



Anittel Group Limited

ABN 98 009 805 298

Annual Report - 30 June 2014

Directors	Peter Kazacos - Chairman Campbell Corfe Michael O'Sullivan John Walters
Company secretary	Justyn Stedwell
Registered office	Level 10 132 Arthur Street North Sydney NSW 2060
Principal place of business	Level 10 132 Arthur Street North Sydney NSW 2060
Share register	Computershare Investor Services Pty Limited Level 2 Reserve Bank Building 45 St. George's Terrace Perth WA 6000 Telephone: 1300 787 272
Auditor	PricewaterhouseCoopers Darling Park Tower 201 Sussex Street Sydney NSW 2000
Stock exchange listing	Anittel Group Limited shares are listed on the Australian Securities Exchange (ASX code: AYG)
Website	www.anittel.com.au

The past financial year at Anittel was one of significant change, where financial and operational initiatives were implemented to underpin the Company's strategy of focusing on the expanding market opportunity around cloud-based technologies and services.

The actions referred to above were implemented to ensure the Company has the financial and operational capacity to pursue its stated strategy of increased traction in the expanding market opportunity surrounding 'cloud' based services.

The major initiatives implemented include:

- The sale in January 2014 of Anittel Communications Pty Ltd to Big Air Limited (ASX: BGL) for a cash consideration of \$6,500,000 which vastly improved the company's balance sheet and cash position and enabled it to retire \$4,000,000 of debt from the Kazacos family in July 2014.
- Securing \$3,200,000 of additional 'equipment leasing' facilities with the Commonwealth Bank of Australia in October 2013 to provide the funding required for the rollout of our Cisco's Hosted Collaboration Solution (HCS) to the Tasmanian Government.
- The reorganisation of the business operating units to increase visibility, alignment and focus on recurring revenue streams from our 'IT products & services' and our 'Telecommunication services' business units.
- Securing a new \$4,000,000 debt facility in July 2014 from the Kazacos family providing Anittel with flexible funding options that maybe required at some point in the future.

I firmly believe these strategic actions have vastly improved Anittel's ability to continue taking advantage of the market shift to cloud-based services and I expect our FY15 financial result will reflect this fact.

I would like to thank all the staff at Anittel for their hard work and effort during a year of significant change. Additionally I would like to thank our customers, suppliers and shareholders for their continued support.

A handwritten signature in black ink, appearing to read "Peter Kazacos". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter Kazacos
Chairman

17 September 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Anittel Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of Anittel Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Kazacos - Executive Chairman
Campbell Corfe
Michael O'Sullivan
John Walters

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- being an IT and telecommunications solutions and service provider offering IT and telecommunication consulting services to Australian businesses; and
- being a supplier of telecommunications and information technology goods and services.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Key elements of Anittel's strategic plans that were FY14 based were:

- 1) To improve the company's balance sheet and capacity to fund the predicted growth in its cloud and infrastructure based services;
- 2) Continue to increase the number of end point deployments of Anittel's Cloud based Cisco Hosted Collaboration Solution ('HCS') and 'Infrastructure as a Service' ('IaaS') offering to the Tasmanian Government; and
- 3) Improve IT Products & Services contribution margin with focus on increasing contracted recurring revenue, in particular managed IT service agreements.

To this end the company achieved measurable success and progress as follows:

1. The company divested Anittel Communications Pty Ltd to BigAir Group Limited (ASX: BGL) on 31 January 2014 for a cash consideration \$6,500,000. With the significant cash injection from this divestment, Anittel has been able to continue developing and expanding its hosted service offering and has vastly improved its capacity to capture opportunities as the market trends rapidly towards cloud based services and technologies.
2. Gross Margin percentage achieved on the sale of IT products improved significantly by 15% which offset decreased revenue in this component of the business. Excellent retention levels were achieved with managed IT services clients however growth was less than targeted.

Whilst these successes place the company on a substantially more solid footing going into FY15, overall financials in FY14 have been impacted by this transition and market factors:

Total revenue from continuing operations for the year was \$36,060,000 which is marginally down by 3% or \$1,152,000 on the previous financial year. This is primarily due to a decline in IT product sales and related services, offset partially by increased end point service deployments to the Tasmanian Government.

Gross profit margin from continuing operations improved to 46% (2013: 43%) due to an increase in recurring higher gross margin sales of cloud services and improved margins on IT product sales.

The loss for the consolidated entity after providing for income tax amounted to \$3,007,000 (2013: \$7,392,000). There was no impairment charge in FY 2014 however in FY 2013 the loss includes a \$5,000,000 impairment charge taken against the carrying value of the 'IT Products & Services' business unit.

Anittel's Adjusted EBITDA* for the year was negative \$528,000 (2013: \$255,000) with the 'IT Products & Services' business unit achieving an Adjusted EBITDA of positive \$490,000 (2013: negative \$591,000), whilst the 'Telecommunication Services' business unit achieved an Adjusted EBITDA of negative \$1,018,000 (2013: positive \$336,000).

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Anittel and Adjusted EBITDA:

	Consolidated	
	2014	2013
	\$'000	\$'000
Loss after income tax benefit for the year attributable to the owners of Anittel Group Limited	(3,007)	(7,392)
Interest revenue	(77)	(60)
Finance costs	990	831
Depreciation and amortisation	1,566	1,366
Normal EBITDA	(528)	(5,255)
Adjustment for impairment of assets	-	5,000
Adjusted EBITDA	<u>(528)</u>	<u>(255)</u>

Segment revenue and EBITDA

	Consolidated			
	Telecommunications		IT Products & Services	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Revenue	<u>9,039</u>	<u>13,973</u>	<u>34,286</u>	<u>36,974</u>
Growth	(35)%		(7)%	
EBITDA	<u>(1,018)</u>	<u>336</u>	<u>490</u>	<u>(591)</u>

Revenues for the 'Telecommunication Services' business unit decreased by 35% to \$9,039,000 which reflects the divestment of Anittel Communications Pty Ltd on 31 January 2014.

Revenues for the 'IT Products & Services' business unit were down 7% or \$2,689,000 on the previous financial year, which Management believes is a factor of market conditions and the decline in traditional hardware and software product sales and related services.

The 'Telecommunication Services' EBITDA was negative at \$1,018,000 (2013: positive \$336,000) which reflects not only the divestment mentioned above but also the substantial investment in operating expenditure in FY14 related to the company's cloud based HCS service offering. EBITDA in this sector will improve significantly as the number of endpoints deployed increases and investment costs decline.

The 'IT Products & Services' EBITDA increased to positive \$490,000. The improved profitability was largely as result of an organisational restructure (in March 2013) removing the national service functions for the 'IT Products & Services' business unit and being redistributed to local offices to enable greater accountability and control at the local office level. This action enabled the reduction of staff at the national level and also enabled local office management the flexibility and incentive for improved profitability.

Summary statement of financial position

	Consolidated	
	2014 *	2013
	\$'000	\$'000
Total current assets	11,649	7,251
Total non-current assets	8,708	12,959
Total assets	20,357	20,210
Total current liabilities	8,908	9,920
Total non-current liabilities	13,443	10,573
Net liabilities	(1,994)	(283)

In addition to 2013's investment, a further significant investment of \$4,303,000 was made to the 'Telecommunication Services' business unit, predominately to support the HCS offering (2013: \$2,347,000).

Finance leases of \$4,168,000 were secured to support investment in the HCS offering and other Telecommunication infrastructure (2013: \$1,280,000).

In August 2013 \$1,397,000 capital was raised through a rights issue to improve company's net asset position.

Summary statement of cash flows

	Consolidated	
	2014 *	2013
	\$'000	\$'000
Cash flows from operating	(1,396)	(630)
Cash flows from investing	5,989	(1,312)
Cash flows from financing	1,040	186
Net increase/(decrease)	5,633	(1,756)
Cash at beginning of year	2,129	3,885
Cash at end of year	7,762	2,129

Cash increased primarily as a result from investing activities, the major component related to the divestment of Anittel Communications Pty Ltd for cash consideration of \$6,500,000.

* *EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider Adjusted EBITDA to reflect the core earnings of the consolidated entity.*

Significant changes in the state of affairs

On 12 August 2013 and 16 October 2013, the company issued 291,668,575 and 57,500,000 shares respectively, at an issue price of \$0.004 per share, pursuant to the Rights Issue offer announced on 8 July 2013.

On 16 September 2013, Anittel signed an agreement to provide Infrastructure as a Service ('IaaS') to the Tasmanian Government. The agreement has an initial term of two years with two subsequent one year optional extensions. The contract value will depend on the take up of the service by individual government agencies. The services provided in accordance with the agreement will use existing infrastructure assets.

On 18 September 2013, the \$1,500,000 related party loan facility (undrawn) was cancelled and replaced with a \$5,000,000 loan facility from the same related party (Peter and Vicki Kazacos).

On 30 October 2013, Anittel announced that it had secured a \$3,200,000 equipment financing facility from the Commonwealth Bank of Australia, providing additional financial capacity for the deployment of the its managed voice services to the Tasmanian Government.

On 20 December 2013, Anittel announced that it had entered into an agreement with listed carrier BigAir Group Limited (ASX: BGL) for the sale of its general hosting and network infrastructure and carrier business for cash consideration of \$6,500,000. The transaction was completed on 31 January 2014 and involved the disposal by the company of shares in its wholly owned subsidiary Anittel Communications Pty Limited, and the de-recognition of goodwill and intangible assets associated with the communications business previously recognised by the consolidated entity, along with certain restructuring liabilities arising from the sale.

On 20 December 2013, the sale agreement to BigAir Group Limited triggered a termination of the \$5,000,000 loan facility given by Peter and Vicki Kazacos, as detailed above, and which remained undrawn during the period.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 31 July 2014, Anittel repaid \$4,000,000 of debt to Peter and Vicki Kazacos.

