

My Net Fone Limited

ABN 37 118 699 853

Appendix 4E - Preliminary Final Report For the year ended 30 June 2013

Lodged with the ASX under listing rule 4.3A

Contents:

- Appendix 4E
- 2013 Financial Statements

My Net Fone Limited ABN 37 118 699 853

Appendix 4E: Preliminary final report for the Year Ended 30 June 2013

Current reporting period:	1 July 2012 to 30 June 2013
Previous reporting period:	1 July 2011 to 30 June 2012

Results for announcement to the market

	% Change		2013 \$000
Revenue from ordinary activities	+ 20.7%	to	46,209
Profit after tax from ordinary activities attributable to members	+ 34.9%	to	4,141
Net profit for the period attributable to members	+ 34.9%	to	4,141

Dividends	Amount per security	Franked amount per security
2013 interim dividend	1.5 cents	1.5 cents
2013 final dividend	2.0 cents	2.0 cents
Total dividends per share for the year	3.5 cents	3.5 cents

The record date for determining entitlements to the final dividend is 2 September 2013
The payment date of the final dividend is 13 September 2013

Net tangible assets per security

	Year ended 30 June	
	2013	2012
Net tangible assets per security	(1.16) cents	(3.75) cents

The Appendix 4E and accompanying financial statements have been audited and are not subject to any disputes or qualifications.

Additional Appendix 4E disclosure requirements can be found in the 2013 Financial Statements lodged with this document.

My Net Fone Limited

ABN 37 118 699 853

30 June 2013

Annual Financial Report

Contents of the financial report

Directors' Report.....	2
Corporate Governance Statement.....	13
Consolidated statement of profit or loss and other comprehensive income.....	19
Consolidated statement of financial position.....	20
Consolidated statement of cash flows.....	21
Consolidated statement of changes in equity.....	22
Notes to the consolidated financial statements.....	23
Directors' Declaration.....	51
Auditor's Independence Declaration.....	52
Independent Audit Report.....	53
ASX Additional information.....	55

Directors' Report

For the year ended 30 June 2013

Your directors present this report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2013.

Information on Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
Mr. Terry Cuthbertson B.Bus., CA Chairman	Mr Cuthbertson is the Chairman and an independent non-executive director; he was previously a partner at KPMG and has extensive corporate finance expertise and knowledge. Mr Cuthbertson is also a Director of S2 Net Ltd, Montec International Ltd, Austpac Resources N.L., Mint Wireless Ltd, Malachite Resources Ltd and Sun Biomedical Ltd, South American Iron & Steel Ltd and OMI Holding Ltd. Mr Cuthbertson has been a director since March 2006.
Mr. Michael Boorne Electronics Eng. Dip. Non-Executive Director	Mr Boorne is an independent non-executive director; he is a successful entrepreneur with extensive experience in combining technical expertise with commercial and corporate experience; he is the founder of Sprit Modems and Mitron Pty Ltd and was previously a non-executive director of Netcomm Ltd. Mr Boorne is also Director of Boorne Management Pty Ltd and Earglow Pty Ltd. Mr Boorne is the Chairman of the Audit & Risk committee and has been a director since December 2006.
Mr. Andy Fung B.E. MCom Non-Executive Director	Mr Fung is a non-executive director; he is a co-founder and was formally Managing Director of My Net Fone since its inception in 2006 until February 2012. He was a director of Symbio Networks Pty Ltd since 2002 and Symbio Wholesale Pty Ltd since 2009. Mr. Fung is also a Director of Amber (Asia) Pty Ltd. Mr Fung has been a director since March 2006.
Mr. Rene Sugo B.Eng. (Hon) CEO and Director	Mr Sugo is the CEO and a director; he is a co-founder and was formally Technical Director of My Net Fone since its inception in 2006 until February 2012 when he was made Chief Executive Officer. He has been a Director of Symbio Networks Pty Ltd since 2002 and Symbio Wholesale Pty Ltd since 2009. Mr Sugo is also a Director of Avondale Innovations Pty Ltd. Mr Sugo has been a director since March 2006.

Company Secretary

Ms. Catherine Ly B.Bus., CPA, is Chief Financial Officer for the Company. Ms Ly was appointed Company Secretary in July 2006.

Directors' Report

For the year ended 30 June 2013

Board and Committee Meetings

From 1 July 2012 to 30 June 2013, the Directors held 10 board meetings and 2 audit committee meetings. Each Director's attendance at those meetings is set out in the following table:

Directors	Board		Audit	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr. Terry Cuthbertson	10	9	2	2
Mr. Michael Boorne	10	10	2	2
Mr. Andy Fung	10	10	2	2
Mr. Rene Sugo	10	10	2	2

Principal Activities and Significant Changes in Nature of Activities

The principle activity of the MyNetFone Group is providing voice communications, broadband Internet, and cloud based communications services to residential, business, government and wholesale customers in Australia and internationally.

In the financial year the MyNetFone Group derived revenue from the sale of the above mentioned communications services. These fees consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. There was also revenue derived from the sale of hardware equipment and consulting services to support the primary products of the business.

The overall nature of the business has not changed during the financial year.

The business undertook three material acquisitions during the financial year – CallStream, Connexus and GoTalk Wholesale. These three acquisitions were all highly synergistic with the current lines of business, and were revenue and profit accretive during the financial year. Integration of these acquisitions is well underway, and in some cases complete.

Operating Result

Net profit after tax (NPAT) for the MyNetFone Group for the financial year ending 30 June 2013 was \$4.1 million, an increase of 34.9% on the previous year NPAT of \$3.1 million.

Review of Operations

A review of the operations of the entity during the financial year and the results of those operations are as follows:

Increased Revenue, EBITDA and NPAT

For the year ended 30 June 2013 the Group delivered gross revenue of \$46.2 million and an EBITDA of \$6.1 million. The results were achieved through a combination of organic growth of existing business

Directors' Report

For the year ended 30 June 2013

units and the acquisition of three businesses during the year: CallStream, Connexus and GoTalk Wholesale.

The gross profit for the year was \$17.6 million (2012: \$12.8 million) which was achieved by revenue growth and reduced cost of goods sold.

The Net Profit after tax (NPAT) for the year was \$4.1 million (2012: \$3.1 million) with Earnings per Share (EPS) at 6.98 cents per share.

	Year ended 30 June 2013	Year ended 30 June 2012	% change
Revenue	\$46.209m	\$38.292m	+21%
Gross profit	\$17.620m	\$12.783m	+38%
EBITDA	\$6.106m	\$4.426m	+38%
NPAT	\$4.141m	\$3.069m	+35%
EPS	6.98 cents	5.55 cents	+26%

Net Cash Flow

The closing cash balance as of the 30 June 2013 was \$4.8 million (2012: \$6.0 million).

During the year the Group generated operating cash flows of \$6.0 million (2012: \$3.9 million).

Business Outlook:

The business is in a solid position with strong prospects for further growth in the coming year.

a. Government Business

The contract signed with the Tasmanian Government in July of 2012 has not yet produced forecast revenues due to delays in transitioning of services by the Government. These delays are due to factors outside of the control of the company, and the company has delivered all infrastructure and commercial commitments as required by the contract. The company still believes this contract will yield close to \$2M per annum in gross revenue, however due to the above mentioned delays it is most likely that the full revenue will not be achieved until FY15.

The company has adopted an overall strategy to pursue further Government business as VoIP technology increases its foothold in all levels of Government. The company has many key technical and commercial differentiators that make it an ideal alternative to the traditional telecommunications providers.

The key technical differentiators for the company are: the Symbio Network that is one of only 7 fully interconnected infrastructure based voice networks in Australia, Symbio also has the people and systems in place to deliver highly complex deployments quickly and effectively, and Symbio also owns a vast bank of intellectual property allowing it to rapidly customise and deploy large complex solutions for customers; these differentiators were demonstrated with the recent Tasmanian Government project. The company was awarded the CeBIT Outstanding Project Award in recognition of its achievements by the IT&T industry in Australia.

Directors' Report

For the year ended 30 June 2013

The company also maintains several key certifications with leading enterprise grade equipment vendors such as: Microsoft, Cisco, Avaya, Samsung and Panasonic. The company is still the only carriage service provider in Australia certified by Microsoft for the Lync unified communications platform, as well as being a Microsoft Silver UC Solutions Partner.

