Notice of Extraordinary General Meeting and Explanatory Memorandum

Inabox Group Limited
ACN 161 873 187
(Company)

Notice is given that an Extraordinary General Meeting (**Meeting**) of the Company will be held at Maple Room, Swissotel Hotel, 68 Market Street, Sydney, NSW 2000 on Tuesday 23 December 2014 at 10.00 am.

This Notice of Extraordinary General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

INABOX GROUP LIMITED

ACN 161 873 187

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders of Inabox Group Limited ACN 161 873 187 (**Company**) will be held at the time and location and to conduct the business specified below (**Notice of Meeting**). The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered.

Date:	23 December 2014
Time:	10.00 am
Location:	Maple Room Swissotel Hotel 68 Market Street Sydney NSW 2000

BUSINESS

The business of the Extraordinary General Meeting shall be as follows:

Resolution To consider and, if thought fit, to pass the following ordinary resolution:

That for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, approval is given for the acquisition by, and the allotment and issue of 6,153,846 new ordinary shares in the capital of the Company to, Anittel Group Limited on the terms and conditions set out in the Explanatory Memorandum.

NOTES

Accompanying Explanatory Memorandum

The accompanying Explanatory Memorandum forms part of this Notice of Meeting and should be read in conjunction with it.

Voting Entitlements

The Board has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of Shareholders as at 10.00 am (AEDT) on 21 December 2014. Accordingly, transactions registered after that time will be disregarded in determining the Shareholder's entitlement to attend and vote at the Meeting.

Voting exclusion statement

For the purposes of the Resolution, the Company will disregard any votes cast on this resolution by or on behalf of a party to the acquisition, being Anittel and any of their associates. For clarity, it is noted that all Directors of the Company are eligible to vote in relation to the Resolution.

The Company, however, need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the chairperson of the meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting by proxy

A Shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on behalf of that Shareholder. A proxy need not be a Shareholder. A Shareholder can appoint an individual or a body corporate as its proxy. If a body corporate is appointed as a proxy, it must ensure that it appoints a corporate representative as required by the *Corporations Act 2001* (Cth) to exercise its powers as proxy at the Meeting.

A Shareholder who is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointments do not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half the votes (disregarding fractions).

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Resolution by marking either "For", "Against" or "Abstain" on the Proxy Form for that item of business.

A Proxy Form accompanies this notice. Proxy appointments (and the originals or certified copies of any powers of attorney under which they are signed) must be received by the Company no later than 10.00am AEDT on 21 December 2014. To be effective, proxy appointments (and the originals or certified copies of any powers of attorney under which they are signed) must be received at least 48 hours before the time specified for the scheduled Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting. Proxy Forms and other documents may be lodged by posting, delivery or facsimile to: GPO Box 3993, Sydney, NSW 2001, facsimile: + 61 2 9290 9655, or in person at Level 7, 207 Kent Street, Sydney, NSW 2000. For more information regarding the appointment of proxies, refer to the Proxy Form.

Undirected proxies

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business.

Corporate representatives

A body corporate that is a Shareholder, or that has been appointed as a proxy by a Shareholder, may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at the Meeting. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at the Meeting or in voting on a resolution. The representative should bring evidence of his or her appointment, including the authority under which it is signed, unless these documents have previously been provided to the Company.

Enquiries

Shareholders may contact the Company Secretary, Angus Fotheringham, on 1300 5 TELCO (1300 583 526) if they have any queries in respect of the matters set out in these documents.

Dated …20 November 2014

By ORDER OF THE BOARD

Angus Fotheringham
Company Secretary

EXPLANATORY MEMORANDUM

1 Introduction

1.1 General

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company, which is material to a decision on how to vote on the Resolution in the accompanying Notice of Meeting. This Explanatory Memorandum should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Memorandum are defined in the Glossary section of the Notice of Meeting.