As part of the transaction it was also agreed that:

- Peter and Vicki Kazacos enter into a new agreement to provide a debt facility of up to \$4,000,000;
- Future interest on the remaining principal (and any facility drawdowns) be at the reduced interest rate of 7%; and
- No further interest will be calculated on the existing accrued interest.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity continues to be focused on executing its strategy of developing and expanding its hosted ('Cloud') offerings in line with the rapidly developing market trend to Cloud based Information and Communication Technology ('ICT'). Key focus areas will include the commercialisation of the Cisco Hosted Unified Communication offering, continuing to grow recurring service revenues and optimising internal processes and systems.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Peter Kazacos
Title:	Executive Director, Chairman and Managing Director
Qualifications:	Bachelor of Electrical Engineering and Bachelor of Science (Applied Mathematics and Computer Science) from the University of New South Wales ('UNSW')
Experience and expertise:	Peter has over 39 years' experience in the IT industry. He founded KAZ Technology in 1988, guided it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Limited, building it into one of Australia's leading IT&T service providers operating outside the major metropolitan areas, leading to its acquisition in 2010 by the consolidated entity, representing a major strategic milestone in the transformation and convergence of the IT&T industry. Prior to founding KAZ Technology and Anittel Limited, Peter held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Peter has been inducted into the Hall of Fame at both the IT&T Awards and ARN IT Industry Awards and is the recipient of the prestigious CSIRO Tony Benson Award for Individual Achievement in ICT.
Other current directorships:	Chairman of Advanced Surgical Design & Manufacture Limited.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration Committee and member of the Audit Committee
Interests in shares:	881,078,704 ordinary shares

Name: Campbell Corfe
Title: Non-Executive Director
Qualifications: CA (Australia), CPA (America)
Experience and expertise: Campbell was a partner in the global accounting firm, KMG Main Hurdman (now known as KPMG following a merger with Peat Marwick). He was with the firm for 20 years in various postings including Australia, USA, Europe and Asia. Prior to the merger, he was the partner in charge of global operations based in New York, responsible for all accounting and consulting services provided to the firm's multinational clients. He left KPMG to become the Chief Operating Officer for the Ohio, USA-based, Hercules Engines for 2 years. Hercules was a successful 'management buyout' of an old-line manufacturing business dealing with the US Army. Campbell then returned to Australia and worked with a number of companies in the finance and insurance sector, including Amlink, Suncorp and Colonial State Bank. He was also Executive Chairman of 5th Finger Pty Limited, a mobile marketing company which was sold to ninemsn in 2007; he then co-founded a related company, 5th International ('5i'), and was the Chairman and Chief Executive during its formative years in San Francisco, California, which was sold to an American marketing group.

Other current directorships: ASX Listed entities: Nil, Other directorships: Youi Insurance - Chairman
Former directorships (last 3 years): None
Special responsibilities: Chair of the Audit Committee and Chair of the Remuneration Committee
Interests in shares: 78,500,000 ordinary shares

Name: Michael O'Sullivan
Title: Non-Executive Director
Qualifications: BComm. LLB from UNSW
Experience and expertise: Michael has experience in a variety of commercial management roles with leading organisations. Michael joined KAZ Technology Group ('KAZ') in 1991 and was the Commercial Director until the acquisition of KAZ by Telstra. During this period when the company grew from 40 staff to over 4,000 staff, Michael was responsible for finance, legal and HR and was instrumental in the IPO of KAZ in 2000 and the subsequent acquisitions. During this period Michael was a director of all KAZ Group companies including Australian Administration Services ('AAS'). Since leaving KAZ, Michael has consulted to and has been a director of a number of technology companies.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: None
Interests in options: 19,000,000 options over ordinary shares

Name: John Walters
Title: Non-Executive Director
Qualifications: Master of Business Administration from the Australian Graduate School of Management and Bachelor of Arts from UNSW
Experience and expertise: John has been working in the Australian IT Channel for over 15 years in senior executive roles within both large and small distributors. John is currently the Managing Director of Nextgen Distribution, an enterprise, datacentre centric technology distributor. Prior to setting up Nextgen Distribution, John held executive leadership roles at Ingram Micro, Tech Pacific, the Westcon Group and Lan Systems. John's accomplishments and industry standing have been acknowledged with the award of Sales Director of the year at the Australian Human Capital Awards in 2005 and he was inducted into the ARN IT Industry 'Hall of Fame' in 2008.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration Committee
Interests in shares: 5,040,000 ordinary shares
Interests in options: 2,000,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Justyn Stedwell has completed a Bachelor of Business and Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and a Graduate Certificate of Applied Finance with Kaplan Professional. Justyn has over 7 years' experience as a Company Secretary of ASX listed companies. He is also the Company Secretary of ASX listed Rhinomed Limited, Motopia Limited and Imugene Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter Kazacos	12	12	3	3	4	4
Campbell Corfe	12	12	3	3	4	4
Michael O'Sullivan	12	12	-	-	-	-
John Walters	12	12	3	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel ('KMP') of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purpose of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the parent and the consolidated entity.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives. To this end, the consolidated entity embodies the following principles in its remuneration framework:

- Provide reward packages that are attractive to high calibre executives; and
- Link executive rewards to shareholder value.

Remuneration committee

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. In consultation with external remuneration professionals, where deemed necessary, the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to:

- relevant employment market conditions;
- the current financial state of the consolidated entity with the overall objective of ensuring maximum stakeholder benefit; and
- the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate and distinct.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each non-executive director receives a fee for being a director of the company. Presently an additional fee is paid to a non-executive director for chairing the Remuneration Committee and Audit Committee.

ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 November 2005, where the shareholders approved an aggregate amount payable to non-executive directors to not exceed \$200,000 per year. The amount of aggregated remuneration sought to be approved by shareholders and the manner in which it is apportioned is reviewed annually.

Executive directors remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- reward executives for consolidated entity and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

The combination of these comprises the executive's total remuneration.

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Remuneration and company performance

Incentive based remuneration is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Incentive based payments may be granted to executives based on key performance indicators ('KPI') being achieved or at the discretion of the Remuneration Committee.

In addition, equity payments in the form of share options may be issued to KMP or non-executive directors to further align their interests with the performance of the consolidated entity. Details of share options granted during the year is detailed the 'Share-based compensation' section of this report. The issue of share options to KMP is at the discretion of the Remuneration Committee. The issue of share options to directors is subject to shareholder approval.

Use of remuneration consultants

During the financial year ended 30 June 2014, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve them.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')

99.99% of eligible votes received by the company at the November 2013 AGM were in favour of the adoption of the remuneration report for the year ended 30 June 2013.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Anittel Group Limited:

- Peter Kazacos - Executive Chairman
- Campbell Corfe
- Michael O'Sullivan
- John Walters

And the following persons:

- Chris Calamos – Finance Director
- Justyn Stedwell – Company Secretary
- Robert Pickering - Chief Technology Officer
- Andrew Cottrill - Managing Director of Anittel Pty Ltd (appointed on 1 March 2014)
- David McGill - Managing Director of Cloud Only Distributions (appointed on 1 March 2014)
- Michael Cook - General Manager, IT Services (ceased on 31 January 2014)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Termination payments	Super-annuation and retirement	Long service leave	Equity-settled	Total
2014	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Campbell Corfe	63,992	-	-	-	-	-	63,992
Michael O'Sullivan***	20,449	-	-	1,891	-	-	22,340
John Walters	50,000	-	-	-	-	-	50,000
<i>Executive Directors:</i>							
Peter Kazacos*	150,000	-	-	-	-	-	150,000
Michael O'Sullivan***	113,894	-	191,818	12,933	-	-	318,645
<i>Other Key Management Personnel:</i>							
Chris Calamos	198,209	45,000	-	17,509	-	-	260,718
Justyn Stedwell	41,526	-	-	3,279	-	-	44,805
Robert Pickering	162,951	15,000	-	13,199	-	-	191,150
Andrew Cottrill**	59,769	24,273	-	5,971	-	-	90,013
David McGill**	50,223	3,000	-	4,646	-	-	57,869
Michael Cook**	108,692	-	122,720	13,331	-	-	244,743
	1,019,705	87,273	314,538	72,759	-	-	1,494,275

* Peter Kazacos is paid as a consultant through a company, KPower Pty Limited.

** Remuneration is disclosed from date of appointment/to date of cessation as a key management personnel.

*** Transferred as Executive Director to Non-Executive Director effective 31 January 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Termination payments	Super-annuation	Long service leave	Equity-settled	Total
2013	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Campbell Corfe	64,888	-	-	-	-	-	64,888
John Walters	50,000	-	-	-	-	4,400	54,400
<i>Executive Directors:</i>							
Peter Kazacos*	150,000	-	-	-	-	-	150,000
Michael O'Sullivan	189,493	-	-	16,289	-	-	205,782
<i>Other Key Management Personnel:</i>							
Chris Calamos	195,656	-	-	16,417	-	-	212,073
Justyn Stedwell	41,000	-	-	3,150	-	-	44,150
Robert Pickering**	11,077	-	-	872	-	-	11,949
Michael Cook**	142,615	10,000	-	12,347	-	-	164,962
Steven Crocket***	169,961	-	16,737	14,254	-	-	200,952
Tim Brewer***	105,039	-	2,590	6,978	-	-	114,607
	1,119,729	10,000	19,327	70,307	-	4,400	1,223,763

* Peter Kazacos is paid as a consultant through a company, KPower Pty Limited.

** Remuneration is disclosed from date of appointment as a key management personnel.

*** Remuneration is disclosed to date of cessation as a key management personnel.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Non-Executive Directors:</i>						
Campbell Corfe	100%	100%	-%	-%	-%	-%
John Walters	100%	92%	-%	-%	-%	8%
<i>Executive Directors:</i>						
Peter Kazacos	100%	100%	-%	-%	-%	-%
Michael O'Sullivan	100%	100%	-%	-%	-%	-%
<i>Other Key Management Personnel:</i>						
Chris Calamos	83%	100%	17%	-%	-%	-%
Justyn Stedwell	100%	100%	-%	-%	-%	-%
Robert Pickering	92%	100%	8%	-%	-%	-%
Andrew Cottrill	73%	-%	27%	-%	-%	-%
David McGill	95%	-%	5%	-%	-%	-%
Michael Cook	100%	94%	-%	6%	-%	-%
Steven Crocket	-%	100%	-%	-%	-%	-%
Tim Brewer	-%	100%	-%	-%	-%	-%

The proportion of the cash bonus paid and forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2014	2013	2014	2013
<i>Other Key Management Personnel:</i>				
Chris Calamos	100%	-%	-%	-%
Robert Pickering	100%	-%	-%	-%
Andrew Cottrill	100%	-%	-%	-%
Dave McGill	100%	-%	-%	-%
Michael Cook	-%	100%	-%	-%
Tim Brewer	-%	-%	-%	100%
Michael Cook	-%	100%	-%	-%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Peter Kazacos
Title: Executive Director, Chairman and Managing Director
Agreement commenced: 7 March 2014
Term of agreement: Expires 7 March 2015
Details: Peter's role as the Managing Director was renewed for another 12 months from 7 March 2014, continuation beyond that to be approved by the Board. His appointment may be terminated at any time by the company's shareholders, acting by majority vote.