The company has been appointed to the Queensland Governments IT&T procurement panel and is working with several Government departments to trial VoIP solutions today. The company continues to work with other Federal, State and Local Government organisations to further the deployment of VoIP solutions at all levels of Government.

b. CallStream Acquisition

The acquisition of inbound call specialist CallStream was announced in November 2012 and completed on 31 December 2012. The acquisition was for \$585,000 in cash, and was expected to yield \$1M per annum in gross revenue and \$600,000 in EBITDA after synergies.

The integration process is almost complete, with 100% of customers and traffic to be migrated to the Symbio Network by the end of August 2013.

The company has chosen to re-launch the CallStream brand as a fully-cloud based inbound communications brand. This brand will be used to target the small to medium business segment in Australia with a network independent inbound communications solution, allowing the company to target businesses irrespective of their infrastructure preferences. This is an innovative approach that will provide a new area of revenue and profit growth for the company.

The business acquired under the CallStream acquisition will be reported under the Business and Enterprise market segments.

c. Connexus Acquisition

The acquisition of Melbourne based business ISP specialist Connexus was announced in November 2012 and completed on 31 December 2012. The acquisition was for \$4.75M in cash, and was expected to yield \$5.2M per annum in gross revenue and \$2.1M per annum in EBITDA after synergies.

The integration process has commenced and is still progressing with network integration to be completed by December 2013.

The company has chosen to maintain the Connexus brand as a business specialist ISP brand. This brand will target multi-site business customers who need data and voice infrastructure. The brand will be strengthened by the addition of business grade Voice-Over-IP services to its portfolio. Cross selling of VoIP services into the Connexus customer base has already commenced with very positive results. This activity will continue throughout the year.

The company will also be looking to take some high value intellectual property that it acquired with Connexus and launch separate independent brands to focus on cloud-based email, domain name, and web site and security products.

Directors' Report

For the year ended 30 June 2013

The business acquired under the Connexus acquisition will be reported under the Business and Enterprise market segments.

d. GoTalk Acquisition

The acquisition of the wholesale voice business and network assets of GoTalk was announced in December 2012 and completed on 31 December 2012. The acquisition was for \$1.4M in cash, and was expected to yield \$19M per annum in gross revenue and \$400,000 per annum in EBITDA before synergies.

This acquisition was a strategic and defensive move to remove one Carrier Access Code (CAC) and interconnected voice network from the Australian marketplace. The acquisition also delivered 40 wholesale customer contracts with 1.2 Billion minutes of voice traffic per annum.

This acquisition was the most challenging to integrate due to the large number of disparate legacy systems in the GoTalk Wholesale network, a lack of reporting and management systems, and the large traffic volumes to be migrated with no disruption. The integration process has however been progressing well with all customer traffic moved to the Symbio network by the end of August 2013. The next stage of the integration is the gradual dismantling of the legacy GoTalk Wholesale network that is expected to be completed by December 2014, and yield up to \$2M per annum in synergy savings.

During integration it was found that there was a large amount of non-profitable business being carried on the network. The company took immediate steps to remedy the situation and terminate negative margin business and/or increase prices to customers. The result is that run rate revenue has reduced to approximately \$12M per annum post-integration; however gross margin has not been affected, and in some cases has improved.

The business acquired under the GoTalk Wholesale acquisition will be consolidated under the Symbio Networks brand, and will be reported as part of the wholesale voice and wholesale-managed services segments.

e. Business and Enterprise

Apart from new Business and Enterprise revenues acquired through the above mentioned acquisitions, the MyNetFone Virtual PBX product continues to sell strongly into the small business market, and the MyNetFone SIP Trunk product continues to sell strongly into the enterprise market. These products are now mature and stable, and achieving a very high level of customer satisfaction. Growth is expected to remain strong for the foreseeable future.

The company continues to develop new features and functionality which is expected to provide further ARPU growth and customer retention. The longer-term growth in this market segment will be further strengthened by the re-launch of the CallStream brand, as well as the upcoming re-launch of the cloud based IT services acquired with the Connexus acquisition.

The business subscriber base is now at 2,000 Virtual PBX and SIP trunk services, 5,600 business voice services, and 3,000 business data services in operation.

Directors' Report

For the year ended 30 June 2013

f. Residential

The residential voice market is declining due to the market shift towards mobile communications and mobile-cap plans. The company however has been implementing a defensive strategy of cross selling residential DSL services into this customer base. This action has stemmed the decline in revenues and provided a useful retention tool.

In addition to the above defensive strategy, the company has identified a new opportunity for growing the residential market whilst leveraging our network assets and capabilities. As a result MyNetFone acquired the business assets and intellectual property of The Buzz Corp Pty Ltd, a niche residential voice service provider. This acquisition was not financially material. The company intends to re-launch the Buzz Box product later this year and it is expected to drive new growth in the residential landline market.

The residential DSL subscriber base is now approaching 9,000 services in operation, and the VoIP base is at 87,000 services in operation.

g. Wholesale

The wholesale voice market sold under the Symbio Networks brand remains a key profit area for the company. The two key products sold into this segment are wholesale voice (the termination of high volume wholesale voice minutes), and the wholesale-managed services (hosting of white-label services such as Local Number Portability, voice end-points, phone numbers, and other value added services).

These products leverage the extensive fully interconnected national voice network that is also used to carry the MyNetFone retail traffic, in addition to an extensive amount of proprietary intellectual property which has been developed by the company over the last 10 years.

The wholesale network is currently hosting over 140 service provider customers, comprising over 250,000 voice end-points, 300,000 ported-in phone numbers and over 600,000 newly issued phone number services. Total billable traffic on network is approximately 3 Billion minutes per annum.

Financial Position

The net assets of the company have strengthened with an increase to \$10.8 million as at 30 June 2013 (2012: \$2.6 million).

Significant Changes in the State of Affairs

Apart from the acquisition activity stated above, there were no other significant changes in the state of affairs of the company during the financial year.

Directors' Report

For the year ended 30 June 2013

After Balance Date Events

The dividend as recommended by the Board will be paid subsequent to the balance date.

There were no other significant events after the balance date that would materially alter the operations or financial performance of the Group.

Future Developments

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

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid or Recommended

Fully franked dividends paid or declared for payment during the financial year are as follows:

	\$000	Franking
Dividends paid:		
2012 Final dividend of 1.5 cents per share paid on 20 September 2012	836	100%
2013 Interim dividend of 1.5 cents per share paid on 27 March 2013	934	100%

Dividends recommended (subsequent to year end) :		
2013 Final dividend of 2.0 cents per share recommended on 21 August 2013	1,245	100%

The 2013 final dividend is to be paid on 13 September 2013 to shareholders registered as at 2 September 2013.

Options

No options were granted during or since the end of the financial year by the Company to Directors.

Shares under option or issued on exercise of options

Mr Cuthbertson exercised 500,000 options during the year.

At the date of this report, the unissued ordinary shares of My Net Fone Limited under options which were granted in 2013 financial year are as follows:

Grant Date	Date of Expiry	Exercise price	Number under Option
2 July 2012	31 December 2013	65 cents	250,000

Directors' Report

For the year ended 30 June 2013

Remuneration Report *Audited*

Remuneration philosophy

The remuneration philosophy of the Board is currently to recognise that in the early stage of growth the company needs to contain operating costs and so the salaries established for the executive directors are negotiated at rates below market levels that would normally be available to persons with such experience and qualifications. At this time the Board has established salary arrangements for the key executives which are commensurate with their level of experience. As the company matures the Board will review its approach to setting remuneration levels by balancing short and long term benefits and linking remuneration to performance. The Board may issue options to employees under the Company Employee Option Plan as set out in the notes to the financial statements.

Remuneration Details of Key Management Personnel for the Year Ended 30 June 2013

For all the Key Management Personnel, only basic salaries and fees and superannuation were granted during the year, no other short term benefit, long term benefit and performance related or share based payment were paid in the year except for the options disclosed above. No bonuses were granted during the year.

