

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Appendix 4D
Half-year report

1. Company details

Name of entity:	Axxis Technology Group Ltd
ABN:	98 009 805 298
Reporting period:	For the half-year ended 31 December 2014
Previous period:	For the half-year ended 31 December 2013

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	30.3% to	17,619
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	262.5% to	(486)
Loss from ordinary activities after tax attributable to the owners of Axxis Technology Group Ltd	down	26.2% to	(675)
Loss for the half-year attributable to the owners of Axxis Technology Group Ltd	down	26.2% to	(675)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$675,000 (31 December 2013: \$915,000).

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 EBITDA to reflect the core earnings of the consolidated entity. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Axxis Technology Group Ltd and EBITDA.

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Loss after income tax expense for the half-year attributable to the owners of Axxis Technology Group Ltd	(675)	(915)
Interest revenue	(34)	(19)
Finance costs	347	469
Depreciation and amortisation	577	764
Income tax benefit	(701)	-
EBITDA	<u>(486)</u>	<u>299</u>

On 5 November 2014, Axxis announced that it had entered into an agreement with listed carrier Inabox Group Limited (ASX: IAB) for the sale of its telecommunication services and IT products and services businesses for a total consideration on completion comprising of 6,153,846 IAB shares, \$500,000 in cash and \$1,500,000 deferred consideration. The deferred consideration is performance based and the quantum receivable is not yet determinable. Axxis retained its cash and related party borrowings, as part of the sale agreement. The related party borrowings were forgiven on 3 January 2015 by Peter and Vicki Kazacos. As a result of the sale to IAB, all revenue and expenses were reclassified as discontinued operations for the current and prior financial half-year. The sale was subject to shareholder approval which was granted at an extraordinary general meeting held on 18 December 2014. The sale agreement completed post financial half-year end on 1 January 2015.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.13)</u>	<u>(0.23)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Axxis Technology Group Ltd for the half-year ended 31 December 2014 is attached.

12. Signed



Signed _____

Date: 27 February 2015

Justyn Stedwell
Company Secretary
Sydney

Axxis Technology Group Ltd

(Formerly known as Anittel Group Limited)

ABN 98 009 805 298

Interim Report - 31 December 2014

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Directors' report
31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Axxis Technology Group Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of Axxis Technology Group Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Kazacos - Executive Chairman
Campbell Corfe
Chris Calamos (appointed on 1 January 2015)
Michael O'Sullivan (resigned on 1 January 2015)
John Walters (resigned on 1 January 2015)

Principal activities

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

- being an IT and telecommunications solutions and service provider offering IT, mobile phone and hosted telecommunication services; and
- being a supplier of telecommunications and information technology goods and services.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$675,000 (31 December 2013: \$915,000).

Total revenue for the half year, from both continuing and discontinued operations were \$17,619,000 which is down 30.3% compared to the prior corresponding period. This is primarily due to the absence of telecommunications revenues recorded during the six months to 31 December 2013 which was generated by the business that was sold to BigAir (ASX: BGL) on 31 January 2014.

Earnings before interest, tax depreciation and amortisation ('EBITDA') was a loss of \$486,000 which is a decline over 31 December 2013, where EBITDA was positive \$299,000. A major factor for the decline in EBITDA was due to non-recurring operating costs incurred in relation to the sale of the Anittel business to Inabox Group Limited (ASX: IAB) which completed on 1 January 2015.

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 EBITDA to reflect the core earnings of the consolidated entity. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Axxis Technology Group Ltd and EBITDA. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Axxis Technology Group Ltd and EBITDA:

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Loss after income tax expense for the half-year attributable to the owners of Axxis Technology Group Ltd	(675)	(915)
Interest revenue	(34)	(19)
Finance costs	347	469
Depreciation and amortisation	577	764
Income tax benefit	(701)	-
EBITDA	<u>(486)</u>	<u>299</u>

Axxis Technology Group Ltd
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Directors' report
31 December 2014

Significant changes in the state of affairs

On 31 July 2014, Axxis Technology Group Ltd ('Axxis') repaid \$4,000,000 of debt to Peter and Vicki Kazacos. As part of the transaction:

- Peter and Vicki Kazacos entered into a new agreement providing a debt facility of up to \$4,000,000. This facility was never drawn upon.;
- 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.