Name: Chris Calamos
Title: Finance Director (but not a statutory director)
Agreement commenced: 6 June 2011
Term of agreement: Ongoing
Details: Chris' employment may be terminated by either party giving three months written notice. As a senior executive, he will be entitled to six months payment of his base salary if the company terminates his employment and decides to pay him in lieu of notice. He may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

Name: Robert Pickering
Title: Chief Technology Officer
Agreement commenced: 3 June 2013
Term of agreement: Ongoing
Details: Robert's employment may be terminated by either party giving four weeks' written notice. He may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

Name: Andrew Cottrill
Title: Managing Director (but not a statutory director) of Anittel Pty Ltd
Agreement commenced: 1 March 2014
Term of agreement: Ongoing
Details: Andrew's employment may be terminated by either party giving four weeks' written notice. He may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

Name: David McGill
Title: Managing Director (but not a statutory director) of Cloud Only Distributions
Agreement commenced: 1 March 2014
Term of agreement: Ongoing
Details: David's employment may be terminated by either party giving four weeks' written notice. He may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
16 November 2011	30 June 2014	31 December 2014	\$0.007	\$0.002
15 December 2011	15 December 2013	15 December 2014	\$0.007	\$0.002
15 December 2011	15 December 2014	15 December 2014	\$0.007	\$0.002
30 December 2011	1 July 2013	31 December 2014	\$0.007	\$0.002
30 December 2011	1 July 2014	31 December 2014	\$0.007	\$0.002
30 November 2012	30 June 2014	30 November 2015	\$0.007	\$0.022

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
John Walters	-	2,000,000	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 * \$'000
Sales revenue	21,500	59,573	56,596	50,947	43,325
EBITDA	(976)	(1,738)	754	(255)	(528)
EBIT	(1,311)	(3,040)	(483)	(1,621)	(2,094)
Loss after income tax	(1,444)	(19,899)	(7,790)	(7,392)	(3,007)

* Includes both continuing and discontinued operations

Additional disclosures relating to key management personnel

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Kazacos *	660,809,028	-	220,269,676	-	881,078,704
Campbell Corfe *	78,500,000	-	-	-	78,500,000
Michael O'Sullivan	37,263,800	-	-	(37,263,800)	-
John Walters	3,780,000	-	1,260,000	-	5,040,000
Justyn Stedwell	765,000	-	-	-	765,000
	<u>781,117,828</u>	<u>-</u>	<u>221,529,676</u>	<u>(37,263,800)</u>	<u>965,383,704</u>

* Shareholding includes related party holding

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other *	Balance at the end of the year
<i>Options over ordinary shares</i>					
Peter Kazacos	850,000	-	-	(850,000)	-
Campbell Corfe	4,081,382	-	-	(4,081,382)	-
Michael O'Sullivan	19,000,000	-	-	-	19,000,000
John Walters	2,000,000	-	-	-	2,000,000
Chris Calamos	14,497,500	-	-	-	14,497,500
	<u>40,428,882</u>	<u>-</u>	<u>-</u>	<u>(4,931,382)</u>	<u>35,497,500</u>

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Michael O'Sullivan	19,000,000	-	19,000,000
John Walters	2,000,000	-	2,000,000
Chris Calamos	14,497,500	-	14,497,500
	<u>35,497,500</u>	<u>-</u>	<u>35,497,500</u>

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Anittel Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 April 2010	31 March 2015	\$0.050	750,000
30 April 2010	31 March 2015	\$0.030	750,000
16 November 2011	31 December 2014	\$0.007	14,497,500
15 December 2011	15 December 2014	\$0.007	19,000,000
30 December 2011	31 December 2014	\$0.007	14,497,500
30 November 2012	30 November 2015	\$0.007	2,000,000
			<u>51,495,000</u>

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

Shares issued on the exercise of options

There were no ordinary shares of Anittel Group Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of PricewaterhouseCoopers

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Peter Kazacos".

Peter Kazacos
Executive Chairman

17 September 2014
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of Anittel Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Manoj Santiago', written over a light blue horizontal line.

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
17 September 2014

The Board of directors ('the Board') of Anittel Group Limited ('Anittel' or "the company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business affairs of Anittel on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement is structured with reference to the Australian Securities Exchange ('ASX') Corporate Governance Council's ('the Council's') 'Corporate Governance Principles and Best Practice Recommendations' ('the Recommendations'), (2nd edition).

The Recommendations are not prescriptions, they are guidelines. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board has adopted the best practice recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of Anittel. Therefore, where the Board considers that the cost of implementing a recommendation outweighs any potential benefit, those recommendations have not been adopted.

Principle 1 - Lay solid foundations for management and oversight

Functions of the Board and Management

The Board is ultimately responsible for all matters relating to the running of the company.

The main task of the Board is to drive the performance of the company.

The Board's role is to govern the company rather than to manage it. In governing the company, the directors must act in the best interests of the company as a whole. It is the role of senior management to manage the company in accordance with the direction and delegations of the Board; the Board will oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the company. Successful operations will usually be manifest by achieving optimum shareholder value. The Board is responsible for articulating the following:

- The objectives and strategic direction of the company; and
- The values of the company, including how it will treat with all stakeholders.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board will include the following:

1. Leadership of the Organisation: overseeing the company and establishing codes that reflect the values of the company;
2. Strategy Formulation: to set and review the overall strategy and goals for the company and ensuring that there are policies in place to govern the operation of the company;
3. Overseeing Planning Activities: the development of the company's strategic plan;
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy;
5. Company Finances: ensuring there are adequate resources provided to achieve the objectives;
6. Human Resources: establishing appropriate human resource policies and ensuring there are adequate human resources for the company to be successful;
7. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the company's occupational health and safety systems to ensure the well-being of all employees;
8. Delegation of Authority: delegating appropriate powers to the Managing Director ('MD') and the senior management team to ensure the effective day-to-day management of the company; and
9. Ensuring there is appropriate Corporate Governance.

Evaluating the Performance of Senior Executives

The Board considers the ongoing development and improvement of the performance of senior executives as a critical input to effective governance. Senior executives are encouraged to participate in continuing education programs that will update their skills and knowledge of key developments within the industry in which the company operates, and regulatory and legislative changes that impact on reporting responsibilities.

On an annual basis, the Board conducts a performance review of the MD and other key management personnel ('KMP'). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. Feedback on the performance of each KMP is provided and a plan is established to encourage, improve and monitor future performance. A performance review of KMP was conducted during the 2014 financial year in accordance with this process.

Principle 2 - Structure the Board to add value

Structure of the Board

The skills, experience, expertise and period of office of each director in office throughout the year are included in the directors' report. The Board is currently composed of one executive director, Peter Kazacos and three non-executive directors, Campbell Corfe, John Walters, and Michael O'Sullivan.

The Board assesses whether a director is independent in accordance with the Council's independence guidelines. The Board comprises of two independent directors, John Walters and Campbell Corfe, and two non-independent directors, Peter Kazacos and Michael O'Sullivan. Therefore, the Board does not comprise of a majority of independent directors. The Board has reviewed its composition and considers that relationships which define directors as non-independent have been, and continue to be, of benefit to the company. It is not considered that the relationship of non-independent directors affects their capacity to bring independent judgement to bear on Board decisions.

Peter Kazacos is the Chairman and MD of the Board and he is not an independent Chairman or Director. Given Peter's extensive experience as a Chairman and Director and his success within the IT industry, he is considered as the most appropriate MD and Chairman at this critical stage of the company's development.

The Board is responsible for the nomination and selection of directors. Given the size of the company and the nature of its operations, the Board does not believe it to be appropriate to establish a Nomination Committee at this time.

Directors are appointed based on the specific skills required to effectively govern the company. The company aims at all times to have at least two directors with appropriate experience within the telecommunications and information technology industries. In addition, directors should have the relevant blend of experience in:

- accounting and financial management; and
- director level business management and governance.

Board Performance

The Board considers the ongoing development and improvement of its own performance, the performance of individual directors and Board Committees as critical to effective governance. Directors are encouraged to participate in continuing education programs that will update their skills and knowledge of key developments within the industry in which the company operates, and regulatory and legislative changes that impact on reporting responsibilities.

The performance of the Board, Board Committees and individual directors is reviewed by the Board as a whole. The reviews are based on a number of predetermined performance objectives. The criteria for evaluating performance, is aligned with the financial and non-financial objectives of the company. The Board will consider the outcome of each review and develop a series of actions to guide improvement.

When evaluating the performance of individual directors, the Chairman will provide each director with confidential feedback on his or her performance. This feedback will be used to develop a plan and a basis for future performance assessment for each director. An independent director will provide confidential feedback to the Chairman on his own performance. The Board does not endorse the reappointment of a director who is not satisfactorily performing the role. Directors whose performance is unsatisfactory may be asked to retire. A performance review in accordance with the processes disclosed did not occur during the 2014 financial year.

Independent professional advice

The Board collectively and each individual director has the right to seek independent professional advice at the company's expense, up to a specified limit of \$5,000 unless otherwise agreed by the Chairman, to assist them to carry out their responsibilities.

Commitments

Each member of the Board is committed to spending sufficient time on company matters to enable them to effectively carry out their duties as a director of the company. Other commitments of non-executive directors which may affect their contribution to the company are considered prior to a director's appointment to the Board and are reviewed each year. Prior to appointment or re-election, each director must acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

The Board holds at least 12 scheduled meetings each year. For details of the number of Board meetings held during the year and the number of meetings attended by each director refer to the directors' report.

Principle 3 – Promote ethical and responsible decision making

Corporate Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the company has established a Corporate Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. The Corporate Code of Conduct can be viewed at the company's website, www.anittel.com.au.

Directors and Officers Code of Conduct, and Employee Code of Conduct

The Board has established the Directors and Officers Code of Conduct, and the Employee Code of Conduct to guide directors, officers and employees as to:

- the practices necessary to maintain confidence in the company's integrity; and
- the practices necessary to take into account their ethical and legal obligations and the reasonable expectations of the company's stakeholders.

The Directors and Officers Code of Conduct, and the Employee Code of Conduct can be viewed at the company's website, www.anittel.com.au.

Share Trading Policy

The Anittel Share Trading Policy ('the Policy') regulates the sale and purchase of shares in the company by its directors, officers and employees.

The purpose of the Policy is to reduce the risk of insider trading and ensure that the company's directors, officers and employees are aware of the legal restrictions on trading shares in the company whilst in possession of inside information concerning the company.

In addition the Policy sets out when trading in the company's shares by directors, officers and employees is not permitted. Restrictions on trading are imposed by the company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the company's directors, officers, or employees are trading while in possession of inside information.