Details of the nature and amount of benefits and payments for each director of the Company and each of the named company executives who receives the highest remuneration are:

Group Key Management Personnel	Short term benefits		Post employment benefits	Share based payments	Total
	Salary & fees	Bonus	Superannuation	Options	
	\$	\$	\$	\$	
Directors					
Mr. T. Cuthbertson	70,593	-	6,353	-	76,946
Mr. M. Boorne	49,093	-	4,418	-	53,511
Mr A. Fung	49,093	-	4,418	-	53,511
Mr. R. Sugo (CEO)	275,229	-	24,771	-	300,000
Total	444,008	-	39,960	-	483,968
Management Executives					
Mr. L. Tai	60,000	-	5,400	-	65,400
Ms. C. Ly (CFO)	138,790	-	12,491	-	151,281
Total	198,790	-	17,891	-	216,681

Securities Received that Are Not Performance Related

No members of key management personnel are entitled to receive securities which are not performance based as part of their remuneration package.

Directors' Report

For the year ended 30 June 2013

Remuneration Report (continued)

Key Terms of Employment Agreements

The Company has entered into an Executive Employment Agreement with Rene Sugo. The remuneration and terms of employment for other Key Executives are also set out in written agreements. Each of these employment agreements are unlimited in term but may be terminated by written notice by either party and by the Company making payment in lieu of notice.

Each of these agreements sets out the arrangements for total fixed remuneration, performance-related cash bonus opportunities, superannuation, termination rights and obligations and eligibility to participate in the employee equity-based incentive scheme. Executive salaries are reviewed annually. The executive employment agreements do not require the Company to increase base salary, incentive bonuses or to continue the participants' participation in equity-based incentive programs.

The Company may terminate the employment of the Key Executives without notice and without payment in lieu of notice in some circumstances. This includes if the executive:

1. commits an act of serious misconduct;
2. commits a material breach of the executive employment agreement;
3. denigrates or engages in any behaviour that may materially damage the reputation of, or otherwise bring the Company into disrepute; or is convicted of any criminal offence which would in the reasonable opinion of the Board of Directors adversely affect the carrying out of the executive's duties.

The Company may terminate the employment of the Key Executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the following table:

Name of Key Executive	Company notice period	Employee notice period	Termination Provision
Rene Sugo	6 months	1 month	6 months base salary
Leo Tai	1 month	1 month	1 month base salary
Catherine Ly	6 months	1 month	6 months base salary

Directors' interests in shares and options of the company or related bodies corporate

At the date of this Report, the particulars of shares and options held by the directors of the company in the company or in related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

Name of Director	Share holding	Options
Mr. Andy Fung	14,488,955	-
Mr. Rene Sugo	14,488,955	-
Mr. Terry Cuthbertson	1,625,000	-
Mr. Michael Boorne	1,244,749	-
Total	31,847,659	-

Directors' Report

For the year ended 30 June 2013

Directors Benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnifying Officers or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-Audit Services

During the year MNSA Pty Ltd Chartered Accountants, the Group's auditor provided non-audit services in the form of due diligence services. The total amount received by MNSA Pty Ltd Chartered Accountants for these non-audit services was \$14,031.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for audits imposed by the Corporations Act 2001. The nature and scope of the non-audit service was such that auditor independence was not compromised.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and can be found on page 52 of the financial report.

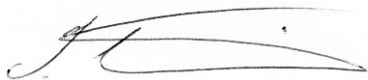
Rounding off

The Group is of a kind referred to in ASIC Class order 98/100 dated 10 July 1988 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

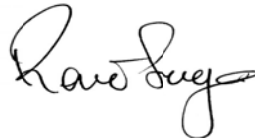
Directors' Report

For the year ended 30 June 2013

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



Terry Cuthbertson
Chairman



Rene Sugo
Director

Sydney, 21 August 2013

Corporate Governance Statement

The Board of Directors of My Net Fone Limited is responsible for the corporate governance practices of the consolidated entity. The Board guides and monitors the business and affairs of My Net Fone Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practices adopted by the Company, which comply with the ASX Corporate Governance Council Principles and Recommendations (2nd Edition, August 2007) unless otherwise stated.

Principle 1: Lay solid foundations for management and oversight

The board's primary role is the protection and enhancement of long term shareholder value. To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting senior executive and director remuneration, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial reporting. The board has delegated responsibility for the day to day operation and administration of the Company to the Chief Executive Officer.

Principle 2: Structure the board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of My Net Fone Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The membership of the board during the year ended 30 June 2013, including independent status, and date of appointment was as follows:

Name	Status	Date of Appointment
Terry Cuthbertson	Non Executive Independent Chairman	08 March 2006
Michael Boorne	Non-Executive Independent Director	19 December 2006
Andy Fung (i)	Non-Executive Director	01 March 2012
Rene Sugo	Executive Director	08 March 2006

- (i) Andy Fung resigned as Executive Director on 29 February 2012 and was appointed as Non-Executive Director as of 1 March 2012. Mr Fung has been a Director of the Group since 8 March 2006.

Recommendation 2.1 requires that a majority of the Board should be independent directors. The Company does not comply with this recommendation. The Board is 50% independent. Whilst the Company agrees with the benefits of a majority independent Directors, it believes that it can better achieve the results of the Company with the current Board's level of expertise without burdening shareholders with the additional costs associated with adding further independent Directors.

Corporate Governance Statement

Recommendation 2.2 requires the Chairman be an independent Director. The Company complies with this recommendation. The Company believes that when the Chairman is a significant driver behind the business as well as being a shareholder, he adds much value to the Company.

Recommendation 2.3 requires that the role of the Chairman and Chief Executive Officer of the Company is not exercised by the same individual. The Company complies with this recommendation.

Independent Directors

An independent director is considered independent:

- a) who is not a member of management
- b) who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company
- c) is not a significant supplier to the Company
- d) has no material contractual relationship with the Company other than as a director, and
- e) is free from any interest or business or other relationship, which could materially interfere with the director's ability to act in the best interests of the Company.

Based on the above criteria, two Non-Executive Directors including the Chairman were considered independent during the financial year.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense. A copy of advice received by the director is made available to all other members of the Board.

Board Processes

The Board has mandates and operating procedures which are reviewed on a regular basis. The Board has also established a range of policies which govern its operation.

The Board holds a scheduled meeting every month and any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance.

With the exception of the Chief Executive Officer, Directors must retire by rotation and stand for re-election at the AGM each year.

A performance evaluation for the board and senior executives has taken place in the reporting period.

Corporate Governance Statement

The Board Committees

Nomination Committee

Recommendation 2.4 states that the board should establish a Nomination Committee. Due to the size of the Company it has not established a formal Nomination Committee and the functions of the Nomination Committee are undertaken by a full Board. The composition of the Board is monitored (both in respect of size and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person.

Remuneration Committee

Recommendation 8.1 states that the board should establish a Remuneration Committee. Due to the size of the Company it has not established a formal Remuneration Committee and the functions of the Remuneration Committee are undertaken by a full Board. Non-executive directors are remunerated by way of director fee and superannuation contributions.

The Chairman and the other Non Executive Director of My Net Fone Limited are also Directors of several listed and non-listed companies and are further remunerated by those Companies. Further detail is provided in the Directors' Report.

Audit Committee

Due to the size of the Company it has not established a formal Audit Committee and the functions of the Audit Committee are undertaken by a full Board. The Board is responsible for considering the effectiveness of the systems and standards of internal control, financial reporting and any other matter at the request of the Board. The external auditors attend meetings by invitation to report to the Board.

The Audit responsibilities of the Board are to ensure that:

- relevant, reliable and timely information is available to the Board to monitor the performance of the Company
- external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs
- management process support external reporting in a format which facilitates ease of understanding by shareholders and institutions
- the external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit involving:
 - review of the terms of engagement, scope and auditor's independence;
 - recommendation as to the appointment, removal and remuneration of an auditor;
 - review of the provision of non-audit services provided by the external auditor ensuring they do not adversely impact on audit independence.
- a review of the Company's risk profile and an assessment of the operation of the Company's internal control system is performed.