On 5 November 2014, Axxis announced that it had entered into an agreement with Inabox Group Limited (ASX: IAB), for the sale of the Anittel business for a total consideration of 6,153,836 IAB shares, \$500,000 in cash and a deferred performance based consideration of \$1,500,000 in cash which is receivable upon several agreed measures relating to performance of the Anittel business during the period from completion on 1 January 2015 to 30 June 2015. This performance consideration will be paid, if due, by 25 October 2015.

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Kazacos
Executive Chairman

27 February 2015
Sydney



Auditor's Independence Declaration

As lead auditor for the review of Axxis Technology Group Ltd (Formally known as Anittel Group Limited) for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Axxis Technology Group Ltd 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
27 February 2015

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
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31 December 2014

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General information

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

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

Suite 115
Jones Bay Wharf
26-32 Pirrama Road
Pyrmont NSW 2009

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 27 February 2015. The directors have the power to amend and reissue the financial statements.

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

		Consolidated	
	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from continuing operations	4	50	22
Expenses			
Cost of sales		(214)	(1)
Administration		(134)	(199)
Finance costs		(135)	(337)
Loss before income tax benefit from continuing operations		(433)	(515)
Income tax benefit		701	-
Profit/(loss) after income tax benefit from continuing operations		268	(515)
Loss after income tax expense from discontinued operations	5	(943)	(400)
Loss after income tax benefit for the half-year attributable to the owners of Axxis Technology Group Ltd		(675)	(915)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Axxis Technology Group Ltd		<u>(675)</u>	<u>(915)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		268	(515)
Discontinuing operations		(943)	(400)
		<u>(675)</u>	<u>(915)</u>
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Axxis Technology Group Ltd			
Basic earnings per share	17	0.010	(0.021)
Diluted earnings per share	17	0.010	(0.021)
Earnings per share for loss from discontinued operations attributable to the owners of Axxis Technology Group Ltd			
Basic earnings per share	17	(0.037)	(0.016)
Diluted earnings per share	17	(0.037)	(0.016)
Earnings per share for loss attributable to the owners of Axxis Technology Group Ltd			
Basic earnings per share	17	(0.026)	(0.037)
Diluted earnings per share	17	(0.026)	(0.037)

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

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Statement of financial position
As at 31 December 2014

		Consolidated	
	Note	31 Dec 2014	30 Jun 2014
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		766	7,762
Trade and other receivables		-	3,304
Inventories		-	417
Other		26	166
		792	11,649
Assets of disposal groups classified as held for sale	6	12,676	-
Total current assets		13,468	11,649
Non-current assets			
Receivables		-	173
Property, plant and equipment	7	-	2,481
Intangibles	8	-	6,054
Deferred tax asset		701	-
Total non-current assets		701	8,708
Total assets		14,169	20,357
Liabilities			
Current liabilities			
Trade and other payables		231	5,260
Borrowings	9	5,779	1,011
Provisions		-	929
Income received in advance		-	1,708
		6,010	8,908
Liabilities directly associated with assets classified as held for sale	10	10,826	-
Total current liabilities		16,836	8,908
Non-current liabilities			
Borrowings	11	-	13,170
Provisions		-	273
Total non-current liabilities		-	13,443
Total liabilities		16,836	22,351
Net liabilities		(2,667)	(1,994)
Equity			
Issued capital	12	57,351	57,351
Other equity		5,200	5,200
Reserves		10	8
Accumulated losses		(65,228)	(64,553)
Total deficiency in equity		(2,667)	(1,994)

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

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Statement of changes in equity
For the half-year ended 31 December 2014

Consolidated	Issued capital \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	56,058	5,200	5	(61,546)	(283)
Loss after income tax benefit for the half-year	-	-	-	(915)	(915)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(915)	(915)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 12)	1,293	-	-	-	1,293
Share-based payments	-	-	2	-	2
Balance at 31 December 2013	<u>57,351</u>	<u>5,200</u>	<u>7</u>	<u>(62,461)</u>	<u>97</u>
Consolidated	Issued capital \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Balance at 1 July 2014	57,351	5,200	8	(64,553)	(1,994)
Loss after income tax benefit for the half-year	-	-	-	(675)	(675)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(675)	(675)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	2	-	2
Balance at 31 December 2014	<u>57,351</u>	<u>5,200</u>	<u>10</u>	<u>(65,228)</u>	<u>(2,667)</u>

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

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Statement of cash flows
For the half-year ended 31 December 2014