Consistent with the insider trading provisions of the Corporations Act, all of the company's directors, officers and employees are prohibited from trading in the company's shares while in possession of inside information concerning the company.

Directors, officers and employees should never communicate any inside information to any other person, including family members and associates.

In addition directors, officers and employees are prohibited from trading in the company's shares during:

- each period of 30 days immediately prior to the date upon which the company releases its annual financial statements to the ASX;
- each period of 30 days immediately prior to the date upon which the company releases its half year financial statements to the ASX;
- each period of 30 days immediately prior to the date upon which the company holds its annual general meeting; and
- each period of 24 hours immediately after the date upon which the company issues a price-sensitive ASX announcement.

No director, officer or employee may deal in company shares at any time for short term gain, including buying and selling company shares in a three month period, without the written approval of the Chairman or in the case of the Chairman, the Board of directors.

The Policy can be viewed at the company's website, www.anittel.com.au.

Reporting Unethical or Illegal Practices

Company policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by management or the Board. Reporters of unethical practices may remain anonymous.

Diversity

The company values the differences between its personnel and the valuable contribution that these differences can make to the company. Anittel is an equal opportunity employer and aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

The company is currently satisfied with the level of diversity among its staff and executives and therefore has not adopted a formal diversity policy and has not set measurable objectives in relation to diversity.

The participation of women in the company is currently as follows:

- | | |
|--|-------|
| • Women employees in the consolidated entity | 14.9% |
| • Women in senior management positions | 0% |
| • Women on the board | 0% |

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

The Audit Committee was established to ensure oversight by the Board of all matters related to the financial accounting and reporting of the company. The Audit Committee monitors the processes, which are undertaken by management and auditors. The Audit Committee ensures that the Board, as the representative of the shareholders, meets all financial corporate governance requirements.

There are two members of the Audit Committee being Campbell Corfe (Chair) and Peter Kazacos. Given the Board consist of four directors, Board Committees consisting of at least two directors are deemed to be appropriate. The Audit Committee is chaired by Campbell Corfe who is an independent director. Given Campbell's 18 years of experience as a partner with a global accounting firm, he is considered the most appropriate director to Chair the Audit Committee. The Audit Committee does not comprise of a majority of independent directors, at this stage of the company's development the Board considers that the presence of one non-executive director on the Audit Committee (Campbell Corfe) is sufficient.

For details on the number of Audit Committee meetings held during the year and the attendees at those meetings, refer to the directors' report.

The Audit Committee has adopted a formal charter which clearly sets out the committee's role and responsibilities, composition and structure. The Audit Committee charter can be viewed on the company's website, www.anittel.com.au.

Principle 5 – Make timely and balanced disclosure

Continuous Disclosure

The company has a Disclosure Policy to ensure compliance with the ASX Listing Rules disclosure requirements. In accordance with the ASX Listing Rules the company immediately notifies the ASX of information:

- concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities; and
- that would, or would likely to, influence persons who commonly invest in securities.

The company is committed to ensuring all investors have equal and timely access to material information concerning the company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Board and the company Secretary are responsible for ensuring that company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules.

The Company Secretary and the Chief Executive Officer ('CEO') ensure that company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

All information posted on the ASX can be immediately viewed via a link on the company's website, www.anittel.com.au.

The Anittel Disclosure Policy can be viewed at the company's website, www.anittel.com.au.

Principle 6 – Respect the rights of shareholders

Shareholder Communication

The company respects the rights of its shareholders and to facilitate the effective exercise of those rights the company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders, annual and half-year financial statements and the general meetings of the company;
- giving shareholders ready access to balanced and understandable information about the company and corporate proposals; and
- making it easy for shareholders to participate in general meetings of the company.

The company also makes available a telephone number and email address for shareholders to make enquiries of the company. These contact details are available on the "contact us" page of the company's website, www.anittel.com.au.

The company views the annual general meeting as an opportunity for shareholders to meet with and ask questions of the Board. Accordingly all shareholders are given the opportunity to ask questions. The company's external auditors are in attendance at the annual general meetings. All shareholders are given the opportunity to ask the company's external auditors questions about the conduct of the audit and the preparation and content of the auditor's report.

The Anittel Disclosure Policy promotes effective communication with shareholders, the policy can be viewed at the company's website, www.anittel.com.au.

Principle 7 – Recognise and manage risk

Risk Management

Risk management is considered a key governance and management process. The Board ultimately determines the company's risk profile and is responsible for approving and overseeing the company's risk management policy and internal compliance and control systems.

The company has established and implemented a system for identifying, assessing, monitoring and managing material risk throughout the organisation. The risk management system is implemented by senior management and is designed to ensure:

- all major sources of potential opportunity for and harm to the company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the company's continued good standing with its stakeholders.

The risk management system involves a multi-stage process of risk identification, analysis, evaluation, strategy development, strategy implementation, monitoring and review.

Management reports to the Board on the effectiveness of the company's management of its material business risks. In addition, the Board undertakes a review of all major activities to assess risk and the effectiveness of strategies implemented to manage risk.

Managing Director and Finance Director Certifications

The managing director and the finance director have provided a written statement to the Board that:

- the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results are in accordance with relevant accounting standards; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

Remuneration

The company remunerates directors and key executives fairly and appropriately with reference to the skills and experience of the director/executive and employment market conditions. Any bonus or incentive payments made to directors and executives are based on the achievement of set financial and/or operational performance targets. Payment of equity-based remuneration is made in accordance with thresholds set in plans approved by shareholders.

There is no scheme to provide retirement benefits other than statutory superannuation to non-executive directors.

For details of the amount of remuneration, and all monetary and non-monetary components, for directors and key management personnel refer to the directors' report.

Remuneration Committee

The Board has established a Remuneration Committee. Campbell Corfe, Peter Kazacos and John Walters are the members of the Remuneration Committee.

The Remuneration Committee is chaired by Campbell Corfe who is an independent director. The Remuneration Committee comprises of a majority of independent directors with two members, Campbell Corfe and John Walters, being independent directors.

The Board sees Campbell Corfe as the most appropriate person to chair the Remuneration Committee given that he is a non-executive director and taking into account his extensive experience, qualifications and skill set.

The Committee meets at least twice annually and is responsible for:

- formulating guidelines as to what constitutes appropriate "human resource" policy for the company; including but not limited to, base pay, incentive schemes; retention and termination policies, succession planning and human resource development;
- providing an assessment of market expectations relative to senior executives and Board members remunerations commensurate with their responsibilities;
- making a determination of the appropriate "tiers" of personnel; including who constitutes the "senior management" team;
- specific employment agreements, including roles and responsibilities, and levels of remuneration, for the senior management team;
- an employment agreement, including role and responsibilities, and level of remuneration, for the MD;
- management agreements for executive and non-executive directors;
- provide results of periodic audits of the human resource policies; and
- the establishment of a performance review process; including performance reviews of at least the MD and members of the Board.

For details on the number of Remuneration Committee meetings held during the year and the attendees at those meetings, refer to the directors' report.

The Remuneration Committee Charter can be viewed at the company's website, www.anittel.com.au.

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General information

The financial statements cover Anittel Group Limited as a consolidated entity consisting of Anittel Group Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Anittel Group Limited's functional and presentation currency.

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

Level 10
132 Arthur Street
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 September 2014. The directors have the power to amend and reissue the financial statements.

Anittel Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014



	Note	Consolidated 2014 \$'000	2013 \$'000
Revenue from continuing operations	4	36,060	37,212
Expenses			
Cost of sales		(19,364)	(21,133)
Occupancy		(1,340)	(1,226)
Administration		(16,820)	(16,231)
Impairment of assets	5	-	(5,000)
Other expenses		(973)	(1,399)
Finance costs	5	(944)	(756)
Loss before income tax expense from continuing operations		(3,381)	(8,533)
Income tax expense	6	-	-
Loss after income tax expense from continuing operations		(3,381)	(8,533)
Profit after income tax expense from discontinued operations	7	374	1,141
Loss after income tax expense for the year attributable to the owners of Anittel Group Limited	24	(3,007)	(7,392)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Anittel Group Limited		<u>(3,007)</u>	<u>(7,392)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(3,381)	(8,533)
Discontinuing operations		374	1,141
		<u>(3,007)</u>	<u>(7,392)</u>
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Anittel Group Limited			
Basic earnings per share	38	(0.135)	(0.386)
Diluted earnings per share	38	(0.135)	(0.386)
Earnings per share for profit from discontinued operations attributable to the owners of Anittel Group Limited			
Basic earnings per share	38	0.015	0.052
Diluted earnings per share	38	0.015	0.052
Earnings per share for loss attributable to the owners of Anittel Group Limited			
Basic earnings per share	38	(0.120)	(0.334)
Diluted earnings per share	38	(0.120)	(0.334)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Anittel Group Limited
Statement of financial position
As at 30 June 2014



	Note	Consolidated 2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	7,762	2,129
Trade and other receivables	9	3,304	4,360
Inventories	10	417	158
Other	11	166	604
Total current assets		<u>11,649</u>	<u>7,251</u>
Non-current assets			
Receivables	12	173	257
Property, plant and equipment	13	2,481	1,901
Intangibles	14	6,054	10,801
Total non-current assets		<u>8,708</u>	<u>12,959</u>
Total assets		<u>20,357</u>	<u>20,210</u>
Liabilities			
Current liabilities			
Trade and other payables	15	5,260	5,946
Borrowings	16	1,011	432
Provisions	17	929	998
Revenue received in advance	18	1,708	2,544
Total current liabilities		<u>8,908</u>	<u>9,920</u>
Non-current liabilities			
Borrowings	19	13,170	10,316
Provisions	20	273	257
Total non-current liabilities		<u>13,443</u>	<u>10,573</u>
Total liabilities		<u>22,351</u>	<u>20,493</u>
Net liabilities		<u>(1,994)</u>	<u>(283)</u>
Equity			
Issued capital	21	57,351	56,058
Other equity	22	5,200	5,200
Reserves	23	8	5
Accumulated losses	24	(64,553)	(61,546)
Total deficiency in equity		<u>(1,994)</u>	<u>(283)</u>

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

Anittel Group Limited
Statement of changes in equity
For the year ended 30 June 2014



Consolidated	Issued capital \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Balance at 1 July 2012	56,058	5,200	30	(54,154)	7,134
Loss after income tax expense for the year	-	-	-	(7,392)	(7,392)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(7,392)	(7,392)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	(25)	-	(25)
Balance at 30 June 2013	56,058	5,200	5	(61,546)	(283)
Consolidated	Issued capital \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Balance at 1 July 2013	56,058	5,200	5	(61,546)	(283)
Loss after income tax expense for the year	-	-	-	(3,007)	(3,007)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,007)	(3,007)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	1,293	-	-	-	1,293
Share-based payments	-	-	3	-	3
Balance at 30 June 2014	57,351	5,200	8	(64,553)	(1,994)