A copy of the Notice of Meeting (including this Explanatory Memorandum) was lodged with ASX Limited (**ASX**) on 20 November 2014 and with the Australian Securities and Investments Commission (**ASIC**) on 20 November 2014. No responsibility is taken for the content of this Notice of Meeting (including this Explanatory Memorandum) by ASIC or ASX.

The Directors unanimously recommend that the Shareholders vote in favour of the Resolution.

Each Director believes that the advantages of the proposed acquisition of the Acquisition Shares by Anittel outweigh the disadvantages and risks associated with the acquisition. The advantages, disadvantages and risks are set out in section 4 below.

Each Director intends to vote in favour of the Resolution in respect of the Shares that they hold.

The Company has engaged an independent expert, RSM Bird Cameron Corporate Pty Ltd to undertake an analysis of whether the proposed acquisition is fair and reasonable when considered in the context of the interests of the Shareholders (other than those involved in the proposed allotment or purchase or associated with such persons).

RSM Bird Cameron Corporate Pty Ltd concluded that the proposed acquisition is **not fair but reasonable** to the Shareholders. A copy of the Independent Expert's Report is included at **Annexure E**.

Shareholders are advised to read this document carefully and in full before the Meeting is held. If you are in any doubt as to how to deal with this document, please consult your financial, legal or other professional adviser.

1.2 Forward looking statements

This Explanatory Memorandum may contain forward looking statements. Shareholders should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the Company as well as general economic conditions and conditions in the financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. Neither the Company, any of its officers or any person named in the Notice of Meeting and the Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of any forward looking statement, or any events or results express or implied in any forward looking statement, and Shareholders are cautioned not to place undue reliance on those statements. To the extent that there are any forward looking statements in this Notice of Meeting and the

Explanatory Memorandum, such statements reflect views held only as at the date of this Notice of Meeting.

1.3 Purpose of Meeting

(a) The purpose of this Meeting is for the Shareholders to approve the Resolution relating to the acquisition by, and issue of 6,153,846 Shares to, Anittel as part-payment for the acquisition of the Business of Anittel.

(b) As announced to ASX on 5 November 2014, the Company entered into a Business Purchase Agreement with Anittel to acquire the business assets and the benefit of several contracts and employees of Anittel to the Company. Those assets comprise but are not limited to:

(i) the Business (which includes the IT Business Unit and the HCS business); and

(ii) all the issued share capital in APL.

(c) In purchasing the Business, the Company will assume all liabilities, other than the Excluded Liabilities, arising in the ordinary course of the business of Anittel including all of the accrued employment entitlements of all employees who accept offers of employment made in accordance with the Business Purchase Agreement (**Assumed Liabilities**). The Assumed Liabilities include approximately $4.5 million of lease liabilities relating to Anittel's HCS platform.

(d) At Completion, Anittel will retain:

(i) all cash which is in any account in the name of Anittel or any of its related bodies corporate;

(ii) all shares held in any of the Dormant Subsidiaries and ASPL; and

(iii) all Excluded Liabilities.

(e) The Business Purchase Agreement requires that the Company instruct Anittel to cause APL to make offers of employment to each of the Employees (other than 23 employees who have been excluded (**Excluded Employees**), which offers of employment must be made conditional on Completion and with effect from Completion.

(f) In addition to the Assumed Liabilities, ASPL will retain all liability in respect of any employment entitlement for each:

(i) Employee who does not accept the offer of employment; and

(ii) any Excluded Employee.

(g) On Completion, the Company will gain effective control over the Business. The Business will operate within the Company structure under the same brand and with substantially the same management. Anittel's Chairman and CEO, Mr Peter Kazacos, will consult to the Company and focus on integration and future growth opportunities.

(h) Under the Business Purchase Agreement, the Company will issue 6,153,846 Shares to Anittel as part consideration for the Business.

