income tax expense / (credit) comprise:		
Current Tax	220,688	1,521,903
Deferred Tax	(133,744)	930,367
Under / (Over) provision of tax from prior years	(861,720)	25,775
	(774,776)	2,478,045
b. The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense / (benefit) as follows:		
Prima facie tax on Profit / (Loss) before income tax at 30%	246,270	2,218,248
Tax effect of:		
Other non-deductible items	49,316	(623,036)
Other deductible items	-	(1,614,396)
Other non-allowable items	-	1,541,087
Carried forward tax losses utilised	-	-
Movements in Deferred Taxes	152,165	475,149
Movements in Deferred Taxes (Prior Year Adjustment)	(797,367)	455,218
Under / (Over) provision of tax from prior years	(425,159)	25,775
Income tax attributable to entity	(774,775)	2,478,045

Note 6. Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2017.

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

Short-term employee benefits	1,930,638	1,736,194
Post-employment benefits	72,773	85,437
	2,003,411	1,821,631

KMP Options Holdings

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

30 June 2017	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year	Vested During the Year	Vested and Exercisable
Drew Kelton	3,000,000	-	(3,000,000)	-	-	-
David Haines	1,000,000	-	(1,000,000)	-	-	-
Gavin Whyte	1,000,000	-	(1,000,000)	-	-	-
Chris Thorpe	8,500,000	-	(5,500,000)	3,000,000	-	3,000,000
Neil Wiles	8,500,000	-	(5,500,000)	3,000,000	-	3,000,000
Simon Allison	8,000,000	-	(8,000,000)	-	-	-
	30,000,000	-	(24,000,000)	6,000,000	-	6,000,000
30 June 2016						
Drew Kelton	3,000,000	-	-	3,000,000	-	-
David Haines	1,000,000	-	-	1,000,000	-	-
Gavin Whyte	1,000,000	-	-	1,000,000	-	-
Chris Thorpe	5,500,000	3,000,000	-	8,500,000	-	3,000,000
Neil Wiles	5,500,000	3,000,000	-	8,500,000	-	3,000,000
Simon Allison	5,000,000	3,000,000	-	8,000,000	-	1,500,000
	21,000,000	9,000,000	-	30,000,000	-	7,500,000

Note 6. Interests of Key Management Personnel (KMP) (continued)

KMP Shareholdings

The number of ordinary shares held in Mobile Embrace Limited by each key management personnel of the Group during the financial year is as follows:

30 June 2017	Balance at Beginning of the Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year
Drew Kelton	300,000	-	-	300,000
David Haines	415,000	-	-	415,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe	22,176,639	-	-	22,176,639
Neil Wiles	19,533,000	-	-	19,533,000
Simon Allison	1,000,000	-	-	1,000,000
	43,819,639	-	-	43,819,639
30 June 2016				
Drew Kelton	250,000	-	50,000	300,000
David Haines	415,000	-	-	415,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe	22,176,639	-	-	22,176,639
Neil Wiles	19,533,000	-	-	19,533,000
Simon Allison	1,000,000	-	-	1,000,000
	43,769,639	-	50,000	43,819,639

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 30: Related Party Transactions. For details of loans to KMP, refer to Note 10: Trade and Other Receivables.

Note 7. Auditors' Remuneration

	Consolidated Group	
	2017	2016
	$	$
Remuneration of the auditor of the parent entity for:		
Parent Company Auditor	195,996	177,560
Subsidiary Company Auditor	14,857	23,700
	210,853	201,260

Note 8. Earnings Per Share

		Consolidated Group	
A.	Reconciliation of earnings to profit or loss:	**2017**	2016
		$	$
	Profit / (Loss)	1,595,677	4,916,116
	Profit / (Loss) attributable to non-controlling equity interest		-
	Earnings used to calculate basic EPS	1,595,677	4,916,116
	Earnings used in the calculation of dilutive EPS	1,595,677	4,916,116
B.	Reconciliation of earnings to profit or loss from continuing operations:		
	Profit from continuing operations	1,595,677	4,916,116
	Profit attributable to non-controlling equity interest in respect of continuing operations		-
	Earnings used to calculate basic EPS from continuing operations	1,595,677	4,916,116
	Earnings used in the calculation of dilutive EPS from continuing operations	1,595,677	4,916,116
C.	Reconciliation of earnings to profit or loss from discontinued operations:		
	Loss from discontinued operations	-	-
	Loss attributable to non-controlling equity interest	-	-
	Earnings used to calculate basic EPS from discontinued operations	-	-
		No.	No.
D.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	442,768,148	391,036,144
	Weighted average number of dilutive options outstanding	18,775,872	35,812,476
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	461,544,020	426,848,620

Note 9. Cash and Cash Equivalents

	Consolidated Group	
	2017	2016
Cash at bank and in hand	8,775,799	17,663,907
Deposits at call	295,942	291,928
	9,071,741	17,955,835

The effective interest rate on at call bank deposits was 2.24% (2016: 2.15%).

Note 10. Trade and Other Receivables

	Consolidated Group	
	2017	2016
	$	$
Current		
Trade receivables	7,864,388	11,319,798
Provision for impairment	(233,401)	(105,303)
	7,630,987	11,214,495
Other receivables	1,771,912	2,296,785
Trade and other receivables	9,402,899	13,511,280
Non – current		
Other receivables	249,804	539,187

Note 10. Trade and Other Receivables (continued)

Credit Risk — Trade and Other Receivables

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

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

Consolidated Group	Gross Amount $	Past Due and Impaired $	Past Due but not Impaired				Within Initial Trade Terms $
			<30 days $	31–60 days $	61–90 days $	>90 days $	
2017							
Trade & term receivables	7,630,987	-	1,728,914	489,461	508,151	1,462,823	3,441,638
Other receivables	1,771,912	-	-	-	-	-	1,771,912
	9,402,899		**1,728,914**	**489,461**	**508,151**	**1,462,823**	**5,213,550**
2016							
Trade & term receivables	11,214,495	-	1,546,054	993,269	792,851	1,087,653	6,794,668
Other receivables	2,296,785	-	-	-	-	-	2,296,785
	13,511,280	**-**	**1,546,054**	**993,269**	**792,851**	**1,087,653**	**9,091,453**

The Group nor the parent entity does not hold any financial assets with terms that have been negotiated which would otherwise be past due or impaired.