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

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		51,890	56,622
Payments to suppliers and employees (inclusive of GST)		(53,052)	(57,126)
		(1,162)	(504)
Interest received		70	47
Interest and other finance costs paid		(304)	(173)
Net cash used in operating activities	36	(1,396)	(630)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(13)
Payments for property, plant and equipment		(500)	(509)
Payments for intangibles		(18)	(781)
Payments for other assets		-	(46)
Proceeds from sale of business		6,500	-
Proceeds from sale of property, plant and equipment		-	37
Proceeds from release of security deposits		7	-
Net cash from/(used in) investing activities		5,989	(1,312)
Cash flows from financing activities			
Proceeds from issue of shares	21	1,397	-
Transaction costs on shares issued		(76)	-
Proceeds from leases and loans		524	543
Repayment of borrowings		(50)	-
Repayment of leases		(755)	(357)
Net cash from financing activities		1,040	186
Net increase/(decrease) in cash and cash equivalents		5,633	(1,756)
Cash and cash equivalents at the beginning of the financial year		2,129	3,885
Cash and cash equivalents at the end of the financial year	8	<u>7,762</u>	<u>2,129</u>

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied AASB 2011-4 from 1 July 2013 and amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the annual directors' report.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Going concern

As at 30 June 2014 the consolidated entity had a net liability position of \$1,994,000 (2013: net liability position of \$283,000) and cash and cash equivalents of \$7,762,000 (2013: \$2,129,000). The consolidated entity has positive net current asset position of \$2,741,000 (2013: negative net current assets \$2,669,000) and has incurred a loss after tax of \$3,007,000 for the year ended 30 June 2014 (2013: loss after tax \$7,392,000, including \$5,000,000 impairment charge). Net cash outflows in operating activities for the year ended 30 June 2014 totalling \$1,396,000 (2013: net cash outflow from operating activities totalled \$630,000).

Cash flows have been negatively impacted by two major factors:

- Decrease in sales of IT hardware and software products at a rate greater than forecast and the relatively high operating cost base supporting this reduced revenue stream. Operating costs have declined, but not at the same rate as revenue; and
- A significant investment directly related to the implementation and commercialisation of the Cisco Hosted Collaboration Solution ('HCS') platform that commenced deployment of end point services in the current financial year 2014.

Note 1. Significant accounting policies (continued)

The Directors of the consolidated entity have undertaken various initiatives to strengthen the operating performance of the business, its net asset position, operating cash flows and cash resources and are of the view that the consolidated entity will continue as a going concern due to the following initiatives carried out as at date of these financial statements:

- Sale of Anittel Communications Pty Ltd to BigAir Group Limited during the year generating \$6,500,000 as cash consideration;
- Continued reduction in administration expenses by streamlining middle management layers and the realignment of resources post the divestment of part of the Telecommunications business unit and implementation of further automation in key processes;
- Continued ramp up of the Tasmanian Government telephony project through focused initiatives to increase roll-out of end point services and pursuit of additional related sales opportunities;
- Securing extension to the repayment term of the shareholder loan facilities to 31 December 2015;
- Securing additional equipment leasing facilities of \$3,000,000 from the Commonwealth Bank of Australia in October 2013 to fund additional acquisition of telephony handsets and related software and equipment which are provided to the Government of Tasmania as a fully managed service;
- Securing a \$200,000 loan from the Commonwealth Bank of Australia in October 2013 (funds received on 6 February 2014) to partially fund the installation services of the telephony handsets provided to the Government of Tasmania; and
- The sale of Anittel Communications triggered a termination of the previously undrawn shareholder facility of \$5,000,000 available from Peter and Vicki Kazacos owing to the business sale conditions contained within the facility document. A new facility agreement was entered into for a total amount of \$4,000,000 on 31 July 2014 providing flexible funding options that may be required from time to time by the consolidated entity. The key terms of this funding agreement are described in note 35.

The consolidated entity also continues to implement various operational initiatives including:

- Streamlining and focusing the entity, following the sale of Anittel Communications Pty Ltd, on providing a broad range of IT, cloud and communications services directly to customers;
- Driving higher sales and margin for IT Products and Services by providing branch management greater flexibility and incentives to manage individual sites for profitability. This represents the company's ongoing focus on accountability and enables quicker action to address performance issues; and
- Continued focus on cost control measures including management of headcount resulting in reduced management layers and a more efficient cost structure.

The Directors are of the view that they will be successful in the above initiatives and that the consolidated entity will continue as a going concern and, therefore, will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in these financial statements as and when they fall due. The Directors remain confident about the successful achievement of projected targets and therefore no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anittel Group Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Anittel Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Revenue for installation, maintenance, hardware and software is recognised by reference to the stage of completion of contract or contracts in progress at the reporting date or at the time of completion of the contract and billing to the customer. Some customers are billed in advance with these amounts recorded as revenue received in advance. Once the services have been provided, the revenue is then recognised.

Revenue from communication services is recognised in monthly cycles. Customers are invoiced on the first day of the month for the previous months usage, and services and equipment are billed in advance.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. Significant accounting policies (continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Anittel Group Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 1. Significant accounting policies (continued)

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 14 to 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5 years
Plant and equipment	3 years
Office equipment	4 - 5 years
Motor vehicles	3 years
Computer equipment	3 - 5 years
Hosted Unified Communication	5 - 8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Customer contracts and relationships

Customer contracts and relationships acquired are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the period of their expected useful life of 10 years.

Hosted Unified Communications

Costs incurred in developing the Hosted Unified Communications infrastructure that will contribute to future financial benefits through revenue generation are capitalised. Costs capitalised relate directly to attributable payroll and payroll related costs of employees time spend on the project. These costs will be amortised on a straight-line basis over the period of its expected benefit, being 8 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit for the purpose of impairment testing.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Revenue received in advance

Revenue is deferred and recognised as a liability when the monies are received from the customer but delivery of goods or services are not yet provided.

Borrowings

Loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 1. Significant accounting policies (continued)

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest on finance leases

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. There is currently one plan in place, the Employee Share Option Plan ('ESOP') that provides benefits to key management personnel.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

Note 1. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued 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.

Note 1. Significant accounting policies (continued)

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparative information

Certain comparative information for the year ended 30 June 2013 has been restated to be in-line with current year disclosure.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

IFRS 15 Revenue from Contracts with Customers

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. There was a property, plant and equipment and intangible asset impairment of \$nil (2013: \$1,204,000) for the year.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Note 14 provides the details of these assumptions and potential impact of changes to assumptions. There was a goodwill impairment of \$nil (2013: \$3,796,000) for the year.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker 'CODM') in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, and the nature of the service provided. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregate operating segments determined by similarity of the products sold and services provided, as these are the sources in the consolidated entity's major risks and have the most effect on the rates of return.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Telecommunication services	The consolidated entity provides Telecommunications services via its private national carrier network and hosting infrastructure. These services include fixed line and hosted voice, Internet and Data and cloud technology services. These services are an increasingly significant revenue stream for the consolidated entity, proving recurring high margin revenue and potential for further market growth.
IT products and services	The consolidated entity provides IT support services that include the procurement, installation and on-going management of hardware and software products. This includes tailored support services for PCs, Mobile Computing, Server & Storage, Phone Systems, Networking, Printing, Licensing, Software Development, Security and Power & Cooling. Revenue is a combination of product sales, ad-hoc support, project implementation, consultation and long term recurring managed services contracts.

All corporate assets, liabilities and expenses have been allocated as follows:

- i) Direct transactions have been allocated to their respective operating segments; and
- ii) Indirect transactions are allocated based on the weighted revenue of each operating segment.

Note 3. Operating segments (continued)

Continuing and discontinued operations

The Telecommunications services cash generating unit ('CGU') includes continuing and discontinued operations.

The continuing operation is predominately made up of the Hosted Unified Communications ('UC') and Infrastructure as a Service ('IaaS') offerings. During the current and future financial years significant investment in equipment and 'know how' is expected to provide an enterprise grade Hosted UC service.

The discontinued operations reflects the general hosting, network infrastructure and carrier business sold to BigAir Group Limited during the financial year. Refer to note 7 for further information on discontinued operations.

Operating segment information

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2014				
Revenue				
Revenue from external customers	8,937	34,208	-	43,145
Other revenue	102	78	-	180
Total revenue	<u>9,039</u>	<u>34,286</u>	<u>-</u>	<u>43,325</u>
Adjusted EBITDA	<u>(1,018)</u>	<u>490</u>	<u>-</u>	<u>(528)</u>
Depreciation and amortisation				(1,566)
Interest revenue				77
Finance costs				(990)
Loss before income tax expense				<u>(3,007)</u>
Income tax expense				-
Loss after income tax expense				<u>(3,007)</u>
Assets				
Segment assets	<u>10,792</u>	<u>9,565</u>	<u>-</u>	<u>20,357</u>
Total assets				<u>20,357</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	<u>4,303</u>	<u>121</u>	<u>-</u>	<u>4,424</u>
Liabilities				
Segment liabilities	<u>9,582</u>	<u>12,769</u>	<u>-</u>	<u>22,351</u>
Total liabilities				<u>22,351</u>

Note 3. Operating segments (continued)

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2013				
Revenue				
Revenue from external customers	13,957	36,578	-	50,535
Other revenue	16	396	-	412
Total revenue	<u>13,973</u>	<u>36,974</u>	<u>-</u>	<u>50,947</u>
Adjusted EBITDA	<u>336</u>	<u>(591)</u>	<u>-</u>	<u>(255)</u>
Depreciation and amortisation				(1,366)
Impairment of assets				(5,000)
Interest revenue				60
Finance costs				(831)
Loss before income tax expense				<u>(7,392)</u>
Income tax expense				-
Loss after income tax expense				<u>(7,392)</u>
Assets				
Segment assets	<u>9,647</u>	<u>10,563</u>	<u>-</u>	<u>20,210</u>
Total assets				<u>20,210</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	<u>2,347</u>	<u>365</u>	<u>-</u>	<u>2,712</u>
Liabilities				
Segment liabilities	<u>5,534</u>	<u>14,959</u>	<u>-</u>	<u>20,493</u>
Total liabilities				<u>20,493</u>

Note 4. Revenue

	Consolidated	
	2014	2013
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	22,361	23,788
Rendering of services	13,621	13,012
	<u>35,982</u>	<u>36,800</u>
<i>Other revenue</i>		
Interest	77	60
Other revenue	1	352
	<u>78</u>	<u>412</u>
Revenue from continuing operations	<u>36,060</u>	<u>37,212</u>