(i) Under the terms of the Business Purchase Agreement, the Acquisition Shares will be distributed to the Anittel Shareholders on the Anittel register as at the Record Date. The issue is subject to the Anittel Shareholders approving the sale of the Business and a Capital Reduction at the Anittel AGM for the distribution of the Acquisition Shares to them on a pro rata basis. The Anittel AGM is due to be held on 18 December 2014.

(j) The Company has issued a Prospectus for the issue of 6,153,846 Shares to Anittel. The Prospectus has been issued to provide information on the offer being made under the Prospectus, which is required by the Corporations Act. The Prospectus has also been issued to facilitate secondary trading of the Acquisition Shares. A Prospectus is required under the Corporations Act to enable Anittel to distribute those Shares to the Anittel Shareholders within twelve (12) months of their issue.

The Company's Prospectus can be viewed at any ASIC office, on the ASX website (www.asx.com.au) or on the Company's website (www.inaboxgroup.com.au/prospectus).

(k) The principal effects of the Business Acquisition, assuming that Completion occurs are as follows:

(i) the Company will acquire the Business;

(ii) following the issue of the Acquisition Shares, the Company's cash reserves will reduce by approximately $1.2 m (being the initial cash consideration and completion costs including stamp duty and adviser fees, and expenses for preparing and lodging the Prospectus). There may be a further requirement to pay up to $1.5 m in Performance Consideration (see section 5.2 below); and

(iii) following the issue of the Acquisition Shares, the total number of issued Shares will increase from 13,916,684 to 20,070,530.

1.4 Proposed timetable

The proposed timetable for Completion and the issue of the Acquisition Shares is as follows:

Anittel AGM	18 December 2014
IAB EGM	23 December 2014
Record Date	anticipated to be 24 December 2014
Expected Date of Completion of Business Acquisition	1 January 2015
Expected date for issue of Acquisition Shares	1 January 2015

Note:

This timetable is indicative only and subject to change. The Company reserves the right to vary the above dates, subject to the ASX Listing Rules and the Corporations Act.

2 About Anittel

Anittel is a national, end-to-end provider of technology and connectivity services with a proposition focused on support and value. It offers managed and hosted ICT solutions for desktop, infrastructure and communications. Anittel provides these services to regional and metropolitan Australia with a physical presence in 14 locations.

Anittel has a diverse client base of over 1,000 small, medium and large enterprise clients, corporates and Government agencies with key strengths in the education and government sectors. It also benefits from relationships with key ICT vendors and distributors and is an accredited or certified partner with Cisco, HP, Dell, Microsoft, Lenovo, IBM, VMWare, Citrix and others. Anittel is one of only a select few Cisco partners in Australia to deploy a Hosted Collaboration Solution (“HCS”), supporting a cornerstone contract with the Tasmanian Government.

Further information about Anittel is contained in the Independent Expert’s Report prepared by RSM Bird Cameron Corporate Pty Ltd included in **Annexure E**.

3 Resolution - Acquisition of Relevant Interest by Anittel

3.1 Corporations Act Requirements

(a) Section 606 of the Corporations Act

Under section 606(1) of the Corporations Act, a person is prohibited from acquiring a relevant interest in issued voting shares of a listed company through a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, that person’s or someone else’s voting power in the company increases from a starting point that is above 20%, unless one of the exceptions in section 611 of the Corporations Act applies.

Section 611 of the Corporations Act sets out various exceptions to this prohibition. Specifically, section 611, Item 7 provides that an acquisition will be exempted from the prohibition if approved by a resolution passed at a general meeting of the company in which the acquisition is made, in accordance with the requirements of section 611, Item 7.

The Resolution seeks the approval of Shareholders to the issue of new Shares to the Anittel for the purpose of satisfying section 611, Item 7 of the Corporations Act.

Section 611, Item 7 of the Corporations Act requires that no votes are cast in favour of the Resolution by: (i) the person proposing to make the acquisition and their associates; or (ii) the persons (if any) from whom the acquisition is to be made and their associates.