Note 11. Other Assets

	Consolidated Group	
	2017 $	2016 $
A. Current		
Prepayments	**2,903,301**	761,373
B. Non-Current		
Formation costs	**6,300**	9,024

Note 12. Controlled Entities

Controlled Entities Consolidated

Name of Entity	Country of Incorporation	Ownership Interest 2017 %	2016 %
Parent Entity:			
Mobile Embrace Limited	Australia		
Subsidiaries of Mobile Embrace Limited:			
Global One Mobile Entertainment Pty Ltd	Australia	**100**	100
Divolution Limited	Australia	**100**	100
1st Screen	Australia	**100**	100
6G Pty Ltd	Australia	**100**	100
7A Pty Ltd	Australia	**100**	100
8Z Pty Ltd	Australia	**100**	100
Convey Pty Ltd (formerly Level 3 Pty Ltd)	Australia	**100**	100
Mobipay Pty Ltd (formerly Convey Pty Ltd)	Australia	**100**	100
Convey Global Pty Ltd	Singapore	**100**	100
The Performance Factory Pty Ltd	Australia	**100**	100
Eggmobi Pty Ltd	Australia	**-**	100
Eggmobi UK Limited	UK	**100**	100
Vizmond Pty Ltd	Australia	**100**	100
Vizmond Media Pty Ltd	Australia	**100**	100
Convey Global MY SDN BHD	Malaysia	**-**	100
Marketing Punch Limited	UK	**100**	100
Marketing Punch Pty Ltd	Australia	**100**	100
Clipp Pty Ltd*	Australia	**97**	31

*The Company took control of Clipp Pty Ltd on 27 Feb 2017 (refer Note 14 below).

Note 13. Disposal of Controlled Entities

On 28 June 2017, the parent disposed of its wholly owned subsidiary Eggmobi Pty Ltd. The total loss on disposal was $195,549 and expensed in the Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2017.

Eggmobi has been sold through a management buyout to one of Eggmobi's founders for the consideration of $2,029,000 that consists of $1,630,000 of debt forgiveness and $399,000 in cash, effective 28 June 2017 (refer market update 8 August 17).

Post Balance Date

The Company closed its Malaysian Office and de-registered the Malaysian entity in July 2017. The Company wrote off the intercompany balance of $138,439 to impairment prior to the end of June 2017.

Note 14. Business Combinations: Acquisitions

Acquired Controlled Entities: Clipp Pty Limited

On 27 February 2017, the Company announced that it has increased its shareholding in Clipp, a leading mobile payment and loyalty smartphone Application (App). Clipp's advanced payment platform allows consumers to use their mobile phone to purchase drinks and food directly from the App as it is integrated into the hospitality venues Point of Sale (POS) system.

As announced to the ASX 10 June 2015, MBE acquired a 31% shareholding in Clipp. On the 27 February 2017, MBE has acquired a further 66% of Clipp for $550,000 in cash, taking MBE's stake in Clipp to 97%.

MBE's increased shareholding, to 97%, now allows the Company to exercise control over Clipp and set the strategic direction to develop the business and take it to the next level. This control provides the Company with a stronger platform to realise optimum value from its investment moving forward. The valuation of the proprietary platform and Purchase Price Allocation (PPA) is currently being under taken by a PPA specialist.

Note 14. Business Combinations: Acquisitions (continued)

	Fair Value $
Purchase consideration:	
Cash	550,165
Previously held 31% equity interest	2,491,248
Non-controlling interest	502,383
Contingent consideration	-
	3,543,796
Less:	
Cash	324,108
Receivables (i)	41,071
Tangible Assets	15,566
Intangible Asset – IT System	2,129,761
Payables	3,112,436
Identifiable assets acquired and liabilities assumed	(601,930)
Goodwill (ii)	4,145,726
Purchase consideration settled in cash	
Cash outflow on acquisition	3,543,796

(i) The Directors believe the receivables are fully recoverable and no provision for impairment is required.

(ii) The goodwill is attributable to Clipp's strong position and competitive advantage in the digital App sector. Provisional fair values are subject to final review by the Directors. The valuation of the proprietary IT platform and Purchase Price Allocation (PPA) is being under taken by PPA specialists.

No amount of the goodwill is deductible for tax purposes.

EBITDA and revenue resulting from the acquisition of Clipp Pty Limited amounting to ($0.25) million and $4.5 million respectively are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017. These results have been consolidated since the date of the acquisition on 1 March 2017.

Note 15. Goodwill update

	Consolidated Group	
	2017 **$**	2016 $
Goodwill		
Goodwill on acquisitions - The Performance Factory	5,223,440	5,223,440
Goodwill on acquisitions - Eggmobi*	-	2,224,549
Goodwill on acquisitions - Vizmond Media	3,168,503	3,168,503
Goodwill on acquisitions - Marketing Punch	7,549,540	8,094,991
Goodwill on acquisitions - Clipp	4,145,726	-
Accumulated Impairment	-	-
Carrying Value at 30 June 2017	20,087,209	18,711,483

*Eggmobi Pty Ltd has been disposed on 28 June 2017 and the goodwill has been written off.