Note 5. Expenses

Consolidated
2014 **2013**
\$'000 **\$'000**

Loss before income tax from continuing operations includes the following specific expenses:

Depreciation

Leasehold improvements	56	62
Office equipment	21	202
Motor vehicles under lease	24	63
Computer equipment	120	146
Hosted Unified Communications	308	32
	<hr/>	<hr/>
Total depreciation	529	505

Amortisation

Software	353	150
Customer contracts and relationships	329	359
Hosted Unified Communications	182	20
	<hr/>	<hr/>
Total amortisation	864	529

Total depreciation and amortisation	<hr/>	<hr/>
	1,393	1,034

Impairment

Computer equipment	-	204
Goodwill	-	3,796
Software	-	300
Customer contracts and relationships	-	700
	<hr/>	<hr/>
Total impairment	-	5,000

Finance costs

Bank fees and charges	35	63
Other loans	909	693
	<hr/>	<hr/>
Finance costs expensed	944	756

Rental expense relating to operating leases

Minimum lease payments	<hr/>	<hr/>
	1,141	1,042

Superannuation expense

Defined contribution superannuation expense	<hr/>	<hr/>
	1,060	1,104

Employee benefits expense excluding superannuation

Employee benefits expense excluding superannuation	<hr/>	<hr/>
	14,361	14,958

Note 6. Income tax expense

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(3,381)	(8,533)
Profit before income tax expense from discontinued operations	374	1,141
	<u>(3,007)</u>	<u>(7,392)</u>
Tax at the statutory tax rate of 30%	(902)	(2,218)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	-	1,500
Other timing differences not recognised	(36)	(103)
Other non-deductible expenses	6	17
	<u>(932)</u>	<u>(804)</u>
Current year tax losses not recognised	963	837
Share and convertible note issue expenses deductible over 5 years, previously recognised as equity	<u>(31)</u>	<u>(33)</u>
Income tax expense	<u>-</u>	<u>-</u>

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	51,165	47,955
Potential tax benefit @ 30%	<u>15,350</u>	<u>14,387</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Unused tax losses are extracted from the most recent tax returns.

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Intellectual property	1,121	1,121
Provisions and accruals	734	864
Total deferred tax assets not recognised	<u>1,855</u>	<u>1,985</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 7. Discontinued operations

Description

On 31 January 2014 the consolidated entity sold of its general hosting and network infrastructure and carrier business for cash consideration of \$6,500,000 to listed carrier BigAir Group Limited (ASX: BGL).

Financial performance information

	Consolidated	
	2014	2013
	\$'000	\$'000
Revenue	7,265	13,735
Total revenue	7,265	13,735
Cost of sales	(4,554)	(8,472)
Occupancy	(66)	(84)
Administration	(2,190)	(3,693)
Other expenses	(110)	(270)
Finance costs	(46)	(75)
Total expenses	(6,966)	(12,594)
Profit before income tax expense	299	1,141
Income tax expense	-	-
Profit after income tax expense	299	1,141
Gain on sale before income tax	75	-
Income tax expense	-	-
Gain on disposal after income tax expense	75	-
Profit after income tax expense from discontinued operations	<u>374</u>	<u>1,141</u>

Cash flow information

	Consolidated	
	2014	2013
	\$'000	\$'000
Net cash from operating activities	652	1,703
Net cash from/(used in) investing activities	6,500	(96)
Net cash used in financing activities	(135)	(228)
Net increase in cash and cash equivalents from discontinued operations	<u>7,017</u>	<u>1,379</u>

Note 7. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade and other receivables	1,117	-
Other current assets	429	-
Receivables	85	-
Property, plant and equipment	914	-
Intangibles	6,108	-
Total assets	8,653	-
Trade and other payables	1,296	-
Borrowings	839	-
Provisions	59	-
Revenue received in advance	801	-
Total liabilities	2,995	-
Net assets	5,658	-

Details of the disposal

	Consolidated	
	2014	2013
	\$'000	\$'000
Total sale consideration	6,500	-
Carrying amount of net assets disposed	(5,658)	-
Disposal costs	(767)	-
Gain on disposal before tax income	75	-
Income tax expense	-	-
Gain on disposal after income tax	75	-

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash on hand	3	3
Cash at bank	7,759	2,126
	7,762	2,129

Note 9. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade receivables	2,746	4,192
Less: Provision for impairment of receivables	(2)	(85)
	<u>2,744</u>	<u>4,107</u>
Other receivables	560	253
	<u>3,304</u>	<u>4,360</u>

Impairment of receivables

The consolidated entity has recognised a net recovery of \$83,000 (2013: net expense of \$65,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2014 as a result of the related receivables being transferred to BigAir Group Ltd on sale of Anittel Communications Pty Ltd.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
0 to 3 months overdue	-	79
3 to 6 months overdue	2	6
	<u>2</u>	<u>85</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Opening balance	85	20
Additional provisions recognised	9	102
Provision expensed as non-recoverable	-	(37)
Provision reversed on sale of business	(92)	-
	<u>2</u>	<u>85</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$143,000 as at 30 June 2014 (\$103,000 as at 30 June 2013).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
0 to 3 months overdue	<u>143</u>	<u>103</u>

Note 9. Current assets - trade and other receivables (continued)

Payments terms on these amounts have not been re-negotiated, however, where applicable, credit has been stopped until payment is made in full. Management is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due.

Note 10. Current assets - inventories

	Consolidated	
	2014	2013
	\$'000	\$'000
Stock on hand - at cost	466	209
Less: Provision for impairment	(49)	(51)
	<u>417</u>	<u>158</u>

Note 11. Current assets - other

	Consolidated	
	2014	2013
	\$'000	\$'000
Prepayments and other current asset	<u>166</u>	<u>604</u>

Note 12. Non-current assets - receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Security deposits	<u>173</u>	<u>257</u>

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2014 \$'000	2013 \$'000
Leasehold improvements - at cost	321	322
Less: Accumulated depreciation	(137)	(84)
	<u>184</u>	<u>238</u>
Plant and equipment - at cost	130	130
Less: Accumulated depreciation	(130)	(130)
	<u>-</u>	<u>-</u>
Office equipment - at cost	786	790
Less: Accumulated depreciation	(724)	(704)
	<u>62</u>	<u>86</u>
Motor vehicles under lease	227	227
Less: Accumulated depreciation	(194)	(170)
	<u>33</u>	<u>57</u>
Computer equipment - at cost	1,068	2,487
Less: Accumulated depreciation	(772)	(1,330)
	<u>296</u>	<u>1,157</u>
Hosted Unified Communications- at cost	2,246	395
Less: Accumulated depreciation	(340)	(32)
	<u>1,906</u>	<u>363</u>
	<u><u>2,481</u></u>	<u><u>1,901</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$'000	Plant and office equipment \$'000	Motor vehicles under lease \$'000	Computer equipment \$'000	Hosted Unified Comm- unications \$'000	Total \$'000
Consolidated						
Balance at 1 July 2012	100	230	60	720	-	1,110
Additions	201	59	69	939	395	1,663
Disposals	-	(1)	(10)	-	-	(11)
Impairment of assets	-	-	-	(204)	-	(204)
Transfers in/(out)	(1)	-	1	(42)	-	(42)
Depreciation expense	(62)	(202)	(63)	(256)	(32)	(615)
Balance at 30 June 2013	238	86	57	1,157	363	1,901
Additions	4	2	-	279	1,851	2,136
Disposals	(2)	(5)	-	(910)	-	(917)
Depreciation expense	(56)	(21)	(24)	(230)	(308)	(639)
Balance at 30 June 2014	<u><u>184</u></u>	<u><u>62</u></u>	<u><u>33</u></u>	<u><u>296</u></u>	<u><u>1,906</u></u>	<u><u>2,481</u></u>

Property, plant and equipment secured under finance leases

Refer to note 31 for further information on property, plant and equipment secured under finance leases.

Note 14. Non-current assets - intangibles

	Consolidated	
	2014	2013
	\$'000	\$'000
Goodwill - at cost	1,261	40,608
Less: Accumulated impairment	-	(33,666)
	<u>1,261</u>	<u>6,942</u>
Software - at cost	2,496	1,925
Less: Accumulated amortisation	(1,037)	(775)
Less: Accumulated impairment	(300)	(300)
	<u>1,159</u>	<u>850</u>
Customer contracts and relationships - at cost	3,277	3,527
Less: Accumulated amortisation	(813)	(564)
Less: Accumulated impairment	(700)	(700)
	<u>1,764</u>	<u>2,263</u>
Hosted Unified Communications - at cost	2,072	766
Less: Accumulated amortisation	(202)	(20)
	<u>1,870</u>	<u>746</u>
	<u><u>6,054</u></u>	<u><u>10,801</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Software	Customer	Hosted	Total
	\$'000	\$'000	contracts and	Unified	\$'000
			relationships	Comm-	
			\$'000	unications	
				\$'000	
Balance at 1 July 2012	10,737	1,171	3,351	-	15,259
Additions	-	283	-	766	1,049
Impairment of assets	(3,796)	(300)	(700)	-	(4,796)
Transfers in/(out)	1	39	-	-	40
Amortisation expense	-	(343)	(388)	(20)	(751)
	<u>6,942</u>	<u>850</u>	<u>2,263</u>	<u>746</u>	<u>10,801</u>
Balance at 30 June 2013	6,942	850	2,263	746	10,801
Additions	-	982	-	1,306	2,288
Disposals	(5,681)	(269)	(158)	-	(6,108)
Amortisation expense	-	(404)	(341)	(182)	(927)
	<u>1,261</u>	<u>1,159</u>	<u>1,764</u>	<u>1,870</u>	<u>6,054</u>
Balance at 30 June 2014	<u><u>1,261</u></u>	<u><u>1,159</u></u>	<u><u>1,764</u></u>	<u><u>1,870</u></u>	<u><u>6,054</u></u>

Impairment tests for goodwill

Description of the cash generating units and other relevant information

Goodwill has been allocated to cash generating units ('CGUs') according to operating segment.

Note 14. Non-current assets - intangibles (continued)

A segment-level summary of the goodwill allocation is presented below:

	Consolidated	
	2014	2013
	\$'000	\$'000
Telecommunications services	1,261	6,942

All goodwill associated with the IT products and services CGU was written off in prior years.