The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions. The Board as a whole monitors the performance of the annual & half-yearly audit performed by the External Auditor. For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Corporate Governance Statement

Principle 3: Promote ethical and responsible decision making

The Board expects all executive and non-executive directors to act professionally in their conduct and with the utmost integrity and objectivity. All executive and non-executive directors must comply with the Company's Code of Conduct and Ethics. (Recommendation 3.1)

The company encourages Directors to have a significant personal financial interest in My Net Fone Limited by acquiring and holding shares on a long-term basis. Insider trading laws prohibit Directors and their associates from dealing in the Company's shares whilst in possession of price sensitive information that is not generally available. Once the Directors have traded in shares or otherwise dealt with any securities, they should immediately disclose this to the Board and Company Secretary to facilitate appropriate disclosure with the ASX. A Director or an entity controlled by Directors is not permitted to purchase or sell shares in the Company at other times without prior consent of the Board. This policy does not preclude a Director or an entity controlled by a Director from taking up or renouncing an entitlement to the Company's shares or participating in the Company's Share Purchase Plan or the Dividend Reinvestment Plan. (Recommendation 3.2)

Diversity Policy

Diversity includes, but is not limited to: gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. However, due to the size of the company it is not in a position to justify the establishment of a formal diversity policy.

The Board has developed measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next two years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2013		2014-2015	
	Number	%	Number	%
Females on the Board	0	0	0	0
Females in senior management roles	3	33	5	50
Overall female employees	38	33	42	36

Trading Policy

The company's policy regarding Directors trading in its securities restricts them from acting on material information until it has been released to the market and adequate time has been given for it to be reflected in the security's prices.

The company has adopted a Securities Trading Policy disallowing directors and employees from dealing in the Company's securities in the period between the end of the Company's half year/full year and the lodgement of those profit announcements with the ASX. Directors and employees also require the approval of the Board prior to trading in the Company's securities.

Corporate Governance Statement

A copy of the Securities Trading Policy is available on the Company's website at www.mynetfone.com.au in the Corporate Governance section.

Principle 4: Safeguard integrity in financial reporting

The Company's Board is committed to ensuring the adoption of processes which are aimed at providing assurance that the financial statements and related notes are in accordance with applicable accounting standards and provide a true and fair view. Compliance with these procedures and policies is subject to review by the external Auditor. The Board also evaluates the performance and independence of the external Auditor on an annual basis.

The Chief Executive Officer and the Chief Financial Officer provide the Board with written confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that the operational results are in accordance with relevant accounting standards.

Principle 5: Make timely and balanced disclosure

The Company's Board is committed to keeping the investment community including shareholders and regulators fully informed, in a timely and accessible manner, of events and risks that impact the Company. The Board complies with its continuous disclosure obligations, as defined under the Corporations Act and ASX Listing Rules, in respect of price sensitive information which is lodged with the ASX as soon as practicable and before disclosure to external parties.

Principle 6: Respect the rights of shareholders

Shareholders are entitled to vote on significant matters affecting the business which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meeting of My Net Fone Limited to lodge questions to be responded to by the Board and/or the Chief Executive Officer, and are able to appoint proxies.

The Board informs shareholders of all major developments affecting the Company's state of affairs on the Company's website at www.mynetfone.com.au.

A hard copy Annual Report will be mailed to shareholders who have requested to receive one at the close of the financial year. An electronic version of the Annual Report will be available on the Company's website.

The Company Secretary is responsible for ensuring My Net Fone Limited complies with its continuous disclosure obligation and in conjunction with the Chairman, will decide whether any price sensitive information they become aware of should be disclosed to the ASX. Where possible, all continuous disclosure releases to the ASX are approved by the Board. Where time does not permit approval by the Board, the Chairman must approve the release. Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

Principle 7: Recognise and manage risk

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has

Corporate Governance Statement

responsibility for reviewing the risk profile and reporting on the operation of the internal control system.

The Board:

- a. requires executive management to report annually on the operation of internal controls
- b. reviews the external audit of internal controls and liaises with the external auditor; and
- c. conducts any other investigations and obtains any other information it requires in order to assess the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

The Board identifies the following business risks as having the potential to significantly or materially affect the company's performance:

- (a) administrative risks including operational, compliance and financial reporting
- (b) market related risks.

Administrative Risks

The Chief Executive Officer is responsible for recognising and managing administrative risks including:

- (a) operational;
- (b) compliance; and
- (c) financial reporting

The Chief Executive Officer and the Chief Financial Officer provide a declaration to the Board to certify that the Company's financial statements and notes present a true and fair view in all material respects of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001. In respect of the current financial year all necessary declarations have been submitted to the Board. In addition, the Chief Executive Officer and the Chief Financial Officer will confirm in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Market Risks

The Board is primarily responsible for recognising and managing market related risks. In respect of the current financial year, all necessary declarations have been submitted to the Board. The Board performs a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with market risk, fraud, transaction reporting errors, material reporting risks and compliance risk.

Principle 8: Remuneration fairly and responsibly

The Company's remuneration policy and practices are designed to attract, motivate and retain high quality staff. The Remuneration Report in the Director's Report provides detail of remuneration of Non Executive and Executive Directors.

The Company's Employee Share Option Scheme was approved by shareholders at the Company's listing on the ASX. It is expected more high qualified staff will be issued share options in the future.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June:	Notes	Consolidated Group	
		2013	2012
		\$000	\$000
Continuing operations			
Revenue	3a	46,209	38,292
Cost of Sales		(28,589)	(25,509)
Gross Profit		17,620	12,783
Finance revenue	3a	146	156
Other income	3b	77	46
Employee expenses	3e	(8,406)	(6,106)
Marketing expenses		(951)	(704)
Occupancy expenses		(599)	(258)
Technology and support expenses		(492)	(559)
Depreciation expense		(681)	(382)
Distribution expenses		(134)	(118)
Other expenses	3c	(941)	(739)
Acquisition expenses		(214)	(75)
Interest expense		(43)	-
Profit before income tax		5,382	4,044
Tax expense	4	(1,241)	(975)
Profit from continuing operations		4,141	3,069
Net profit for the year		4,141	3,069
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		4,141	3,069
Earnings per share from continuing operations			
- Basic earnings per share (cents)	23	6.98	5.55
- Diluted earnings per share (cents)		6.95	5.48

The accompanying notes form part of these consolidated financial statements

Consolidated statement of financial position

As at:	Notes	Consolidated Group	
		30 June 2013	30 June 2012
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	5a	4,813	5,980
Trade and other receivables	6	6,612	4,773
Inventories		251	171
Other financial assets	7	426	147
Total current assets		12,102	11,071
Non-current assets			
Property, plant and equipment	8	1,561	808
Deferred income tax asset	4c	275	161
Consolidated goodwill	21	9,219	4,626
Other intangible assets	22	2,280	-
Formation costs		-	1
Total non-current assets		13,335	5,596
Total assets		25,437	16,667
Liabilities			
Current liabilities			
Trade and other payables	9	9,544	6,958
Deferred revenue	10	1,145	1,053
Deferred consideration		2,350	2,350
Income tax payable		501	10
Finance lease liability	12	175	-
Provisions	11	515	1,174
Total current liabilities		14,230	11,545
Non-current liabilities			
Finance lease liability	12	104	-
Deferred consideration		-	2,350
Provisions	11	326	217
Total non-current liabilities		430	2,567
Total liabilities		14,660	14,112
Net assets		10,777	2,555
Equity			
Issued capital	13a	9,371	4,361
Share based payment reserve		1,110	1,099
Retained earnings (losses)		296	(2,905)
Total equity		10,777	2,555

The accompanying notes form part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 30 June		Consolidated Group	
		2013	2012
Notes		\$000	\$000
Cash flows from operating activities			
		48,627	42,825
		(41,586)	(38,945)
		146	156
		(43)	-
		(1,103)	(172)
	5b	6,041	3,864
Cash flows from investing activities			
		(1,299)	(314)
		(279)	(85)
		(2,280)	-
		(4,520)	419
		(2,350)	-
		-	136
		(10,728)	156
Cash flows from financing activities			
		5,010	370
		(1,769)	(862)
		438	-
		(159)	-
		3,520	(492)
		(1,167)	3,528
		5,980	2,452
	5a	4,813	5,980

The accompanying notes form part of these consolidated financial statements

Consolidated statement of changes in equity

Attributable to owners of the company

For the year ended 30 June 2013

	Ordinary share capital	Share-based payment reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
As at 1 July 2011	3,991	1,099	(4,703)	387
Total comprehensive income for the year	-	-	3,069	3,069
Dividends recognised for the year	-	-	(1,271)	(1,271)
Proceeds from issue of share options	370	-	-	370
Proceeds from issue of shares	-	-	-	-
Share based payment transactions	-	-	-	-
Balance at 30 June 2012	4,361	1,099	(2,905)	2,555
Total comprehensive income for the year	-	-	4,141	4,141
Dividends recognised in the year	-	-	(940)	(940)
Proceeds from issue of shares	5,010	-	-	5,010
Share based payment transactions	-	11	-	11
Balance at 30 June 2013	9,371	1,110	296	10,777

The accompanying notes form part of these consolidated financial statements

Notes to the consolidated financial statements

1. Corporate Information

These consolidated statements and notes represent those of My Net Fone Limited and controlled entities (The Consolidated Group).