Impairment Testing

For the purposes of annual impairment testing goodwill is broken down into the following cash generated units which is consistent with business combination calculations.

	$
The Performance Factory (TPF)	5,223,440
Vizmond Media (VIZ)	3,168,503
Marketing Punch (MP)	7,549,540
Clipp	4,145,726
Goodwill allocation at 30 June 2017	20,087,209

Note 15. Goodwill Update (continued)

The recoverable amounts of the cash generating units were determined based on the value-in-use calculations covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate. Then terminal value has been calculated using the Multiple EBITDA approach.

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and the market growth rates for FY 2018. The discount rate is based on the WACC for the Company. Management has tested a range of discount rates and a range of growth rates.

Impairment Testing

Growth Rates and Discount Rates:

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
TPF	Growth rates	15%	10%	10%	10%	10%
	Discount rates	12%	12%	12%	12%	12%
VIZ	Growth rates	11%	20%	20%	20%	10%
	Discount rates	12%	12%	12%	12%	12%
MP	Growth rates	29%	10%	20%	10%	10%
	Discount rates	12%	12%	12%	12%	12%
Clipp	Growth rates	64%	71%	56%	nil	nil
	Discount rates	12%	12%	12%	12%	12%

Cash Flow Assumptions (NPV)

Management's key assumptions for the businesses include, stable margin, moderate increase in head count through FY 2018 and FY 2019 and moderate revenue growth across FY 2018 to FY 2022. Aside from changes in head count management in as assumed expenses to grow 10% year on year across all expense categories. Management has assumed growth profit margins to decline by 2% year on year.

Management tested a range of sensitives including different discount rates for the impairment testing ranging from 12% to 18%. In calculating the terminal value management has used the Multiple EBITDA approach.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Impairment Testing:

Scenario 1 Discount Rate of 12%

Cash generating unit	Carrying amount of goodwill	NPV of cash flow of CGU
The Performance Factory	5,223,440	12,587,787
Vizmond Media	3,168,504	9,662,762
Marketing Punch	7,549,540	21,116,443
Clipp	4,145,726	9,118,710

Scenario 2 Discount Rate of 18%

Cash generating unit	Carrying amount of goodwill	NPV of cash flow of CGU
The Performance Factory	5,223,440	10,465,799
Vizmond Media	3,168,504	7,780,485
Marketing Punch	7,549,540	17,121,117
Clipp	4,145,726	6,680,274

Note 16. Intangible Assets

	Consolidated Group	
	2017	2016
	$	$
Software systems from acquisitions	10,877,208	8,413,654
Accumulated amortisation	(1,615,099)	(650,000)
Net carrying value	9,262,109	7,763,654
Software development	11,397,680	7,109,953
Accumulated amortisation	(5,241,222)	(3,063,611)
Net carrying value	6,156,458	4,046,342
Content and web development costs	74,649	253,355
Accumulated amortisation	(74,649)	(174,208)
Net carrying value	0	79,147
Total Intangibles	15,418,567	11,889,143

Movements in Carrying Amounts

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

Consolidated Group:	**Software and Development**	**Content & Web Development**	**Goodwill**	**Total**
	$	**$**	**$**	**$**
Year ended 30 June 2016				
Balance at the beginning of the year	2,584,624	132,771	-	2,717,395
Additions: external acquired				
Software acquired through acquisition	8,413,654	-	-	8,413,654
Software	1,505,290	28,625	-	1,533,915
Additions: internally developed				
Software	1,122,500	-	-	1,122,500
Disposals	(54,220)	(53,624)	-	(107,844)
Amortisation / impairment	(1,761,852)	(28,625)	-	(1,790,477)
	11,809,996	**79,147**	**-**	**11,889,143**
Year ended 30 June 2017				
Balance at the beginning of the year	11,809,996	79,147	-	11,889,143
Additions: external acquired				
Software acquired through acquisition	3,659,029			3,659,029
Software	1,765,930			1,765,930
Additions: internally developed				
Software	1,956,245			1,956,245
Disposals	(8,130)	(79,147)	-	(87,277)
Amortisation / impairment	(3,764,503)	-		(3,764,503)
	15,418,567	-	-	15,418,567

Note 17. Plant and Equipment

	Consolidated Group	
	2017	**2016**
	$	**$**
Computer equipment		
At cost	742,218	665,650
Accumulated depreciation	(560,982)	(416,335)
	181,236	249,315
Furniture and fittings		
At cost	567,475	484,248
Accumulated depreciation	(260,031)	(82,353)
	307,444	401,895
Leasehold improvements		
At cost	1,082,790	1,055,291
Accumulated depreciation	(332,125)	(160,752)
	750,665	894,539
Motor vehicle		
At cost	155,041	158,606
Accumulated depreciation	(112,979)	(56,636)
	42,062	101,970
Total plant and equipment	1,281,407	1,647,719

Movements in Carrying Amounts

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

Consolidated Group:	**Computer Equipment $**	**Furniture and Fittings $**	**Leasehold Improvements $**	**Motor Vehicle $**	**Total $**
Balance at 1 July 2015	202,385	4,062	13,704	-	220,151
Additions	124,708	453,205	894,428	158,606	1,630,947
Disposals	-	(2,034)	(6,760)	-	(8,794)
Depreciation expense	(77,777)	(53,339)	(6,833)	(56,636)	(194,585)
Balance at 30 June 2016	249,316	401,894	894,539	101,970	1,647,719
Balance at the beginning of year	249,316	401,894	894,539	101,970	1,647,719
Additions	76,568	129,276	173,298	11,848	390,990
Disposals	0	(128,608)	(145,799)	(11,930)	(286,337)
Depreciation expense	(144,648)	(95,119)	(171,373)	(59,825)	(470,965)
Closing value at 30 June 2017	181,236	307,444	750,665	42,062	1,281,407