Key assumptions used for impairment assessment

Telecommunication services

- The assumptions model has been modified from 'value in use' used in previous years to 'fair value' to reflect the evolving Telecommunications CGU post the divestment of Anittel Communications Pty Ltd. The recoverable amount has been assessed by reference to FVLCD, in line with the policy set out in note 1 and classified as level 3 under the fair value hierarchy.
- The recoverable amount has been determined using a 10 years cash projection with no terminal year.
- Management has determined budgeted gross margin based on expected cost of service deployments related to the Hosted Collaborated Solution ('HCS') platform.
- Revenue growth has been based on the timing of the service deployments up to the full capacity of the platform. No revenue growth has been assumed after it reaches full capacity.
- Expense growth has been based on historical trends, market pricing and CPI increases for general overhead costs with a reduction to employee costs once the platform has reached full capacity and the provisioning of services has reduced.
- The post-tax discount rate applied to the cash flow projection is 13.5% (2013: 11%). The discount rate reflects management's estimate of the time value of money using the drivers consistent with industry benchmarks and the specific situation of the business with regards to debt, and market risk.

Impairment charge

No impairment charge was required for the Telecommunication services CGU as it has continued to grow and expand its infrastructure and cloud technology services.

Prior year impairment charge, as detailed in note 5, relates to the IT products and services CGU.

Sensitivity to changes in assumptions

The recoverable amount of the Telecommunications services is estimated to be \$14,273,113. This exceeds the carrying amount of the CGU at 30 June 2014 by \$8,281,933. A reasonable change in any of the other key assumptions will not cause the carrying amount of the Telecommunications services CGU to exceed its recoverable amount. Therefore no impairment charge was required for the Telecommunications services CGU.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	3,460	3,962
Accruals	1,243	1,244
Other payables	557	740
	5,260	5,946

Refer to note 26 for further information on financial instruments.

Note 16. Current liabilities - borrowings

	Consolidated	
	2014	2013
	\$'000	\$'000
Bank loans	60	-
Lease liability	951	432
	<u>1,011</u>	<u>432</u>

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Employee benefits	929	998

Note 18. Current liabilities - revenue received in advance

	Consolidated	
	2014	2013
	\$'000	\$'000
Revenue received in advance	1,708	2,544

Note 19. Non-current liabilities - borrowings

	Consolidated	
	2014	2013
	\$'000	\$'000
Bank loans	120	-
Loan from director	3,204	2,970
Convertible notes payable	6,441	6,052
Lease liability	3,405	1,294
	<u>13,170</u>	<u>10,316</u>

Refer to note 26 for further information on financial instruments.

The consolidated entity reclassified \$4,470,000 from loan from director to convertible note payable in the 2013 comparative detailed above.

Convertible notes

The parent entity issued 3,400,000 7% convertible notes for \$3,400,000 on 16 April 2010, 1,250,000 11.78% convertible notes for \$1,250,000 on 28 February 2011 and 1,750,000 11.78% convertible notes for \$1,750,000 on 31 March 2011.

The convertible note holder on 24 May 2012 converted 250,000 of the convertible notes leaving a balance of 1,000,000 convertible notes. The 250,000 convertible notes were converted into ordinary shares of the parent entity resulting in the issue of 27,777,778 shares at a price of \$0.009.

The convertible note holder on 24 May 2012 converted in full 1,750,000 11.78% convertible notes totalling \$1,750,000 resulting in the issue of 250,250,000 shares at a price of \$0.007.

Note 19. Non-current liabilities - borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Bank loans	180	-
Loan from director	3,204	2,970
Convertible notes payable	6,441	6,052
Lease liability	4,356	1,726
	<u>14,181</u>	<u>10,748</u>

The consolidated entity complied with all bank covenant requirements during the period.

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2014	2013
	\$'000	\$'000
Total facilities		
Bank loans	180	-
Related party loan facility	-	1,500
Equipment financing facility - Commonwealth Bank of Australia	3,000	-
	<u>3,180</u>	<u>1,500</u>
Used at the reporting date		
Bank loans	180	-
Related party loan facility	-	-
Equipment financing facility - Commonwealth Bank of Australia	1,679	-
	<u>1,859</u>	<u>-</u>
Unused at the reporting date		
Bank loans	-	-
Related party loan facility	-	1,500
Equipment financing facility - Commonwealth Bank of Australia	1,321	-
	<u>1,321</u>	<u>1,500</u>

The \$3,000,000 equipment financing facility from the Commonwealth Bank of Australia, provides the consolidated entity additional financial capacity for the deployment of its managed hosted telephony services to the Tasmanian Government.

Note 20. Non-current liabilities - provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Employee benefits	<u>273</u>	<u>257</u>

Note 21. Equity - issued capital

		2014 Shares	Consolidated 2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares - fully paid		<u>2,560,406,871</u>	<u>2,211,238,296</u>	<u>57,351</u>	<u>56,058</u>
<i>Movements in ordinary share capital</i>					
Details	Date	Shares	Issue price	\$'000	
Balance	1 July 2012	<u>2,211,238,296</u>		<u>56,058</u>	
Balance	30 June 2013	2,211,238,296		56,058	
Issue of ordinary shares on rights issue	12 August 2013	291,668,575	\$0.004	1,167	
Issue of ordinary shares on rights issue	16 October 2013	57,500,000	\$0.004	230	
Transaction costs on shares issued *		-	\$0.000	(104)	
Balance	30 June 2014	<u>2,560,406,871</u>		<u>57,351</u>	

* includes \$28,000 prepayment from the financial year ended 30 June 2013.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Options

There were 51,495,000 (2013: 51,495,000) options over ordinary shares at 30 June 2014.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 22. Equity - other equity

	Consolidated	
	2014	2013
	\$'000	\$'000
Other equity	5,200	5,200

Other equity

As part of the consideration for the purchase of Anittel Limited on 16 April 2010, Flaxton Hunter Pty Limited transferred 100,000,000 ordinary shares and 50,000,000 1 cent options to Anittel shareholders at an acquisition-date fair value of 3.8 cents per ordinary share and 2.8 cents per 1 cent option representing the other equity balance of \$5,200,000.

Note 23. Equity - reserves

	Consolidated	
	2014	2013
	\$'000	\$'000
Share-based payments reserve	8	5

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$'000	Total \$'000
Balance at 1 July 2012	30	30
Share-based payments	30	30
Adjustment to 2012 share-based payments calculation	(55)	(55)
Balance at 30 June 2013	5	5
Share-based payments	3	3
Balance at 30 June 2014	8	8

Note 24. Equity - accumulated losses

	Consolidated	
	2014	2013
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(61,546)	(54,154)
Loss after income tax expense for the year	(3,007)	(7,392)
Accumulated losses at the end of the financial year	(64,553)	(61,546)

Note 25. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 26. Financial instruments

Financial risk management objectives

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

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity is not significantly exposed to any foreign currency risk fluctuations.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

An interest rate movement of +1%/-1% (100 basis points) (2013: +1%/-1%) would have a positive/adverse effect on profit or loss by \$76,000 (2013: \$21,000).

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's cash at banks, short term deposits and bank overdrafts that earns or charges floating interest rates based on the daily bank deposit rates. The carrying value of the cash at banks and short term deposits approximate their fair values.

As at the reporting date, the consolidated entity had the following cash amounts:

	2014		2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Bank overdraft and bank loans	11.55%	(180)	-%	-
Cash at bank	3.51%	7,759	3.28%	2,126
Net exposure to cash flow interest rate risk		<u>7,579</u>		<u>2,126</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securitise its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant.

Note 26. Financial instruments (continued)

There are no significant concentrations of credit risk within the consolidated entity.

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2014	2013
	\$'000	\$'000
Related party loan facility	-	1,500
Equipment financing facility - Commonwealth Bank of Australia	1,321	-
	<u>1,321</u>	<u>1,500</u>

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	3,460	-	-	-	3,460
Other payables	-%	560	-	-	-	560
<i>Interest-bearing - fixed rate</i>						
Bank loans	11.55%	77	129	-	-	206
Other loans	7.00%	-	3,229	-	-	3,229
Convertible notes payable	7.00%	-	6,642	-	-	6,642
Lease liability	10.00%	1,296	3,927	-	-	5,223
Total non-derivatives		<u>5,393</u>	<u>13,927</u>	<u>-</u>	<u>-</u>	<u>19,320</u>

Note 26. Financial instruments (continued)

Consolidated - 2013	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	3,962	-	-	-	3,962
Other payables	-%	740	-	-	-	740
<i>Interest-bearing - fixed rate</i>						
Other loans	10.00%	-	7,440	-	-	7,440
Convertible notes payable	10.00%	-	1,582	-	-	1,582
Lease liability	10.48%	582	1,487	-	-	2,069
Total non-derivatives		5,284	10,509	-	-	15,793

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 27. Fair value measurement

The carrying amounts of trade and other receivables, trade and other payables and financial liabilities are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 28. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	1,106,978	1,129,729
Post-employment benefits	72,759	70,307
Termination benefits	314,538	19,327
Share-based payments	-	4,400
	<u>1,494,275</u>	<u>1,223,763</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	Consolidated 2014 \$	2013 \$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	194,250	153,750
<i>Other services - PricewaterhouseCoopers</i>		
Non-audit services related to discontinued operations	250,000	-
	<u>444,250</u>	<u>153,750</u>

Note 30. Contingent liabilities

The consolidated entity has no contingent liabilities at 30 June 2014 or 30 June 2013.

Note 31. Commitments

	Consolidated 2014 \$'000	2013 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	969	876
One to five years	1,192	1,559
	<u>2,161</u>	<u>2,435</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,296	582
One to five years	3,927	1,487
Total commitment	5,223	2,069
Less: Future finance charges	(867)	(343)
Net commitment recognised as liabilities	<u>4,356</u>	<u>1,726</u>
Representing:		
Lease liability - current (note 16)	951	432
Lease liability - non-current (note 19)	3,405	1,294
	<u>4,356</u>	<u>1,726</u>

Lease commitments includes contracted amounts for the refurbishment of the leased offices, purchase of plant and equipment and purchase of customer relationship management software.

Operating lease commitments includes contracted amounts for various office accommodation and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various computer equipment, office equipment and motor vehicles with a written down value of \$4,356,000 (2013: \$1,727,000) under finance leases expiring within one to five years.