Section 611, Item 7 of the Corporations Act also requires that the Shareholders be given all information known to the person proposing to make the acquisition or their associates, or known to the Company that is material to the decision on how to vote on the resolution. Section 611, Item 7 includes, as a guide information in relation to the following:

Requirement		Explanation
1.	The identity of the person proposing to make the acquisition.	Anittel Group Limited ACN 009 805 298 is a listed company on the ASX (AYG) with its registered office at Level 10, 132 Arthur Street, North Sydney, NSW 2060.
2.	The maximum extent of the increase in that persons' voting power in the Company that would result from the acquisition.	The issue of the Acquisition Shares in accordance with the Resolution will result in Anittel Group Limited acquiring an increase of voting power of Anittel Group Limited by itself from 0% to 30.7%. However, Anittel Group Limited's voting power is momentary and will be immediately followed by a pro rata distribution to the Anittel Shareholders subject to the Capital Reduction being approved by the Anittel Shareholders at the Anittel AGM (for further details see section 5.1 below).
3.	The voting power that person would have as a result of the acquisition.	The issue of the Acquisition Shares in accordance with the Resolution will result in Anittel Group Limited by itself having a voting power of 30.66%.
4.	The maximum extent of the increase in the voting power of each person's associates that would result from the acquisition.	Anittel Group Limited has advised the Company that it has no associates (within the meaning of that term in subsection 12(2) of the Corporations Act) holding securities in the Company.
5.	The voting power that each of the person's associates would have a result of the acquisition.	Anittel Group Limited has advised the Company that it has no associates (within the meaning of that term in subsection 12(2) of the Corporations Act) holding securities in the Company.

ASIC Regulatory Guide 74 - 'Acquisitions approved by members' sets out the following information which should be considered by Shareholders for the purpose of approving an acquisitions under section 611, Item 7 of the Corporations Act:

Requirement		Explanation
1.	Particulars (including the number and percentage) of the Shares in the Company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition.	In its own right, Anittel Group Limited currently holds no shares in the capital in the Company. This represents 0% of the total issued capital of the Company. In the event the Resolution is passed, Anittel Group Limited will momentarily acquire 6,153,846 Shares which will result in Anittel Group Limited holding 30.66% of the total issued capital of the Company.

	However, the Acquisition Shares will be distributed in specie to the Anittel Shareholders on a pro rata basis following the approval of a Capital Reduction at the Anittel AGM, as set out in section 5.1. The distribution will not result in any Shareholder holding more than 19.9% of the Shares.
2. The identity, associations (with the allottee, purchaser or vendor, and with any of their associates) and qualifications of any person who it is intended will become a director of the Company if the Shareholders approved the issue or purchase.	It is not intended that any person will become a Director of the Company as a result of the transaction.
3. A statement of the allottee's or purchaser's intentions regarding the future of the Company if Shareholders approve the issues or purchase, in particular: (a) any intention to change the business of the Company; (b) any intention to inject further capital into the Company; (c) the future employment of present employees of the Company; (d) any proposal where assets will be transferred between the Company and the allottee, vendor or purchase or any of their associates; and (e) any intention to otherwise redeploy the fixed assets of the Company.	The Acquisition Shares will be immediately distributed on a pro rata basis to the Anittel Shareholders following the approval of the Capital Reduction at Anittel's AGM (see section 5.1 below for more details).
4. Details of the terms of the proposed allotment or purchase and any other relevant agreement between the allottee or the purchaser and the Company or the vendor (or any of their associates) which is conditional on (or directly or indirectly depends on) the Shareholder's approval of the proposed allotment.	This information is set out in sections 1.3 and 5 of this Explanatory Memorandum.
5. When the allotment is to be made or the purchase is to be completed.	Expected to be 1 January 2015