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	19,964	27,543
Payments to suppliers and employees (inclusive of GST)	(22,165)	(28,445)
	(2,201)	(902)
Interest received	34	16
Interest and other finance costs paid	(213)	(116)
Net cash used in operating activities	(2,380)	(1,002)
Cash flows from investing activities		
Payments for property, plant and equipment	(253)	(97)
Payments for intangibles	(3)	(20)
Proceeds from sale of property, plant and equipment	2	6
Proceeds from release of security deposits	13	-
Net cash used in investing activities	(241)	(111)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,397
Share issue transaction costs	-	(76)
Proceeds from borrowings	688	-
Repayment of borrowings	(4,500)	(326)
Repayment of leases and loans	(563)	-
Net cash from/(used in) financing activities	(4,375)	995
Net decrease in cash and cash equivalents	(6,996)	(118)
Cash and cash equivalents at the beginning of the financial half-year	7,762	2,129
Cash and cash equivalents at the end of the financial half-year	<u>766</u>	<u>2,011</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2014 and are not expected to have any significant impact for the full financial year ending 30 June 2015. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

As at 31 December 2014, the consolidated entity had cash and cash equivalents of \$766,000 (31 December 2013: \$2,011,000). The consolidated entity has net current liability position, excluding net assets classified as held-for-sale, of \$5,218,000 (30 June 2014: net current asset position \$2,741,000) and has incurred a loss after tax of \$675,000 for the half-year ended 31 December 2014 (31 December 2013: loss after tax \$915,000).

Net cash outflows in operating activities for the half-year ended 31 December 2014 totalling \$2,380,000 (31 December 2013: \$1,002,000).

Cash flows continued to be negatively impacted for the 6 months to 31 December 2014 by the following factors:

- Continued decrease in sales of IT hardware and software products at a rate greater than forecast and the relatively high cost base still supporting this reduced revenue stream. Costs continue to decline but not at the same rate as revenue.
- A continuing and significant investment directly related to the implementation and development of the Cisco Hosted Unified Communication platform that commenced deployment of handsets and related services as part of the Tasmanian Government Telephony project.
- Non recurring costs incurred in relation to the sale of the Anittel business to Inabox Group Limited. Such costs included employee restructure costs and professional fees

On 1 January 2015, the consolidated entity completed the sale of the Anittel business to Inabox Group Limited (ASX: IAB) and received 6,153,846 IAB shares, \$500,000 in cash. Furthermore, an amount of \$218,900 is payable to IAB by the consolidated entity being for a working capital adjustment in relation to the Balance Sheet as at 31 December 2014.

Consideration for the sale of the Anittel business also includes a deferred performance based consideration of \$1,500,000 in cash which is receivable upon several agreed measures relating to performance of the Anittel business during the period from completion 1 January 2015 to 30 June 2015. This Performance consideration will be paid, if due, by 25 October 2015.

Furthermore, on 2 January 2015 and in accordance with the resolution passed by shareholders at the company's 2014 AGM, the IAB consideration shares received were distributed to the consolidated entity's shareholders by way of in-specie share distribution.

On 3 January 2015, Peter & Vicki Kazacos executed a 'Deed of Forgiveness of Debt' in which Peter and Vicki Kazacos resolved to forgive all loan balances as at 3 January 2015. Following the execution of this Deed, the company had no outstanding borrowings or interest payable.

Note 1. Significant accounting policies (continued)

In light of the above, the Directors of the consolidated entity are of the view the entity will continue as a going concern as there is sufficient cash available to the entity to cover minimal operating expenses associated with maintaining the current level of activity.

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.

Recovery of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine future taxable profits, reference is made to events that have occurred subsequent to period end and the latest available profit or loss forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include the recognition of deferred tax assets in respect of accumulated losses that will be utilised to offset tax consequences arising from the sale of the Anittel business subsequent to period end.

Provisions

Provisions are made for estimated obligations remaining under contracts outstanding at period end. These contracts are expected to be settled prior to 30 June 2015 and any provision at period end is based on management's best estimate of the amount payable based on contractual terms and other relevant information available.

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 of the consolidated entity's major risks and have the most effect on the rates of return.

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Notes to the financial statements
31 December 2014

Note 3. Operating segments (continued)

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.