Note 18. Trade and Other Payables

	Consolidated	
	2017	2016
	$	$
Current		
Trade Payables	3,141,995	5,507,052
Sundry payables and accrued expenses	413,088	399,831
	3,555,083	5,906,883

Note 19. Borrowings

Current		
Loan - Secured	314,936	343,264
	314,936	343,264
Non-current		
Loan - Secured	927,865	1,099,526
Facility - Secured	5,066,515	4,527,140
	5,994,380	5,626,666

Note 20. Tax

Consolidated Group:	Opening Balance	Charged to Income	Charged to Equity	Prior Year Adjustment	Closing Balance
Deferred Tax Assets					
Accrued Expenses	97,931	126,733		23,505	248,169
Fixed Assets	(1,236,532)	(414,096)		(84,849)	(1,735,477)
Provisions	437,012	(157,384)			279,628
Share issue costs	178,920	(44,730)			134,190
Losses	-	272,981		858,711	1,131,692
Tax offsets (R&D)	-	150,150			150,150
Balance at 30 June 2017	(522,669)	(66,346)	-	797,367	208,353

Deferred Tax Assets not brought to account include the following:

Capital losses:	-

Note 21. Provisions

Long-term employee benefits:

	2017 $	2016 $
Opening balance at beginning of financial year	775,884	639,081
Additional provisions	414,390	477,373
Amounts used	(571,976)	(340,570)
Balance at end of financial year	618,298	775,884

Long-term employee benefits:

	2017 $	2016 $
Analysis of total provisions		
Current		
Provision for employee benefits	595,966	604,277
Provision for bonus	63,397	438,821
Employment related ATO provision	822,449	424,880
Total	1,481,812	1,467,978
Non- current	-	-
Provision for Employee Benefits	22,332	171,607

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

Note 22. Issued Capital

	Consolidated Group 2017 $	2016 $
Ordinary shares		
442,927,645 (2016: 436,257,263) fully paid ordinary shares	46,629,898	45,300,648

	No.	No.
A. Ordinary shares		
At the beginning of the reporting period	436,257,263	386,429,763
Shares issued during the year	6,670,382	49,827,500
At reporting date	442,927,645	436,257,263

Note 22. Issued Capital (continued)

During the financial year ending 30 June 2017: nil options were exercised at various exercise prices.

The Company offered a Share Purchase Plan (SPP) to existing shareholders to raise up to $3,500,000. As at balance date the Company had physically received $85,500 only, and adjustments were not made to the issued capital of the company until post 30 June 2016. On the 7 July 2016 4,200,619 ordinary shares were issued at $0.30 (refer Appendix 3B ASX 7 July 2016).

The following staff options were exercised: a) On the 5 July 2016 2,370,000 zero priced options were exercised (refer Appendix 3B ASX 5 July 2016). b) On the 6 November 2016, 100,000 zero priced options were exercised (refer Appendix 3B ASX 6 November 2016).

On the 4 October 2016: 4,000,000 shares issued on the 1 October 2015 (as part of the consideration for the Company's acquisition) and ratified by shareholders pursuant to LR 7.4 at the 2015 AGM (resolution 6) were released from escrow, (refer Appendix 3B ASX 4 October 2016).

Options lapsing: On the 30 June 2017: a) 22,759,834 options lapsed (refer Appendix 3B ASX 30 June 2017) b) 10,000,000 options lapsed (refer Appendix 3B ASX 20 July 2017).

A. Ordinary Shares

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

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

B. Capital Management

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

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

C. Options

For information relating to the Mobile Embrace Limited employee option plan including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 26: Share Based Payments for Acquisition.

For information relating to share options issued to Key Management personnel during the financial year, refer to Note 6: Interests of Key Management Personnel (KMP).

Note 23. Reserves

	Consolidated Group	
	2017	2016
	$	$
Employee equity settled benefits		
Opening balance	578,770	408,293
Expensed during the year	-	329,240
Forfeited during the year	(477,843)	-
Exercised during the year	(52,205)	(158,763)
Closing balance	48,722	578,770
Other equity settled benefits		
Opening balance	214,714	172,173
Granted / exercised during the year	-	42,541
Forfeited during the year	(165,215)	-
Closing balance	49,499	214,714
At reporting date	98,222	793,484

Employee equity settled benefits reserve arises on the grant of share options to employees under the Mobile Embrace Limited Employee Share Option Plan. Amounts are transferred out of the reserve into issued capital when the options are exercised. Further information about share based payments to employees is in Note 26 to the financial statements.

Note 24. Operating Segments

A. Identification of Reportable Segments

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

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

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

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

B. Types of Products and Services by Segment

i. Carrier Billing

The Company enables itself and its partners integrated customer acquisition, management and carrier billing via mobile devices.

It enables the reaching of, engagement and transactions (where the transaction is a billing transaction), with consumers on their mobile devices via its digital media trading desk and carrier billing platforms.

Consumers seamlessly engage with digital product and service offers and utilise carrier billing to conveniently pay for them on their mobile devices.

The clients and partners are businesses that want to acquire high volumes of customers on any mobile device and mobile operators (Telcos) wanting to increase their average revenue per user (ARPU).

Note 24. Operating Segments (continued)

ii. Mobile Marketing

The Company enables itself and its partners integrated performance marketing and customer acquisition via mobile devices.

It enables the reaching of, engagement and transactions (where the transaction is a marketing transaction), with consumers on their mobile devices via its mobile marketing platforms, permission databases, publishing network and award winning creative mechanics.

The clients and partners are businesses that want to acquire high volumes of customers via online and mobile devices.