Note 32. Related party transactions

Parent entity

Anittel Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
Sale of goods and services:		
Sale of goods and services to Roses Only ****	1,771	53,042
Sale of goods and services to Advanced Surgical Design & Manufacture Limited *	184,666	70,742
Sale of goods and services to Law Corporation Pty Limited *	4,560	3,526
Sale of goods and services to Nextgen Distributions Pty Ltd **	30,968	35,606
Sale of goods and services to Artis Group Pty Ltd ***	43,864	7,753
Payment for other expenses:		
Interest payable on director loan	284,068	504,699
Interest payable on convertible loan notes	388,039	150,030
Interest paid on loan facility from Peter and Vicki Kazacos	-	4,196
IT consulting fee paid to Artis Group Pty Ltd ***	3,960	2,310
Legal fees paid to Law Corporation Pty Limited *	230,095	33,351
Advisory fees paid to Kaz Capital Pty Limited *	55,891	-
Other expenses paid to Kpower Café *	-	7,544
Other transactions:		
Capital raising costs paid to Kaz Capital Pty Limited *	-	22,000

* An entity in which Peter Kazacos is a director

** An entity in which John Walters is a director

*** An entity in which Michael O'Sullivan is a director

**** An entity in which Peter Kazacos was a director until 20 December 2013

Note 32. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2014	2013
	\$	\$
Current receivables:		
Trade receivables from Roses Only ****	-	616
Trade receivables from Advanced Surgical Design & Manufacture Limited *	9,232	9,788
Trade receivables from Law Corporation Pty Limited *	66	618
Trade receivables from Nextgen Distributions Pty Ltd **	2,310	66
Trade receivables from Artis Group Pty Ltd ***	-	3,615

* An entity in which Peter Kazacos is a director

** An entity in which John Walters is a director

*** An entity in which Michael O'Sullivan is a director

**** An entity in which Peter Kazacos was a director until 20 December 2013

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2014	2013
	\$	\$
Non-current borrowings:		
Convertible note payable from director including interest	6,440,469	6,052,439
Loan from director including interest	3,204,156	2,970,088

As at 30 June 2014, the loan from director, as detailed above, is due and payable on 31 December 2015.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014 \$'000	2013 \$'000
Loss after income tax	(525)	(5,283)
Total comprehensive income	(525)	(5,283)

Statement of financial position

	Parent	
	2014 \$'000	2013 \$'000
Total current assets	8,312	7,019
Total assets	8,670	7,377
Total current liabilities	681	681
Total liabilities	9,126	8,604
Net liabilities	(456)	(1,227)
Equity		
Issued capital	93,337	92,044
Other equity	5,208	5,205
Accumulated losses	(99,001)	(98,476)
Total deficiency in equity	(456)	(1,227)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Accord Technologies (WA) Pty Ltd	Australia	100.00%	100.00%
Axxis Technologies Pty Ltd	Australia	100.00%	100.00%
Anittel Pty Ltd	Australia	100.00%	100.00%
Invizage Pty Ltd	Australia	100.00%	100.00%
Anittel (TAS) Pty Ltd	Australia	100.00%	100.00%
Sholl Communications (Aust) Pty Ltd	Australia	100.00%	100.00%
Anittel Services Pty Ltd	Australia	100.00%	100.00%
Anittel Communications Pty Ltd *	Australia	-%	100.00%
Mobi Leasing Pty Ltd	Australia	100.00%	100.00%
Hostech Nominees Pty Ltd	Australia	100.00%	100.00%
Onenetwork Pty Ltd	Australia	100.00%	100.00%
Cloud Only Distribution Pty Ltd **	Australia	100.00%	-%

* Entity disposed on 31 January 2014

** Entity incorporated on 5 February 2014

Note 35. Events after the reporting period

On 31 July 2014, Anittel repaid \$4,000,000 of debt to Peter and Vicki Kazacos.

As part of the transaction it was also agreed that:

- Peter and Vicki Kazacos enter into a new agreement to provide a debt facility of up to \$4,000,000;
- Future interest on the remaining principal (and any facility drawdowns) be at the reduced interest rate of 7%; and
- No further interest will be calculated on the existing accrued interest.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2014 \$'000	2013 \$'000
Loss after income tax expense for the year	(3,007)	(7,392)
Adjustments for:		
Depreciation and amortisation	1,566	1,366
Impairment of assets	-	5,000
Net gain on disposal of non-current assets	(75)	(26)
Share-based payments	(3)	(25)
Finance costs - non-cash	687	658
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,475	6,063
Increase in inventories	(259)	(5)
Decrease in prepayments	-	39
Decrease in other operating assets	411	-
Increase/(decrease) in trade and other payables	2,223	(6,207)
Increase/(decrease) in employee benefits	(779)	147
Decrease in other provisions	(391)	(55)
Decrease in other operating liabilities	(3,244)	(193)
Net cash used in operating activities	<u>(1,396)</u>	<u>(630)</u>

Note 37. Non-cash investing and financing activities

	Consolidated 2014 \$'000	2013 \$'000
Acquisition of plant, equipment and software by means of finance leases	<u>3,844</u>	<u>1,280</u>

Note 38. Earnings per share

	Consolidated 2014 \$'000	2013 \$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Anittel Group Limited	<u>(3,381)</u>	<u>(8,533)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
	Cents	Cents
Basic earnings per share	(0.135)	(0.386)
Diluted earnings per share	(0.135)	(0.386)

Note 38. Earnings per share (continued)

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Anittel Group Limited	<u>374</u>	<u>1,141</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
	Cents	Cents
Basic earnings per share	0.015	0.052
Diluted earnings per share	0.015	0.052
	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Anittel Group Limited	<u>(3,007)</u>	<u>(7,392)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,509,988,843</u>	<u>2,211,238,296</u>
	Cents	Cents
Basic earnings per share	(0.120)	(0.334)
Diluted earnings per share	(0.120)	(0.334)

51,495,000 (2013: 51,495,000) options are excluded from the above calculations as they would be anti-dilutive for the period.

Note 39. Share-based payments

The share option plan established by the consolidated entity and approved by shareholders at a general meeting, enables the consolidated entity, at the discretion of the Remuneration Committee, grant options over ordinary shares in the parent entity to certain key management personnel. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee.

Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/04/2010	31/03/2015	\$0.030	750,000	-	-	-	750,000
30/04/2010	31/03/2015	\$0.050	750,000	-	-	-	750,000
16/11/2011	31/12/2014	\$0.007	14,497,500	-	-	-	14,497,500
15/12/2011	15/12/2014	\$0.007	19,000,000	-	-	-	19,000,000
30/12/2011	31/12/2014	\$0.007	14,497,500	-	-	-	14,497,500
30/11/2012	30/11/2015	\$0.007	2,000,000	-	-	-	2,000,000
			51,495,000	-	-	-	51,495,000

Weighted average exercise price	\$0.007	\$0.000	\$0.000	\$0.000	\$0.001
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2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/04/2010	31/03/2015	\$0.030	750,000	-	-	-	750,000
30/04/2010	31/03/2015	\$0.050	750,000	-	-	-	750,000
16/11/2011	31/12/2014	\$0.007	28,995,000	-	-	(14,497,500)	14,497,500
15/12/2011	15/12/2014	\$0.007	19,000,000	-	-	-	19,000,000
30/12/2011	31/12/2014	\$0.007	14,497,500	-	-	-	14,497,500
30/11/2012	30/11/2015	\$0.007	-	2,000,000	-	-	2,000,000
			63,992,500	2,000,000	-	(14,497,500)	51,495,000

Weighted average exercise price	\$0.007	\$0.000	\$0.000	\$0.000	\$0.007
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The following options had vested at the end of the financial year:

Grant date	Expiry date	2014 Number	2013 Number
30/04/2010	31/03/2015	750,000	750,000
30/04/2010	31/03/2015	750,000	750,000
16/11/2011	31/12/2014	14,497,500	-
15/12/2011	15/12/2014	19,000,000	-
30/12/2011	31/12/2014	14,497,500	-
30/11/2012	30/11/2015	2,000,000	-
		<u>51,495,000</u>	<u>1,500,000</u>

The weighted average remaining contractual life of options outstanding at the reporting date were 1 year (2013: 1.5 years).

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Peter Kazacos".

Peter Kazacos
Executive Chairman

17 September 2014
Sydney



Independent auditor's report to the members of Anittel Limited

Report on the financial report

We have audited the accompanying financial report of Anittel Limited (the company), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Anittel Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated 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 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of Anittel Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with 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 Anittel Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Manoj Santiago
Partner

Sydney
17 September 2014

The shareholder information set out below was applicable as at 22 August 2014.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	149	-
1,001 to 5,000	102	-
5,001 to 10,000	129	-
10,001 to 100,000	388	-
100,001 and over	504	6
	<u>1,272</u>	<u>6</u>
Holding less than a marketable parcel	<u>796</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
MR PETER KAZACOS + MS VICKI KAZACOS	881,078,704	34.41
AUCKLAND TRUST COMPANY LIMITED (SECOND PACIFIC MASTER SF AC)	380,158,571	14.85
MRS AMANDA ORPHANIDES	200,018,334	7.81
UBS NOMINEES PTY LTD	95,564,459	3.73
CORFE ASSOCIATES PTY LTD (CORFE ASSOCS SUPER FUND A/C)	78,500,000	3.07
DR MICHAEL ORPHANIDES (WIZARD SHARES A/C)	64,901,619	2.53
MADDAK PTY LTD (MADDAK FAMILY A/C)	40,271,429	1.57
MR CHRISTOS NIKOLAKOPOULOS	30,470,000	1.19
ORPHANIDES INVESTMENTS PTY LTD (ORPHANIDES FAMILY SUPER A/C)	30,000,000	1.17
MR CONSTANTINE KAZACOS	28,571,428	1.12
DABVALE PTY LIMITED	25,000,000	0.98
BOSTEALINC PTY LTD (BOSTEA INVESTMENT A/C)	24,243,750	0.95
CLANDREA PTY LTD (ANDREW MILLIS S/F A/C)	20,000,000	0.78
TEIDE PTY LTD (CUMBERLAND DISCRETIONARY A/C)	20,000,000	0.78
DIXSON TRUST PTY LIMITED	18,750,000	0.73
MR STEPHEN LOMBARDO + MS JOSEPHINE LOMBARDO	17,906,250	0.70
TEXAS HOLDINGS PTY LTD	13,500,840	0.53
LINK TRADERS (AUST) PTY LTD	13,333,334	0.52
DEPIGO PTY LTD	12,000,000	0.47
HILBOURN PTY LTD (HILBOURNE FAMILY A/C)	11,587,500	0.45
	<u>2,005,856,218</u>	<u>78.34</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	51,495,000	6

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
MR PETER KAZACOS + MS VICKI KAZACOS	881,078,704 34.41
AUCKLAND TRUST COMPANY LIMITED (SECOND PACIFIC MASTER SF AC)	380,158,571 14.85
MRS AMANDA ORPHANIDES	200,018,334 7.81

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.