Operating segment information

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 31 Dec 2014				
Revenue				
Revenue from external customers	1,387	16,193	-	17,580
Other revenue	9	30	-	39
Total revenue	<u>1,396</u>	<u>16,223</u>	<u>-</u>	<u>17,619</u>
Adjusted EBITDA	<u>(343)</u>	<u>(143)</u>	<u>-</u>	<u>(486)</u>
Depreciation and amortisation				(577)
Interest revenue				34
Finance costs				(347)
Loss before income tax benefit				<u>(1,376)</u>
Income tax benefit				701
Loss after income tax benefit				<u>(675)</u>
Assets				
Segment assets	-	-	1,493	1,493
<i>Unallocated assets:</i>				
Classified as held for sale				12,676
Total assets				<u>14,169</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	908	42	-	950
Liabilities				
Segment liabilities	-	-	6,010	6,010
<i>Unallocated liabilities:</i>				
Classified as held for sale				10,826
Total liabilities				<u>16,836</u>

Axxis Technology Group Ltd
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Notes to the financial statements
31 December 2014

Note 3. Operating segments (continued)

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 31 Dec 2013				
Revenue				
Revenue from external customers	6,797	18,474	-	25,271
Other revenue	-	19	-	19
Total revenue	<u>6,797</u>	<u>18,493</u>	<u>-</u>	<u>25,290</u>
Adjusted EBITDA	<u>(251)</u>	<u>550</u>	<u>-</u>	<u>299</u>
Depreciation and amortisation				(764)
Interest revenue				19
Finance costs				(469)
Loss before income tax expense				<u>(915)</u>
Income tax expense				-
Loss after income tax expense				<u>(915)</u>
Consolidated - 30 Jun 2014				
Assets				
Segment assets	10,792	9,565	-	20,357
Total assets				<u>20,357</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	4,303	121	-	4,424
Liabilities				
Segment liabilities	9,582	12,769	-	22,351
Total liabilities				<u>22,351</u>

Note 4. Revenue

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Rendering of services	16	3
<i>Other revenue</i>		
Interest	34	19
Revenue from continuing operations	<u>50</u>	<u>22</u>

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Notes to the financial statements
31 December 2014

Note 5. Discontinued operations

Sale of general hosting and network infrastructure and carrier business to BigAir Group Limited (comparative period)

On 20 December 2013, Axxis Technology Group Ltd (formerly Anittel Group Limited) ('Axxis') 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 sale agreement was completed effective 31 January 2014.

Sale of remaining telecommunication services and IT products and services business to Inabox Group Limited

On 5 November 2014, Axxis announced that it had entered into an agreement with listed carrier Inabox Group Limited (ASX: IAB) for the sale of its telecommunication services and IT products and services businesses for a total minimum consideration comprising 6,153,846 IAB shares and \$500,000 in cash. There is a further \$1,500,000 deferred performance consideration element. Axxis retained its cash and related party borrowings, as part of the sale agreement. The sale agreement completed effective 1 January 2015.

As the sale has been announced the related assets and liabilities have been classified as held for sale and the profit and loss and other comprehensive income for the current and prior half-year have been classified as a discontinued operations.

Financial performance information

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Revenue	17,569	25,268
Total revenue	<u>17,569</u>	<u>25,268</u>
Cost of sales	(9,125)	(14,563)
Occupancy	(659)	(719)
Administration	(7,901)	(9,712)
Other expenses	(615)	(542)
Finance costs	(212)	(132)
Total expenses	<u>(18,512)</u>	<u>(25,668)</u>
Loss before income tax expense	(943)	(400)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense from discontinued operations	<u>(943)</u>	<u>(400)</u>

Cash flow information

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Net cash used in operating activities	(2,406)	(996)
Net cash used in investing activities	(241)	(110)
Net cash used in financing activities	<u>(375)</u>	<u>(276)</u>
Net decrease in cash and cash equivalents from discontinued operations	<u>(3,022)</u>	<u>(1,382)</u>

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Notes to the financial statements
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Note 6. Current assets - assets of disposal groups classified as held for sale

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Trade and other receivables	2,960	-
Inventories	122	-
Other current assets	543	-
Receivables	160	-
Property, plant and equipment	2,779	-
Intangibles	6,112	-
	<u>12,676</u>	<u>-</u>