C. Basis of Accounting for Purposes of Reporting by Operating Segments

i. Accounting Policies Adopted

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

ii. Intersegment Transactions

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

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

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

iii. Segment Assets

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

iv. Segment Liabilities

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

v. Unallocated Items

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

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

Note 24. Operating Segments (continued)

D. Segment Performance

30 June 2017	C Billing $	M Marketing $	Clipp $	Total $
REVENUE				
External sales	24,219,526	23,787,162	4,548,514	52,555,202
Interest revenue	14,524	42	580	15,146
Total segment revenue	24,234,050	23,787,204	4,549,094	52,570,348
Segment gross profit	12,456,595	10,068,470	111,961	22,637,026
Segment net profit / (loss) before tax	5,417,883	2,190,801	(48,745)	7,559,939
Reconciliation of segment result to group net profit / loss before tax				
Amounts not included in segment results but reviewed by the Board:				
Depreciation and amortization and impairment				(4,373,907)
Unallocated items:				
Corporate charges				(2,365,131)
Net profit / (loss) before tax				**820,901**

30 June 2016	C Billing $	M Marketing $	Total $
REVENUE			
External sales	33,555,817	27,007,314	60,563,131
Interest revenue	24,808	-	24,808
Total segment revenue	33,580,625	27,007,314	60,587,939
Segment gross profit	11,767,033	13,978,195	25,745,228
Segment net profit / (loss) before tax	5,590,284	6,313,726	11,904,010
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment results but reviewed by the Board:			
Depreciation and amortization and impairment	-	-	(2,101,709)
Unallocated items:			
Corporate charges	-	-	(2,408,141)
Net profit / (loss) before tax	-	-	**7,394,160**

Note 24. Operating Segments (continued)

E. Segment Asset

30 June 2017	C Billing	M Marketing	Clipp	Total
	$	$	$	$
Segment assets	20,048,734	6,720,749	2,486,495	29,255,978
Unallocated assets:				
Cash at bank	-	-	-	8,775,799
Term deposit	-	-	-	295,942
Deferred tax assets	-	-	-	1,943,829
Investments	-	-	-	-
Goodwill	-	-	-	20,087,209
Other				6,300
Total group assets	-	-	-	**60,365,057**

30 June 2016	C Billing	M Marketing	Total
	$	$	$
Segment assets	16,331,207	12,017,495	28,348,702
Unallocated assets:			
Cash at bank	-	-	17,663,907
Term deposit	-	-	291,928
Deferred tax assets	-	-	-
Investments	-	-	3,686,721
Goodwill	-	-	18,711,483
Other	-	-	9,024
Total group assets	**-**	**-**	**68,711,765**

F. Segment Liabilities

30 June 2017	C Billing	M Marketing	Clipp	Total
	$	$	$	$
Segment liabilities	3,060,720	1,692,607	242,502	4,995,829
Unallocated liabilities:				
Income tax payable	-	-	-	656,489
Deferred consideration	-	-	-	4,626,606
Short-term provisions	-	-	-	63,397
Borrowings	-	-	-	6,309,316
Deferred Tax Liability	-	-	-	1,735,476
Total group liabilities	-	-	-	18,387,113

30 June 2016	C Billing	M Marketing	Total
	$	$	$
Segment liabilities	7,616,323	5,399,153	13,015,476
Unallocated liabilities:			
Income tax payable	-	-	1,521,903
Deferred consideration	-	-	12,733,332
Short-term provisions	-	-	1,467,978
Total group liabilities	-	-	28,738,689

Note 24. Operating Segments (continued)

G. Revenue by Geographical Region

Revenue attributable to external customers is disclosed below, based on the location of the external customer	30 June 2017 $	30 June 2016 $
Australia	39,164,534	49,989,416
Bahrain C Billing	5,880	
Malaysia C Billing	1,266,196	
New Zealand M Marketing	1,115,351	552,397
Norway C Billing	103,890	
Pakistan C Billing	117,479	
Singapore C Billing	577,128	902,006
Singapore M Marketing		-
Switzerland C Billing	442,275	788,951
Thailand C Billing	14,867	
United Arab Emirates C Billing	501,618	84,202
United Kingdom C Billing	3,774,766	2,983,371
United Kingdom M Marketing	5,471,218	5,287,597
Total revenue	52,555,202	60,587,940

H. Assets by Geographical Region

The location of segment assets by geographical location of the assets is disclosed below:	30 June 2017 $	30 June 2016 $
Australia	55,372,545	65,229,965
United Kingdom	4,688,635	3,172,071
Singapore	57,325	309,729
New Zealand	246,552	-
Total segment assets	60,365,057	68,711,765

I. Major Customers

M payments, Telstra Corporation Limited, accounted for 24% of external revenue.
M payments, Optus Pty Ltd, accounted for 12% of external revenue.

Note 25. Cash Flow Information

A. Reconciliation of Cash Flow (used in) / from operations with profit / (loss) after income tax

	Consolidated Group	
	2017	2016
	$	$
Profit / (loss) from ordinary activities after income tax	1,595,677	4,916,116
Non-cash flows in profit / (loss) from ordinary activities:		
Depreciation	4,235,468	194,584
Amortisation / impairment loss of intangibles	-	1,790,477
Impairment	138,439	116,647
Loss on sale of subsidiary	-	-
Share option	-	321,367
Employee entitlements	641,424	492,027
Bad debt	630,797	105,303
Decrease / (increase) in receivables	3,766,967	(4,276,905)
Decrease / (increase) in other current assets	3,320,408	(324,097)
Decrease / (increase) in other assets	(2,141,927)	(1,749,999)
Increase / (decrease) in trade creditors	(2,351,800)	2,423,799
Increase / (decrease) in provisions	36,165	1,041,915
Increase / (decrease) in deferred consideration	(6,596,451)	-
Increase / (decrease) in tax	(727,072)	1,280,367
Cash flow (used in) / from operations	2,548,096	6,331,601