The separate financial statements of the parent entity, My Net Fone Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 21 August 2013 by the directors of the company.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of significant accounting policies

a. 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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the 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 the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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.

b. Adoption of new and revised accounting standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Notes to the consolidated financial statements (continued)

(i) AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010 (applicable for annual reporting periods commencing on or after 1 January 2013)).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

(ii) AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of “control” and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group’s financial statements.

(iii) AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group’s financial statements.

To facilitate the application of AASBs 10 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group’s financial statements.

(iv) AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013). AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group’s financial statements.

Notes to the consolidated financial statements (continued)

(v) AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements. This Standard is not expected to significantly impact the Group's financial statements.

(vi) AASB 119 (September 2011) includes changes to the criteria for determining when termination benefits should be recognised as an obligation. This Standard is not expected to significantly impact the Group's financial statements.

(vii) AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013). This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

c. Principles of consolidation

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

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

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 19 to the financial statements.

d. Business combination

Business combinations occur where an acquirer obtains control over one or more business and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

Notes to the consolidated financial statements (continued)

Consideration transferred for the acquisition comprises the fair value of the assets transferred, liability incurred and the equity interests issued by the acquirer. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition related costs are expensed as incurred.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred, over the acquisition-date fair values of identifiable net assets.

e. Going concern

The financial report has been prepared on a going concern basis. This presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the normal course of business.

For the year ended 30 June 2013 the Group generated profit after tax of \$4,141k (2012: \$3,069k), as at the balance date the Group's total assets exceeded total liabilities by \$10,777k (2012: \$2,555k).

Included in the current liabilities is \$1,145k (2012: \$1,053k) of deferred revenue that will be recognised as revenue when customers' credits are progressively used up. This deferred revenue does not represent a gross cash outflow.

The Directors believe that the going concern basis of accounting is appropriate due to the expected cash flows to be generated by the Group over the next twelve months. The Directors will closely monitor cash flows as the Group grows and if revenues do not increase as expected, the directors will look to contain costs. The Directors believe that these actions, if required, will be sufficient to ensure that the company will be able to pay its debts as and when they fall due for the next twelve months.

Notwithstanding the above, the directors acknowledge that there are a number of risk factors that could materially affect the Group's future profitability and cash flows, which include, but are not limited to:

- (i) **Competition**
There can be no assurance given in respect of the Group's ability to continue to compete profitably in the competitive markets in which the Group operates. The potential exists for change in the competitive environment in which the Group operates.
- (ii) **Management of growth**
The Group achieved a profit during the year, however, there is still a risk the Group will have insufficient working capital to meet its business requirements and the expansion of the Group will depend upon the ability of management to implement and successfully manage the Group's growth strategy.
- (iii) **Reliance on key management**
The responsibility of overseeing the day-to-day operations and strategic management of the Group is substantially dependent upon its senior management and its key

Notes to the consolidated financial statements (continued)

personnel. There can be no assurance given that there will be no detrimental impact on the Group if one, or a number of, these employees cease their employment.

- (iv) **New products and technological developments**
The Group's current core business of broadband telecommunications is highly competitive and is subject to the introduction of new and improved products and services into the market on a regular basis.
- (v) **Broadband Access Arrangements**
The Group currently has certain access to the Internet backbone network. Terms of the supply of broadband are negotiated regularly. There is no guarantee that future access arrangements will be able to be negotiated on commercially acceptable terms.
- (vi) **Distribution Channels and Device Suppliers**
The Group benefits from its good working relationship with its distribution channels to promote its products and services and with its device suppliers to provide its VoIP adaptors. There is no guarantee that these relationships will continue in the future.
- (vii) **Legislation, Regulation and Policies**
Any material adverse changes in government or other regulatory organisation policies or legislation which impacts on the telecommunications industry, may affect the viability and profitability of the Group.
- (viii) **Internet Access**
The use of VoIP technology is dependent on quality and speed of access to the Internet. The market growth of VoIP may be limited by the take up rate of broadband and other fast Internet access or by the quality of such access.

f. Reverse acquisition

In accordance with AASB 3 *Business Combinations*, when My Net Fone Limited (the legal parent) acquired My Net Fone Australia Pty Limited (the legal subsidiary), the acquisition was deemed to be a reverse acquisition since the substance of the transaction was that the existing shareholders of My Net Fone Australia Pty Limited have, through My Net Fone Australia Pty Limited, effectively acquired My Net Fone Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if My Net Fone Australia Pty Limited had acquired My Net Fone Limited, not vice versa as represented by the legal position.

g. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assure a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Key estimates that have a significant risk of causing adjustments to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

- (i) **Share based payment transactions**
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are

Notes to the consolidated financial statements (continued)

granted. The fair value is determined by an independent valuer using a Black-Scholes model. The accounting estimates and assumptions relating to equity-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may have impact on profit or loss and equity.

- (ii) **Useful lives of property, plant & equipment**
The Group reviews the estimated useful lives of property, plant and equipment at the end of each financial year. The Group adjusted the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.
- (iii) **Utilisation of tax losses**
The Company and its wholly-owned Australian subsidiaries elected to join as members of a tax consolidated group under Australian taxation law as of 1 July 2011. Each entity in the tax consolidated group contributed tax losses to the Group. The Group will use the losses by the available fraction of each bundle of losses transferred. The Group has assessed the ability to utilise the losses against future taxable income. The Group has generated taxable income in the current financial year and the losses will be used over the next year.
- (iv) **Research & Development (R&D) tax concession**
When calculating the income tax provision for the year, there is an operating assumption that the Research & Development tax concession for 2013 will be the same as for 2012. The directors believe the estimate is reasonable and conservative. This may be subject to change following the approval of the R&D tax concession application from AusIndustry in due course.

h. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

- (i) **Rendering of services**
Revenue from telecommunication services are recognised when the services are provided to the customer.
Deferred revenue represents the unused proportion of cash received in advance for call credits determined on a specific account basis at balance date.
- (ii) **Interest income / Finance revenue**
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

i. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period 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

Notes to the consolidated financial statements (continued)

j. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

k. Trade and other receivables

Trade receivables and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any amounts determined to be uncollectable.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

l. Foreign Currency Transactions and Balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) 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 reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Notes to the consolidated financial statements (continued)

On consolidation, assets and liabilities have been translated into Australian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences are taken to profit or loss in the consolidated financial report.

m. Income tax

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

Current income tax expense charged to the 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 (credit) 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.

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.

Notes to the consolidated financial statements (continued)

Tax consolidation:

My Net Fone Limited and its wholly-owned Australian subsidiaries are part of a tax consolidation group under Australian taxation law. My Net Fone Limited is the head entity in the tax consolidation group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidation group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

My Net Fone Limited, as the head entity in the tax consolidated group, recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of all entities in the group.

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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

o. Inventories

Inventories are measured and recorded at cost and are valued at the lower of cost and net realisable value.

p. Property, plant and equipment

Plant and equipment are measured on the cost basis.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income 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 the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

- Furniture & Fittings – over 6 to 10 years
- Office Equipment – over 3 to 5 years
- Network Infrastructure and IT Systems - over 2 to 4 years
- Motor Vehicles - over 4 years

Notes to the consolidated financial statements (continued)

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 comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

q. Financial Instruments

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.

(i) 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 subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Investments in subsidiaries held by the parent

Investments in subsidiaries held by the parent entity are recognised and subsequently measured at cost in the separate financial statements of the Company, less any impairment.

r. 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 value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

s. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid.