On 5 November 2014, Axxis announced that it had entered into an agreement with listed carrier Inabox Group Limited (ASX: IAB) for the sale of its telecommunication services and IT products and services businesses (refer note 4). Accordingly, the company has classified all assets included in the sale as disposal groups classified as held for sale under AASB 5.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Leasehold improvements - at cost	-	321
Less: Accumulated depreciation	-	(137)
	-	<u>184</u>
Plant and equipment - at cost	-	130
Less: Accumulated depreciation	-	(130)
	-	<u>-</u>
Office equipment - at cost	-	786
Less: Accumulated depreciation	-	(724)
	-	<u>62</u>
Motor vehicles under lease	-	227
Less: Accumulated depreciation	-	(194)
	-	<u>33</u>
Computer equipment - at cost	-	1,068
Less: Accumulated depreciation	-	(772)
	-	<u>296</u>
Hosted Unified Communications - at cost	-	2,246
Less: Accumulated depreciation	-	(340)
	-	<u>1,906</u>
	<u>-</u>	<u>2,481</u>

Axxis Technology Group Ltd
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Note 7. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Plant and office equipment \$'000	Motor vehicles under lease \$'000	Computer equipment \$'000	Hosted Unified Comm- unications \$'000	Total \$'000
Balance at 1 July 2014	184	62	33	296	1,906	2,481
Additions	1	3	-	32	512	548
Classified as held for sale	(163)	(58)	(25)	(273)	(2,260)	(2,779)
Disposals	(5)	-	-	(11)	-	(16)
Depreciation expense	(17)	(7)	(8)	(44)	(158)	(234)
Balance at 31 December 2014	-	-	-	-	-	-

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Goodwill - at cost	-	1,261
Software - at cost	-	2,496
Less: Accumulated amortisation	-	(1,037)
Less: Impairment	-	(300)
	-	1,159
Customer contracts - at cost	-	3,277
Less: Accumulated amortisation	-	(813)
Less: Impairment	-	(700)
	-	1,764
Hosted Unified Communications - at cost	-	2,072
Less: Accumulated amortisation	-	(202)
	-	1,870
	-	6,054

Reconciliations

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

Consolidated	Goodwill \$'000	Software \$'000	Customer contracts \$'000	Hosted Unified Comm- unications \$'000	Total \$'000
Balance at 1 July 2014	1,261	1,159	1,764	1,870	6,054
Additions	-	401	-	-	401
Classified as held for sale	(1,261)	(1,412)	(1,655)	(1,784)	(6,112)
Amortisation expense	-	(148)	(109)	(86)	(343)
Balance at 31 December 2014	-	-	-	-	-

Axxis Technology Group Ltd
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Notes to the financial statements
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Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Bank loans	-	60
Loan from director	1,006	-
Convertible notes payable	4,773	-
Lease liability	-	951
	<u>5,779</u>	<u>1,011</u>

Note 10. Current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Trade payables	2,691	-
Other payables	276	-
Accrued expenses	797	-
Revenue received in advance	1,342	-
Bank loans	151	-
Lease liability	4,666	-
Provisions	903	-
	<u>10,826</u>	<u>-</u>

On 5 November 2014, Axxis announced that it had entered into an agreement with listed carrier Inabox Group Limited (ASX: IAB) for the sale of its telecommunication services and IT products and services businesses (refer note 4). Accordingly, the company has classified all liabilities included in the sale as disposal groups classified as held for sale under AASB 5.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Bank loans	-	120
Loan from director	-	3,204
Convertible notes payable	-	6,441
Lease liability	-	3,405
	<u>-</u>	<u>13,170</u>

Axxis Technology Group Ltd
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Notes to the financial statements
31 December 2014

Note 11. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Bank loans	151	180
Loan from director	1,006	3,204
Convertible notes payable	4,773	6,441
Lease liability	4,666	4,356
	<u>10,596</u>	<u>14,181</u>

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>2,560,406,871</u>	<u>2,560,406,871</u>	<u>57,351</u>	<u>57,351</u>

Note 13. Equity - dividends

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

Note 14. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2014 or 31 December 2013.

Axxis Technology Group Ltd
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Notes to the financial statements
31 December 2014

Note 15. Related party transactions

Parent entity

Axxis Technology Group Ltd is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
Sale of goods and services:		
Sale of goods and services to Roses Only ****	-	1,771
Sale of goods and services to Allegra Orthopaedics Limited (formerly Advanced Surgical Design & Manufacture Limited) *	30,105	158,294
Sale of goods and services to Law Corporation Pty Limited *	474	3,528
Sale of goods and services to Nextgen Distributions Pty Ltd **	14,058	17,108
Sale of goods and services to Artis Group Pty Ltd ***	390,577	23,324
Payment for other expenses:		
Interest payable on director loan	25,011	141,397
Interest payable on convertible loan notes	109,920	195,632
Interest paid on loan facility from Peter and Vicki Kazacos	2,020	-
IT consulting fee paid to Artis Group Pty Ltd ***	828	1,815
Legal fees paid to Law Corporation Pty Limited *	14,087	47,350
Other transactions:		
Advisory fees paid to Kaz Capital Pty Limited *	-	55,891