Note 26. Share Based Payments for Acquisition

i. The following share based payments were made during the financial year 2017: nil.

ii. A summary of the movements of all companies' options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2010	**12,850,000**	**$0.0619**
Granted	-	-
Forfeited	(200,000)	$0.0375
Exercised	-	-
Expired	(3,000,000)	$0.1128
Options outstanding as at 30 June 2011	**9,650,000**	**$0.0466**
Granted	12,800,000	$0.0203
Forfeited	-	-
Exercised	-	-
Expired	(6,650,000)	$0.0375
Options outstanding as at 30 June 2012	**15,800,000**	**$0.0295**
Granted	16,250,000	$0.0130
Forfeited	(3,000,000)	$0.0688
Exercised	-	-
Options outstanding as at 30 June 2013	**29,050,000**	$0.0393
Granted	9,225,000	$0.0224
Forfeited	-	-
Exercised	(15,200,000)	$0.0201
Options exercisable as at 30 June 2014	**23,075,000**	$0.0129
Granted	19,197,334	$0.1618
Forfeited	(550,000)	$0.0000
Exercised	(8,565,000)	$0.0258
Options exercisable as at 30 June 2015	**33,157,334**	$0.0985
Granted	17,500,000	$0.3310

Forfeited	-	-
Exercised	(6,077,500)	$0.0251
Options exercisable as at 30 June 2016	**44,579,834**	$0.1817
Granted	**-**	-
Forfeited	**(32,759,834)**	$0.2075
Exercised	**(2,470,000)**	$0
Options exercisable as at 30 June 2017	**9,350,000**	$0.1897

Note 27. Options

The following staff Options were exercised: a) On the 5 July 2016 2,370,000 zero priced options were exercised (refer Appendix 3B ASX 5 July 2016). b) On the 6 November 2016, 100,000 zero priced options were exercised (refer Appendix 3B ASX 6 November 2016).

Options lapsing: On the 30 June 2017: a) 22,759,834 options lapsed (refer Appendix 3B ASX 30 June 2017. b) 10,000,000 options lapsed (refer Appendix 3B ASX 20 July 2017).

Post Balance Date:

As reported to ASX on 20 July 2017, 10,000,000 options lapsed (refer Appendix 3B ASX 20 July 2017).

Note 28. Dividends

	Consolidated Group	
	2017	2016
	$	$
No dividends were provided for or paid	**-**	-
Dividends franking account		
Balance of franking account at year end arising from payment of provision for income tax	779,446	779,446

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

Note 29. After Balance Date Events

The Company acquired C2B Solutions Pty Limited (C2B) a profitable and strategically compelling performance marketing company, for an overall consideration of $6.5 million. The purchase price consists of an upfront consideration of $2.5 million followed by a two-year performance-based earn-out of $2 million in 12 months On Target Earnings (OTE), and $2 million in a further 12 months OTE (refer ASX announcement 14 August 2017).

The Company closed its Malaysian Office and de-registered the Malaysian entity in July 2017. The Company wrote off the intercompany balance of $138,439 to impairment prior to the end of June 2017.

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

Note 30. Related Party Transactions

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

Transactions with related parties: nil (2016: nil).

Note 31. Contingent Liabilities

There are no contingent liabilities at balance date.

Note 32. Leasing Commitments

	Consolidated Group	
	2017	2016
	$	$
Not later than one year	**623,085**	603,104
Later than one year but not later than five years	**2,043,394**	2,576,220
Minimum payments	**2,666,479**	3,179,324
Less: future finance charges	-	-
Present value of minimum payments	-	-
Minimum hire-purchase payments	-	-

Note 33. Financial Risk Management

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

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

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

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets while minimising potential adverse effects on financial performance. The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

A. Interest Rate Risk

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

Consolidated Group	Weighted Average Interest Rate %	Non-interest Bearing $	Fixed Interest Rate Maturing		Floating Interest Rate $	Total $
			1 Year or Less $	1 to 5 Years $		
2017						
Financial assets:						
Cash and cash equivalents	2.24	-	295,942	-	8,775,799	9,071,741
Trade and other receivables		9,652,703	-	-		9,652,703
		9,652,703	295,942		8,775,799	18,724,444
Financial liabilities:						
Trade and other payables	-	3,712,486	-	-	-	3,712,486
Income tax payable	-	656,489	-	-	-	656,489
Deferred consideration	-	4,626,606	-	-	-	4,626,606
Borrowings	1.02	-	314,936	5,994,380	-	6,309,316
		8,995,581	314,936	5,994,380	-	15,304,897

Note 33. Financial Risk Management (continued)

	Weighted Average Interest Rate %	Non-interest Bearing $	Fixed Interest Rate Maturing		Floating Interest Rate $	Total $
			1 Year or Less $	1 to 5 Years $		
2016						
Financial assets:						
Cash and cash equivalents	2.15	-	291,928		17,663,907	17,955,835
Trade and other receivables	-	13,511,280	-		-	13,511,280
	-	13,511,280	291,928		17,663,907	31,467,115
Financial liabilities:						
Trade and other payables	-	5,906,883	-	-		5,906,883
Income tax payable	-	1,521,903	-	-		1,521,903
Deferred consideration	-	5,666,666	-	7,066,666		12,733,332
Borrowings	1.01	-	343,264	5,626,666		5,969,930
		13,095,452	343,264	12,693,332		26,132,048