Notes to the consolidated financial statements (continued)

The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

t. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

u. Employee leave benefits

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

v. Contributed capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

w. Earnings per share

Basic earnings per share is determined as net profit/(loss) attributable to members of the group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share include options outstanding that will have the potential to convert to ordinary shares and dilute the basic earnings per share.

x. De-recognition of financial assets and financial liabilities

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires 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

Notes to the consolidated financial statements (continued)

are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value 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.

y. Share-based payment transactions

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

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

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

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Notes to the consolidated financial statements (continued)

3. Revenue and expenses

For the year ended 30 June	2013	2012
	\$000	\$000
(a) Revenue		
Rendering of services	46,209	38,292
Finance revenue consists of:		
Interest on bank deposits	146	156
(b) Other income	77	46
(c) Other expenses		
Other administrative expenses	575	474
Accounting and audit	108	80
Legal and consulting	49	9
Bank and transaction costs	209	176
	941	739
(d) Minimum lease payments		
Operating lease - premises	433	193
(e) Employee benefits expense		
Wages and salaries	7,317	5,263
Superannuation	674	521
Share based payments expense	11	-
Payroll tax	377	299
Workers' compensation costs	27	23
	8,406	6,106

Notes to the consolidated financial statements (continued)

For the year ended 30 June

2013	2012
\$000	\$000

4. Income tax

a. Income tax expense

The major components of income tax expense are as follows:

Current tax	1,519	1,037
Adjustment in respect of current income tax of previous years	11	35
Deferred tax	(289)	(97)
Total	1,241	975

b. Reconciliation between tax expense and the prima facie tax payable

Profit before income tax	5,382	4,044
At the Group's statutory rate of 30% (2012: 30%)	1,615	1,213
Tax incentives	(193)	(176)
Non-temporary differences	97	-
Recoupment of prior year losses	-	(116)
Origination and reversal of temporary differences	(14)	19
Change in recognised deductible temporary differences	(275)	-
Adjustment in respect of prior year	11	35
Total	1,241	975

Entities in the Group have tax losses arising in Australia of Nil (2012: \$537k). A deferred tax asset relating to these losses of Nil (2012: \$161k) is recognised as recoverable within 12 months.

c. Deferred tax asset

Recognised in the accounts:

Relating to carry forward tax losses	-	161
Relating to temporary differences	275	-
	275	161

The total value of temporary differences not brought to account in the current year is \$297k (2012: \$567k)

The Company and its wholly-owned Australian entities are members of a tax consolidated group from 1 July 2011. Transactions within the Group have been eliminated in full on consolidation.

Notes to the consolidated financial statements (continued)

For the year ended 30 June

2013	2012
\$000	\$000

5. Statement of cash flows reconciliation

a. Cash and cash equivalents

Cash and cash equivalents balance comprises:

Cash at bank

4,813	5,980
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b. Reconciliation of net profit after tax to net cash flows from operations:

Profit for the year	4,141	3,069
Adjustments for:		
Depreciation	681	382
Currency gains and losses	13	10
Share based payment expense	11	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	(1,839)	804
(Increase)/decrease in inventories	(80)	188
(Increase)/decrease in net tax assets	138	768
(Decrease)/increase in trade and other payables	2,605	(1,632)
(Decrease)/increase in deferred revenue	92	33
(Decrease)/increase in provisions	279	242
Net cash flow from operating activities	6,041	3,864

6. Trade and other receivables

Trade receivables	6,462	4,719
Doubtful debts provision	(92)	(132)
Provision for credit notes	(154)	-
Other receivables	396	186
	6,612	4,773

7. Other financial assets

Term deposits	426	147
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Term deposits relate to cash on deposit securing bank guarantees and are not available for immediate use. Short term deposits are made for fixed terms and earn interest at the respective short term rates.

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment

	Office furniture & Fittings and equipment	Motor vehicles	Network infrastructure & equipment	Total
Consolidated	\$000	\$000	\$000	\$000
Cost:				
At 1 July 2011	280	-	44	324
Acquisitions	88	70	1,347	1,505
Additions	67	-	268	335
Disposals	(34)	-	(102)	(136)
At 30 June 2012	401	70	1,557	2,028
At 1 July 2012	401	70	1,557	2,028
Acquisitions	147	-	352	499
Additions	200	-	1,120	1,320
Disposals	-	(70)	-	(70)
At 30 June 2013	748	-	3,029	3,777
Accumulated depreciation:				
At 1 July 2011	(231)	-	(44)	(275)
Acquisitions	(8)	(36)	(522)	(566)
Depreciation expense	(58)	(8)	(313)	(379)
Disposals	-	-	-	-
At 30 June 2012	(297)	(44)	(879)	(1,220)
At 1 July 2012	(297)	(44)	(879)	(1,220)
Acquisitions	(50)	-	(313)	(363)
Depreciation expense	(81)	(4)	(596)	(681)
Disposals	-	48	-	48
At 30 June 2013	(428)	-	(1,788)	(2,216)
Net Book Value:				
At 30 June 2012	104	25	678	808
At 30 June 2013	320	-	1,241	1,561

Assets are encumbered to the extent disclosed in note 15(b)

Notes to the consolidated financial statements (continued)

For the year ended 30 June

2013	2012
\$000	\$000

9. Trade and other payables

Trade payables	6,174	6,601
Other creditors and accruals	3,337	345
Security deposits held	33	12
	9,544	6,958

10. Deferred revenue

Pre-paid calling credits	1,145	1,053
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Deferred revenue relates to cash received in advance from customers with respect to pre-paid calling credits. The balance represents the unused call credits as at balance date.

11. Provisions

	Proposed dividend	Annual leave	Long service leave	Total
	\$000	\$000	\$000	\$000
As at 1 July 2012	829	345	217	1,391
Acquired	-	54	10	64
Arising during the year	940	546	99	1,585
Utilised during the year	(1,769)	(430)	-	(2,199)
As at 30 June 2013	-	515	326	841
Current	-	515	-	515
Non-current	-	-	326	326

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 2.

12. Finance lease liability

	2013	2012
	\$000	\$000
Finance lease liability: Current	175	-
Finance lease liability: Non-current	104	-

Refer to note 15 (b) for the terms and conditions relating to the finance lease obligations.

Notes to the consolidated financial statements (continued)

For the year ended 30 June

2013	2012
\$000	\$000

13. Issued capital

a. Ordinary shares

Shares issued and fully paid

9,371	4,361
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	2013		2012	
	Number of shares	\$000	Number of shares	\$000
Movements in ordinary shares on issue:				
At 1 July	55,255,555	4,361	52,555,555	3,991
Exercise of share options (i)	500,000	70	2,700,000	370
Exercise of share options (ii)	200,000	20	-	-
Issued for cash (net of costs)	6,294,660	4,920	-	-
At 30 June	62,250,215	9,371	55,255,555	4,361

- (i) refer note 14b for details of options exercised during the year by directors
- (ii) Employees exercised 200,000 options on 24 August 2012 with an exercise price of \$0.10

Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

b. Share options

	2013		2012	
	Number	WAEP \$	Number	WAEP \$
Movements in share options on issue:				
Outstanding at 1 July	700,000	0.13	3,400,000	0.14
Granted during the year	250,000	0.65	-	-
Exercised during the year	700,000	0.13	(2,700,000)	0.14
Outstanding at the end of the year	250,000	0.65	700,000	0.13
Exercisable	250,000	0.65	700,000	0.13

The outstanding options balance as at 30 June 2013 is represented by 250,000 options issued under a share based payment option scheme to certain executives and employees. These options have an exercise price of \$0.65 and an expiry date of 31 December 2013.

Notes to the consolidated financial statements (continued)

14. Share based payments

Outstanding options as at year end:

	2013	2012
	Number	Number
Employee option plan	250,000	200,000
Options granted to directors	-	500,000
Total	250,000	700,000

a. Employee option plan

The Board may issue options under the EOP to any employee of the Group, including executive directors and non-executive directors. Options will be issued free of charge, unless the Board determines otherwise. Each option is to subscribe for one share and when issued, the shares will rank equally with other shares. Unless the terms on which an option was offered specify otherwise, an option may be exercised at any time after one year from the date it is granted, provided the employee is still employed by the Company.

An option may also be exercised in special circumstances, that is, at any time within 6 months after the employee's death, total and permanent disablement, or retrenchment. An option lapses upon the termination of the employee's employment by the Company and, unless the terms of the offer of the option specify otherwise, lapses three years after the date upon which it was granted. The exercise price per share for an option will be the average closing market price of the Company's share over the five trading days before their issue.