* An entity in which Peter Kazacos is a director

** An entity in which former director John Walters is a director

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

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

On 31 July 2014, Axxis Technology Group Ltd repaid \$4,000,000 of debt to Peter and Vicki Kazacos. As part of the transaction:

- Peter and Vicki Kazacos entered into a new agreement providing a debt facility of up to \$4,000,000. This facility was never drawn upon.;
- 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.

Receivable from and payable to related parties

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

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$	\$
Current receivables:		
Trade receivables from Allegra Orthopaedics Limited (formerly Advanced Surgical Design & Manufacture Limited) *	388	13,277
Trade receivables from Law Corporation Pty Limited *	76	2,203
Trade receivables from Nextgen Distributions Pty Ltd **	2,310	-
Trade receivables from Artis Group Pty Ltd ***	3,479	-

* An entity in which Peter Kazacos is a director

** An entity in which former director John Walters is a director

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

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Notes to the financial statements
31 December 2014

Note 15. Related party transactions (continued)

Loans to/from related parties

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

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$	\$
Current borrowings:		
Convertible note payable to director including interest *	4,773,329	-
Loan from director including interest *	1,006,227	-
Non-current borrowings:		
Convertible note payable to director including interest *	-	6,248,048
Loan from director including interest *	-	3,061,506

* These amounts are payable to Peter & Vicki Kazacos.

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

Terms and conditions

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

Note 16. Events after the reporting period

On 1 January 2015, Axxis completed the previously announced sale of the Anittel business to IAB for a total consideration of 6,153,836 IAB shares, \$500,000 in cash and a deferred performance based consideration of up to \$1,500,000 in cash which is receivable upon several agreed measures relating to performance of the Anittel business during the period from completion of the sale on 1 January 2015 to 30 June 2015. The quantum receivable is not yet determinable. The performance consideration, if due, will be paid by 25 October 2015.

On 2 January 2015, Axxis announced the appointment of Chris Calamos as a Director of Axxis and the resignation of John Walters and Michael O'Sullivan as Directors.

On 2 January 2015, in accordance with the resolution passed by shareholders at the company's 2014 Annual General meeting, the company changed its name from Anittel Group Limited to Axxis Technology Group Ltd with a new address located at Suite 115, 26-32 Pirrama Road, Pyrmont NSW 2009.

On 3 January 2015, a 'Deed of Forgiveness of Debt' was executed by Peter and Vicki Kazacos (the Lenders) and Axxis (the Borrower) which forgives all borrowings owed and all of the interest accrued by Axxis to Peter & Vicki Kazacos.

On 5 January 2015, Axxis announced that it has completed the in-specie share distribution of IAB consideration shares to Axxis shareholders on 2 January 2015 representing a total value of \$6,153,836.

No other matter or circumstance has arisen since 31 December 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.

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Notes to the financial statements
31 December 2014

Note 17. Earnings per share

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax attributable to the owners of Axxis Technology Group Ltd	<u>268</u>	<u>(515)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
	Cents	Cents
Basic earnings per share	0.010	(0.021)
Diluted earnings per share	0.010	(0.021)
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Axxis Technology Group Ltd	<u>(943)</u>	<u>(400)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
	Cents	Cents
Basic earnings per share	(0.037)	(0.016)
Diluted earnings per share	(0.037)	(0.016)
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Axxis Technology Group Ltd	<u>(675)</u>	<u>(915)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,560,406,871</u>	<u>2,460,392,848</u>
	Cents	Cents
Basic earnings per share	(0.026)	(0.037)
Diluted earnings per share	(0.026)	(0.037)

Axxis Technology Group Ltd
(Formerly known as Anittel Group Limited)
Directors' declaration
31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Kazacos
Executive Chairman

27 February 2015
Sydney



Independent auditor's review report to the members of Axxis Technology Group Ltd (Formerly known as Anittel Group Limited)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Axxis Technology Group Ltd (the Company), which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Axxis Technology Group Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Axxis Technology Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Axxis Technology Group Ltd is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Price waterhouse Coopers
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Manoj Santiago
Partner

Sydney
27 February 2015