B. Credit Risk

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

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

C. Net Fair Values

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

D. Liquidity Risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 33. Financial Risk Management (continued)

Consolidated Group	Within 1 Year		1 to 5 Years		Total	
Financial liabilities due for payment	**2017 $**	2016 $	**2017 $**	2016 $	**2017 $**	2016 $
Loans	-	-	-	-	-	-
Trade and other payables	3,712,486	5,906,883	-	-	3,712,486	5,906,883
Deferred consideration	4,626,606	5,666,666		7,066,666	4,626,606	12,733,332
Income tax payable	656,489	1,521,903		-	656,489	1,521,903
Borrowings	314,936	343,264	5,994,380	5,626,666	6,309,316	5,969,929
Total contractual outflows	9,310,517	13,438,716	5,994,380	12,693,332	15,304,897	26,132,048
Financial assets – cash flows realisable						
Cash & cash equivalents	9,071,741	17,955,835		-	9,071,741	17,955,835
Trade & loan receivables	9,402,899	13,511,280	249,804	539,187	9,652,703	14,050,467
Total anticipated inflows	18,474,640	31,467,115	249,804	539,187	18,724,444	32,006,302
Net (outflows) / inflows on financial instruments	9,164,123	18,028,399	(5,744,576)	(12,154,145)	3,419,548	5,874,254

E. Market Risk

i. Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings.

ii. Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies which the Group holds financial instruments which are other than the AUD functional currency of the Group. With instruments being held overseas by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results.

Directors' Declaration

The directors of the company declare that:

A. the financial statements and notes, as set out on pages 23 to 57, are in accordance with the Corporations Act 2001 and:

   i. comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   ii. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;

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

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

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

Neil Wiles
CEO Executive Director
31 August 2017

MOBILE EMBRACE LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MOBILE EMBRACE LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Mobile Embrace Limited (the company) and it's subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.
In our opinion:

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

i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of Mobile Embrace Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mobile Embrace Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Carrying Value of Goodwill and Discount on Acquisition Mobile Embrace Limited has goodwill of $20,087,209 contained within 4 cash-generating units ('CGUs'). Impairment charges to goodwill have been recognised in prior periods. For the CGUs which contain goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables such as future average industry revenue growth rates, estimates of operating expenses relevant to the size and nature of the CGU and the most appropriate discount rate. Refer Note 1 Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty), Note 1P – Impairment assessment Note 15 – Goodwill.	We evaluated the appropriateness of management's identification of the Group's CGUs and tested the operating effectiveness of controls over the impairment assessment process, including indicators of impairment, noting no significant exceptions. Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions, through performing the following: • benchmarking Mobile Embrace's key market-related assumptions in management's valuation models with industry comparators and with assumptions made in the prior years including revenue and margin trends, capital expenditure on internet assets, market share and customer churn, foreign exchange rates and discount rates, against external data where available; • testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board-approved Long-Range Plans; and • assessing the reliability of management's forecast through a review of actual performance against previous forecasts. We validated the appropriateness of the related disclosures in note 1P and note 15 to the financial statements, including the sensitivities provided with respect to the CGU's. Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.

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Revenue recognition – accuracy of revenue recorded given the complexity of systems

Revenue represents a material balance consisting of a high volume of individually low value transactions and we have identified the following types of transactions and assertions related to revenue recognition which give rise to key risks:

- the completeness of revenue recorded as a result of the reliance on output of the billing systems;
- the accuracy and completeness of revenue recognised on transactions which are outside the normal billing process, which by their nature carry a higher level of management judgement; and
- the accuracy and completeness of costs of sales is recognised on sales, where the costs of suppliers and service providers are not charged to the business on a regular basis or are delayed.

Refer to note 1 – Significant Accounting Policies.

In responding to this area of focus, our audit approach included controls testing and substantive procedures covering, in particular:

- testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;
- testing the end-to-end reconciliation from business support systems to billing and to the general ledger. This testing included validating material journals processed between the billing system and general ledger;
- performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills;
- testing cash receipts for a sample of customers back to the customer invoice or direct carrier biller invoices; and
- testing costs of sales.

We also considered the application of the Group's accounting policies to amounts billed and the accounting implications of new business acquisitions, services or products, to check that Group accounting policies were appropriate for these and were followed.

Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.

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Acquisition accounting

On the 27th February 2017, the company acquired a controlling interest in Clipp Pty Limited ("Clipp"). Clipp has been consolidated in the group financial statements from the date of control.

This significant acquisition in Clipp as described in note 14 included material fair value adjustments. The transaction gave rise to goodwill of $4.2m. The accounting treatment for these acquisitions gives rise to significant judgement around the fair value adjustments, including the valuation of intangible assets recognised, which include determining appropriate inputs and assumptions used in the underlying valuations.

We have considered management's assessment that the acquired assets represent a business combination under AASB 3 and challenged management's inputs and assumptions used in determining the valuation and completeness of the acquired intangible assets. This challenge specifically included the consideration of the forecast cash flows expected to be generated by the acquired assets, the anticipated underlying customer base and forecast revenue and cost metrics. We have also challenged the appropriateness of the useful economic life attributed to the assets.

Equity Accounting and Business Acquisition

The company had a significant investment in Clipp Pty Limited "Clipp".

AASB 128 Investments in Associates and Joint Ventures, sets out the conditions and tests for significant influence over another entity, and the requirements to account for the investment as an associate, by the application of the Equity accounting basis. This requires the director's to assess and document their conclusions about the classification of the investment, and to disclose the reasons for not equity accounting in the financial statements.

On the 27th February 2017, the company acquired a controlling interest in Clipp. Clipp has been consolidated in the group financial statements from that date. Refer to note 14 Business Combinations: Acquisitions.

We have considered the director's assessment that the investment was an associate for part of the financial year, as defined under AASB 128 Investments in Associates and Joint Ventures and challenged the reasons and facts used in determining that Mobile Embrace Limited exerted significant influence over Clipp.