The maximum number of options on issue under the EOP must not at any time exceed 5% of the total number of shares on issue at that time.

b. Share options granted to directors

No options were granted to Directors during the year. The following table illustrates the number and weighted average exercise prices (WAEP) of and movements of share options held by directors during the year:

	2013		2012	
	Number	WAEP \$	Number	WAEP \$
Outstanding as 1 July	500,000	0.14	3,000,000	0.14
Granted during the year	-	-	-	-
Exercised during the year	(500,000)	0.14	(2,500,000)	0.14
Outstanding as at 30 June	-	-	500,000	0.14

During the year, Mr Cuthbertson, the Chairman and a non-executive director exercised 500,000 options with an exercise price of \$0.14 (250,000 on 27 August 2012 and 250,000 on 1 March 2013). These options were granted to Mr Cuthbertson by shareholders at the AGM held on 26 October 2010.

Notes to the consolidated financial statements (continued)

15. Commitments and contingencies

a. Operating lease commitments

Operating leases relate to premises with lease terms remaining between 1 and 3 years. The consolidated entity does not have an option to purchase the leased assets at the expiry of the lease terms.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2013	2012
	\$000	\$000
Within one year	336	170
After one year, not more than five years	442	-
More than five years	-	-
	778	170

b. Finance lease commitments

The Group has used finance leases to acquire Network infrastructure and equipment. Future minimum lease payments under purchase contracts together with the present value of the net minimum lease payments are as follows:

	2013	2012
	\$000	\$000
Within one year	198	-
After one year, not more than five years	111	-
More than five years	-	-
Total minimum lease payments	309	-
Less amounts representing finance charges	(30)	-
Present value of minimum lease payments	279	-
Included in the financial statements as:		
Finance lease liability: Current	175	-
Finance lease liability: Non-current	104	-
Total	279	-

The finance lease obligations consist of two finance leases with maturity dates of May 2014 and August 2015. The finance lease liabilities are secured on the assets to which they relate.

Notes to the consolidated financial statements (continued)

16. Events after reporting date

The dividend as recommended by the Board will be paid subsequent to the balance date.

Since the reporting date, there have been no other significant events, other than those mentioned above, which would impact on the financial position of the Company as disclosed in the Statement of Financial Position as at 30 June 2013, and on the cash flow of the Company for the year ended on that date.

17. Auditors remuneration

The Auditor of the Group is MNSA Pty Ltd Chartered Accountants.

	2013	2012
	\$000	\$000
Amounts received or due and receivable by MNSA Pty Ltd Chartered Accountants for:		
Audit and review of the annual report of the entity	80	70
Non-audit services	14	-
	94	70

18. Director and executive disclosures

a. Details of Key Management Personnel

Mr Terry Cuthbertson - Chairman and non-executive Director

Mr Andy Fung - Non-executive Director

Mr Michael Boorne - Non-executive Director

Mr Rene Sugo - CEO and Director

Ms Catherine Ly - CFO and Company Secretary

Mr Leo Tai – Director of My Net Fone Australia Pty Limited

b. Compensation of Key Management Personnel

The Group has applied the exemption under Corporations Amendments Regulation 2006 No 4 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These disclosures are provided on in the Directors' Report designated as audited.

Notes to the consolidated financial statements (continued)

c. Shareholdings of Key Management Personnel

Directors	Year	Balance at the beginning of period	Traded during the year	Options exercised	Balance at end of period
Mr Terry Cuthbertson	2013	1,125,000	-	500,000	1,625,000
Mr Terry Cuthbertson	2012	1,125,000	-	-	1,125,000
Mr Andy Fung	2013	14,488,955	-	-	14,488,955
Mr Andy Fung	2012	13,488,955	-	1,000,000	14,488,955
Mr Rene Sugo	2013	14,488,955	-	-	14,488,955
Mr Rene Sugo	2012	13,488,955	-	1,000,000	14,488,955
Mr Michael Boorne	2013	4,725,533	(3,480,784)	-	1,244,749
Mr Michael Boorne	2012	4,255,533	-	500,000	4,725,533
Mr Leo Tai	2013	2,478,430	-	-	2,478,430
Mr Leo Tai	2012	2,478,430	-	-	2,478,430

The above shareholdings are held indirectly through controlled entities.

d. Share options of Key Management Personnel

Directors	Year	Balance at the beginning of period	Granted	Options exercised	Balance at end of period
Mr Terry Cuthbertson	2013	500,000	-	(500,000)	-
Mr Terry Cuthbertson	2012	500,000	-	-	500,000
Mr Andy Fung	2013	-	-	-	-
Mr Andy Fung	2012	1,000,000	-	(1,000,000)	-
Mr Rene Sugo	2013	-	-	-	-
Mr Rene Sugo	2012	1,000,000	-	(1,000,000)	-
Mr Michael Boorne	2013	-	-	-	-
Mr Michael Boorne	2012	500,000	-	(500,000)	-
Executives					
Mr Leo Tai	2013	-	-	-	-
Mr Leo Tai	2012	-	-	-	-
Ms Catherine Ly	2013	100,000	-	(100,000)	-
Ms Catherine Ly	2012	200,000	-	(100,000)	100,000

Notes to the consolidated financial statements (continued)

19. Controlled entities

The consolidated financial statements include the financial statements of My Net Fone Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Ownership interest	
		2013	2012
My Net Fone Australia Pty Limited	Australia	100%	100%
MNF Leasing Pty Limited (i)	Australia	-	100%
Symbio Networks Pty Limited	Australia	100%	100%
Symbio Wholesale Pty Limited	Australia	100%	100%
Internex Australia Pty Limited (ii)	Australia	100%	-
Symbio Wholesale (Singapore) Pte Limited	Singapore	100%	100%

- (i) MNF Leasing Pty Limited was de-registered on 13 October 2012
- (ii) Internex Australia Pty Limited was acquired on 31 December 2012 (refer note 20a)

20. Business combinations

a. Acquisition of controlled entities

On 31 December 2012, the Group acquired 100% of the issued capital of Internex Australia Pty Limited; a Melbourne based Internet Service Provider, for a purchase consideration of \$4,750,000.

The acquisition is part of the Group's overall strategy to expand its operations by acquiring profitable customer bases in the small to medium business segments. This acquisition complements the current established MyNetFone Business segment as well as providing additional intellectual property in the hosted ISP services space, and considerable cross selling opportunities and synergies.

The purchase price was based on 2.9 times the net profit after tax (NPAT) of Internex Australia Pty Ltd over an historical 12 month period from the date of acquisition. The consideration was paid in two instalments with the final instalment paid on the 31 December 2012. The payment was made in part from a capital raising and in part from free cash flow.

The goodwill of \$4,533k in the table below is attributable to the forecast earnings growth of Internex Australia Pty Limited due to its strong position and competitive advantage in the business ISP market. No amount of goodwill is deductible for tax purposes.

Notes to the consolidated financial statements (continued)

20. Business combinations (continued)

	Fair Value \$000
Purchase Consideration	4,750
Less:	
Cash	290
Receivables	368
Inventory	70
Prepayments	74
Plant and equipment	136
Payables	(651)
Employee entitlements	(70)
Identifiable assets acquired and liabilities assumed	217
Goodwill	4,533
	4,750
Purchase consideration settled in cash	4,460
Cash acquired	290
	4,750

b. Acquisition of subscriber customer base – Callstream

On the 14 November 2012, the Group acquired the customer base and business operations of Callstream, a specialist inbound call service provider, for a final cash consideration of \$585,000.

The acquisition is part of the Group's overall strategy to expand its operations by acquiring profitable customer bases in the small to medium business segments. This acquisition complements the current established MyNetFone Business segment as well as providing strong synergies once the business is migrated to the Group's carrier network.

The purchase price was based on approximately 2.0 times the gross profit of the customer base over an historical 12 month period from the date of acquisition. The consideration was paid in two instalments with the final instalment paid on the 28 December 2012. The consideration was paid entirely from free cash flow.

	\$000
Purchase consideration:	585

Notes to the consolidated financial statements (continued)

c. Acquisition of subscriber customer base – GoTalk

On the 31 December 2012, the Group acquired the wholesale customer base and network operations of GoTalk, a wholesale voice provider and retail calling card operator which was a wholly owned subsidiary of Tel.Pacific Limited (ASX:TPC).