6.	An explanation of the reason for the proposed allotment.	The Acquisition Shares are issued as part consideration for the acquisition of the operating assets in Anittel Group Limited.
7.	The interest of the directors in the transaction subject of the proposed resolution.	None other than interests in Shares and options as set out in section 8 of this Explanatory Memorandum.
8.	In the case of a listed company, any additional information that the ASX Listing Rules require to be disclosed.	Refer to section 3.1(b) of this Explanatory Memorandum.
9.	The identity of the directors who approved or voted against the proposal to put the resolution to the Shareholders.	All of the Directors (Garry Dinnie, Damian Kay, Paul Line, Siimon Reynolds and David Rampa) voted to unanimously put the Resolution to the Shareholders and have approved this Explanatory Memorandum.
10.	The recommendation or otherwise of each director on how non-associated Shareholders should vote on the resolution and the reasons for that recommendation (or the reasons why the director is not giving a recommendation).	Each Director recommends that the Shareholders vote in favour of the Resolution. Each Director believes that the advantages of the proposed acquisition outweigh the disadvantages and risks associated with the acquisition. The advantages, disadvantages and risks are set out in section 4 below. Each Director intends to vote in favour of the Resolution in respect of the Shares that they hold.
11.	Any intention of the board to significantly change the financial or dividend distribution policies of the Company.	The Board following Completion does not propose to change the financial or dividend distribution policies of the Company.
12.	An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons.	The Company has engaged an independent expert, RSM Bird Cameron Corporate Pty Ltd to undertake an analysis of whether the proposed acquisition is fair and reasonable when considered in the context of the interests of the Shareholders (other than those involved in the proposed allotment or purchase or associated with such persons). RSM Bird Cameron Corporate Pty Ltd concluded that proposed acquisition is **not fair but reasonable** to the

Shareholders.

A copy of the Independent Export Report by RSM Bird Cameron Corporate Pty Ltd is contained in **Annexure E** of this Notice of Meeting.

(b) ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that without the approval of holders of ordinary securities, an entity must not issue or agree to issue more equity securities than the number calculated according to the formula set out in ASX Listing Rule 7.1.

In effect, ASX Listing Rule 7.1 requires that the approval of the holders of the ordinary securities be obtained in respect of any proposal to issue more equity securities in any 12 month period than the number which exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of the issue or agreement (as determined in accordance with the formula set out in ASX Listing Rule 7.1).

ASX Listing Rule 7.2 sets out various exceptions to ASX Listing Rule 7.1. ASX Listing Rule 7.2, Exception 16 provides that ASX Listing Rule 7.1 does not apply to an issue of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

Approval for the purpose of Item 7 of section 611 of the Corporations Act to the issue of the Acquisition Shares to Anittel is sought under the Resolution. It follows that the approval is not required under ASX Listing Rule 7.1.

4 Advantages, disadvantages and risks of the proposed acquisition

4.1 Advantages

The Company considers that the acquisition of the Business will provide a number of important benefits to it.

These benefits include:

(a) Enhanced sales, service and technical capabilities

With over 200 staff and a national footprint, the combined group expects to be able to offer its clients end-to-end IT, cloud and communications solutions in 14 locations across metropolitan and regional Australia.

(b) Complementary products, services and capabilities

The combination will provide opportunities for cross-sell and up-sell through the Company's existing 300+ wholesale partners and Anittel's 1,000+ customers.

(c) New platform

The Company is acquiring a fully deployed HCS. Anittel has made a considerable investment building this cloud based communications platform and over 8,000 endpoints have already been deployed for the Tasmanian Government. The HCS platform is expected to create significant opportunities for further growth of the combined business annuity revenue streams.

(d) Scale

The combined group will have the scale and financial strength to accelerate its growth. In FY14, Anittel's revenue from continuing operations was $34 million, which represents a 74% increase on the Company's FY14 revenue of $46 million.

(e) Cost Synergies

Anittel has continued to rationalise its operating costs and since January 2014 Anittel has restructured its business, significantly reducing costs and refocusing on its core IT services and cloud businesses.

The Company also expects synergies in back office and corporate overheads after integration.