Refer above for key audit matter on acquisition.

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Capitalisation of Software Development and asset lives

There are a number of areas where management judgement impacts the carrying value of software intangible assets and their respective amortisation profiles. These include:

- the decision to capitalise or expense costs;
- the annual asset life review including the impact of changes in the Group's strategy; and
- the timeliness of the transfer from assets in the course of development.

Refer to note 1 – Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty).

Refer Intangible assets note 16.

We tested controls in place over the software development cycle, evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the timeliness of the transfer of assets in the course of development. There were no exceptions noted from our testing.
Our detailed testing on the application of the asset life review identified no issues.

In performing these procedures, we challenged the judgements made by management including:

- the nature of underlying costs capitalised as part of the cost of the software billing and delivery platforms;
- the appropriateness of asset lives applied in the calculation of amortisation; and
- in assessing the need for accelerated amortisation given platform modernisation major upgrade of the groups mobile billing platform, Mobipay.

No significant issues were noted from our testing.

Other Information

The directors of Mobile Embrace Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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MNSA

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Mobile Embrace Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Mobile Embrace Limited 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.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Address: Level 1, 283 George Street, Sydney NSW 2000

Dated this 31st day of August 2017

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Additional Investor Information

The following information is provided pursuant to Listing Rule 4.10 and is current as at as at 18 September 2017:

Distribution of Shareholders

Size of Holding	Total Holders	Total Shares	% of Ordinary Shares
1 – 1,000	161	33,359	4.35
1,001 – 5,000	572	1,946,340	15.47
5,001 – 10,000	541	4,568,584	14.63
10,001 – 100,000	1,724	70,474,959	46.63
100,001 – and over	669	365,904,640	18.91
Totals	**3,697**	**442,927,882**	**100.00**

Unmarketable Parcels

There are 983 shareholders with an unmarketable parcel of shares being a holding of less than 8,772 shares each for a combined total of 3,673,357 shares. This is based on a closing price of $0.057 per share as at 18 September 2017 and represents 0.83% of the shares on issue.

Substantial Shareholders

Name	Number of Ordinary Shares	% of Ordinary Shares
WAUGHDOC PTY LTD	22,176,639	5.01

Top 20 Ordinary Shareholders

Name	Number of Ordinary Shares	% of Ordinary Shares
WAUGHDOC PTY LTD	22,176,639	5.01
MR NEIL WILES	12,000,000	2.71
CONNAUGHT CONSULTANTS (FINANCE) PTY LTD <SUPER FUND A/C>	10,220,000	2.31
COMMUNITEE PTY LIMITED	7,533,000	1.70
KILNORT PTY LTD <KILNORT FAMILY A/C>	5,300,000	1.20
BNP PARIBAS NOMS PTY LTD	5,104,467	1.15
CUSTOM AV PTY LTD	5,000,000	1.13
MRS ANTHEE WIN	4,680,633	1.06
MR JEREMY STEVEN MARPLE	3,950,000	0.89
MR SCOTT DOUGLAS AMOS & MRS KAREN ELIZABETH AMOS <THE SDA SUPER FUND A/C>	3,759,144	0.85
MR ADRIAN QUILTER-HARVEY & MS VANESSA KRIVOGRAD <HARVEY FAMILY S/F A/C>	3,500,000	0.79
PANRON PTY LTD <R & J SUPER FUND A/C>	3,449,850	0.78
MR JACQUES ALBERT NASSER	3,338,889	0.75
CHARLES HAYNES	3,200,000	0.72
VLANSAM PTY LTD <PCAINVEST SUPER FUND A/C>	2,950,000	0.67
KENIRO PTY LTD <KNR INVEST SUPER FUND A/C>	2,811,000	0.63
AUSTER CAPITAL PARTNERS LLC	2,758,890	0.62
CITICORP NOMINEES PTY LIMITED	2,532,638	0.57
MR RAHMON CHARLES COUPE & MRS JULIA DEBORAH COUPE <COUPE SUPER FUND A/C>	2,483,000	0.56
2M RESOURCES PTY LTD	2,480,000	0.56
Total Held by Top 20 Ordinary Shareholders	**109,228,150**	**24.66**
Total Remaining Balance or Ordinary Shareholders	**333,699,732**	**75.34**
Total Shareholders Balance	**442,927,882**	**100.00**

Unlisted Options

The Company has a total of 9,000,000 options on issue (all unlisted).

Voting Rights

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

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Option holders have the right to attend a meeting and ask questions but do not have any voting rights until the options have vested and been converted into ordinary shares. Voting rights are contained within Rule 34 of the Company's Constitution lodged with the ASX on 24 March 2017.

There is no current on market buy back.

There are no shares or options subject to escrow.

Corporate Directory

Directors

Drew Kelton	Non-Executive Chairman
Neil Wiles	CEO & Managing Director
Chris Thorpe	Non-Executive Director
David Haines	Non-Executive Director

Company Secretary

Justin Clyne

Registered Office and Principal Place of Business

Level 23, 100 William Street
Sydney NSW 2011
Telephone: +61 2 9360 3385
Email: info@mobileembrace.com

Corporate Governance

The Company's Corporate Governance Statement is available on the Company's website at http://mobileembrace.com/wp-content/uploads/2016/09/Corporate-Governance.pdf

Website

www.mobileembrace.com

ASX Code

MBE

Auditors

MNSA Chartered Accountants
Level 1, 283 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone (within Australia): 1300 554 474
(Outside Australia): + 61 1300 554 474
Website: www.linkmarketservices.com.au

Principal Bankers

Commonwealth Bank of Australia

mobile embrace

www.mobileembrace.com

ASX:MBE