The acquisition is part of the Group's overall strategy to expand its operations by acquiring profitable customer bases in the wholesale carriage and wholesale-hosted services segments. The acquisition complements the current established Symbio Wholesale business segment as well as providing very strong synergies once the business is migrated to the Group's carrier networks.

The purchase price was based on approximately 1.0 times the gross profit of the customer base over a forecast of 12 month period from the date of acquisition. The consideration was paid in one instalment on the 31 December 2012. The payment was made from a capital raising.

	\$000
Purchase consideration:	1,400

d. Acquisition of subscriber customer base – BuzzCorp

On 1 April 2013, the Group acquired the business assets, and intellectual property from The Buzz Corp Pty Limited, a niche residential voice service provider. The purchase price represents around 1.5 times the gross profit of the customer base over a forecast period of 12 months. The consideration was paid out of free cash flow.

	\$000
Purchase consideration:	295

21. Consolidated goodwill

For the year ended 30 June	2013	2012
	\$000	\$000
Internex Australia Pty Limited (note 20a)	4,533	-
Symbio Group (i)	4,686	4,626
	9,219	4,626

(i) During the year payments totalling \$60k were raised to C class shareholders of Symbio Wholesale Pty Limited in exchange for their shares.

Notes to the consolidated financial statements (continued)

22. Other intangible assets

For acquisitions of subscriber customer base

For the year ended 30 June

	2013	2012
	\$000	\$000
Additions - Callstream	585	-
Additions - Gotalk	1,400	-
Additions - Buzz Corp	295	-
	2,280	-

23. Earnings per share

Earnings and weighted average number of ordinary shares used in calculating basic and diluted earnings per share are:

	2013	2012
	\$000	\$000
Net profit attributable to ordinary equity holders of the Company	4,141	3,069
Weighted average number of shares	Number '000	Number '000
Weighted average number of ordinary shares for basic earnings per share	59,311	55,256
Add effect of dilution:		
- Share options	250	700
Weighted average number of ordinary shares for diluted earnings per share	59,561	55,956

24. Segment note

The Group operates in one business segment being telecommunications. The geographical segments are defined based on operating business location being Australia and Singapore.

Notes to the consolidated financial statements (continued)

25. Dividends paid and proposed

	Cents per share	\$000	Date of payment
Recognised amounts:			
2012 fully franked Interim dividend declared and paid	0.8	442	27 March 2012
2012 fully franked final dividend paid (i)	1.5	836	20 September 2012
2013 fully franked Interim dividend declared and paid	1.5	934	27 March 2013
Unrecognised amounts:			
2013 fully franked final dividend declared (ii)	2.0	1,245	

- (i) Declared amount recorded in the 2012 financial statements was \$829,000
(ii) The final dividend was declared on 21 August 2013. The amount has not been recognised as a liability in the 2013 financial year and will be brought to account in the 2014 financial year. The proposed payment date of the 2013 final dividend is 13 September 2013.

The amount of franking credits available for future reporting periods is \$701,883 (2012: \$357,313). The tax rate at which paid dividends have been franked is 30% (2012: 30%). Dividends proposed will be franked at the rate of 30%.

26. Parent entity

Key financial information relating to the parent entity is summarised below:

	2013 \$000	2012 \$000
Statement of comprehensive income		
Profit/(loss) attributable to the owners of the company	824	(1,150)
Total comprehensive income/(loss)attributable to the owners of the company	824	(1,150)
Statement of financial position		
Total current assets	286	328
Total non-current assets	15,810	11,385
Total current liabilities	(5,044)	(4,155)
Total non-current liabilities	-	(2,350)
Net assets	11,052	5,208
Issued Capital	14,186	9,176
Share based payment reserve	1,110	1,099
Retained earnings	(4,244)	(5,067)
Total equity	11,052	5,208

My Net Fone Limited has not entered into any guarantees, in the current or previous financial year in relation to the debts of its subsidiaries nor has it entered into any contractual commitments for the acquisition of property, plant and equipment.

Notes to the consolidated financial statements (continued)

27. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash at bank and short term deposits.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The company has no interest bearing liabilities. Funds on deposit are disclosed and the respective weighted average interest rate is disclosed below.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and interest revenue through the use of current accounts and short term deposits.

Credit risk

The company has no significant exposure to credit risk as the majority of its sales are pre-paid as at year end. However, for credit sales the company only trades with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Moreover, the company considers it is appropriate to provide a provision for doubtful debts for the year ended 30 June 2013.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	4,790	4,790	5,956	5,956
Weighted average effective interest rate 1.8% (2012:2.5%)				
Cash at call	23	23	24	24
Weighted average effective interest rate 4.0% (2012:5.7%)				
Trade and other receivables	6,612	6,612	4,773	4,773
Other financial assets	426	426	147	147
Weighted average effective interest rate 3.5% (2012:5.7%)				
Financial liabilities				
<i>On statement of financial position</i>				
Trade payables	9,544	9,544	6,958	6,958

28. Company details

The registered office and principal place of business of My Net Fone Limited is:


Level 2, 10-14 Waterloo Street, Surry Hills, NSW, 2010

Directors' Declaration

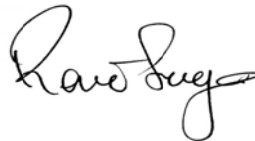
In accordance with a resolution of the directors of My Net Fone Limited, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 19 to 50, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer

On behalf of the Board



Terry Cuthbertson
Chairman



Rene Sugo
Director

Sydney, 21 August 2013



MY NET FONE LIMITED ABN 37 118 699 853 and Controlled Entities

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MY NET FONE LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 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

Phillip Miller
Director

Dated in Sydney, this 21st day of August 2013



MY NET FONE LIMITED ABN 37 118 699 853 and Controlled Entities

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MY NET FONE LIMITED and Controlled Entities**

Report on the Financial Report

We have audited the accompanying financial report of My Net Fone Limited, which comprises the consolidated statement of financial position as at 30 June 2013, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

Our procedures included reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of My Net Fone Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 and 10 of the directors report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of My Net Fone Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



MNSA PTY LTD



Phillip Miller
Director

Sydney
Dated this 21st day of August 2013

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 August 2013

(a) Distribution of equity securities

(i) Ordinary share capital

62,250,215 fully paid ordinary shares are held by 1,382 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

250,000 unlisted options are held by 6 individual option holders.
Options do not carry a right to vote.

The numbers of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares
1 – 1,000	191
1,001 – 5,000	467
5,001 – 10,000	323
10,001 – 100,000	367
100,001 and over	34
	1,382

The number of security investors holding less than a marketable parcel of ordinary shares is 47.

(b) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
Avondale Innovations Pty Ltd	13,488,955	21.67
Mr Andy Fung	10,000,000	16.06
Amber (Asia) Pty Ltd	4,488,955	7.21
Aust Executor Trustees SA Ltd	3,558,162	5.72

ASX additional information

(c) Twenty largest holders of quoted equity securities

	Fully paid	
	Number	Percentage
Avondale Innovations Pty Ltd	13,488,955	21.67
Mr Andy Fung	10,000,000	16.06
Amber (Asia) Pty Ltd	4,488,955	7.21
Aust Executor Trustees SA Ltd	3,558,162	5.72
L&C Pty Ltd	2,478,430	3.98
Kore Management Services Pty Ltd	1,625,000	2.61
National Nominees Limited	1,431,028	2.30
RACS SMSF Pty Ltd	1,000,000	1.61
Lee Superfund Management Pty Ltd	947,500	1.52
Chemco Superannuation Fund Pty Ltd	937,457	1.51
Mr. J. H. Boorne & Mrs J.E. Boorne	885,000	1.42
Boorne Gregg Investments Pty Ltd	845,000	1.36
Mr. Michael John Boorne	687,249	1.10
Mr. Christopher John Ayres	600,000	0.96
Spectrok Pty Ltd	600,000	0.96
Earglow Pty Ltd	545,000	0.88
HSBC Custody Nominees (Australia) Limited	390,554	0.63
G & E Properties Pty Ltd	378,377	0.61
Mr. Michael Korber	300,000	0.48
Endan Pty Ltd	288,294	0.46
Sandhurst Trustees Ltd	241,502	0.39
	45,716,463	73.44

(d) On-Market Buy Back

There is currently no on-market buy back.