Those synergies or reductions in costs are theoretical and should not be assumed by investors. There may also be additional costs of restructuring the Anittel business.

4.2 Disadvantages

(a) Dilution of current shareholdings

The issue of the new Shares contemplated under the Business Purchase Agreement will dilute current Shareholders. The effect of the proposed acquisition on the equity position of the Company is set out in paragraph 6.2 of this Explanatory Memorandum. The Directors believe that dilution of shareholdings will be offset at least in part by the increased size of the Company with the additional opportunities likely to be available to the Company as a result of the acquisition.

(b) Not fair

The Independent Expert has assessed the proposed acquisition as not fair. However, this assessment was undertaken by assessing the value of the Company prior to the proposed acquisition, inclusive of a control premium. The Company considers that Anittel would not, in a practical sense, obtain control, or a level of control, over the Company on the basis that the Company shares allotted to Anittel will be distributed to Anittel Shareholders. Accordingly, the Company considers that a more appropriate assessment of the value proposition for IAB Shareholders would discount any control premium, and include an assessment of synergies between the Company and the Anittel business units.

4.3 Risks

The future of the Company, the future level of dividends, the value of the Company's assets and the price which the Company's shares trade on the ASX if the proposed Business Acquisition proceeds may be influenced by a range of factors, many of them outside the control of the Company and the Directors. These include market risks, movements in international and local stock markets, inflation, interest rates, general economic conditions and changes in government fiscal, monetary and regulatory policies.

Some of the material specific risk factors are set out below:

(a) Retention of Customers

Despite the retention strategies put in place by Anittel and the Company, a significant number of customers could terminate their agreements with Anittel, APL or the Company at any time after announcement of the proposed Business Acquisition, potentially causing a reduction in the earnings and revenue of the Company post Completion.

There are a number of resellers which proportionately account for a significant amount of the Company's revenue and margins. During 2014, ownership of one significant customer of the Company changed and the new owner has subsequently moved the majority of the customer's business to another wholesaler.

Similarly, there are a number of customers which proportionately account for a significant amount of the Business' revenue and margins.

The Company's risk of losing resellers and customers is mitigated by the following factors, among others:

- a number of resellers have fixed term contracts with liquidated damages payable upon early termination by the reseller, and the Company has an active process of incentivising resellers to enter into fixed term contracts;
- a number of customers of the Business have fixed term contracts with liquidated damages payable upon early termination by the customer;
- teams of dedicated account managers are responsible for maintaining good relationships with resellers and customers; and
- the Company will, post Business Acquisition, review its relationships with resellers and customers of the Business, with the intention of identifying and resolving any potential risk of lost business.

There remains a risk that should resellers of the Company or customers of the Business move their business to another wholesaler or a competitor, go out of business or reduce their level of business, this will have a material adverse impact on the revenue and earnings of the Company.

(b) Retention of Staff

The Company is reliant upon a number of key senior management staff including the CEO/Managing Director, Chief Operating Officer, Chief Information Officer, Chief Technology Officer, and Chief Financial Officer, Managing Director of Cloud, regional managers and HCS engineers. The loss of key staff could have an adverse impact on the performance of the Company.

In addition, the Business Acquisition will involve the transfer of a significant number of new employees, and some consultants to the Company. Any inability of the Company to integrate and/or retain the new employees and consultants may also have an adverse impact on the Company's performance.

A number of staff engaged by the Business in Tasmania have recently departed from the Business. It is possible that these staff may seek engagement with a competitor of the Business. The Company considers the replacement of some or all of these staff unlikely to pose significant challenges, but considers there is a risk that:

- the departed staff may seek to win customers of the Business to a competitor (including by the use of information gained by those staff while engaged by the Business); and
- further staff may seek to depart the Business.

The Company proposes to have made offers of employment to staff of Anittel at Completion of the Business Purchase Agreement. While it is a condition precedent to Completion of the Business Purchase Agreement that a minimum number of those staff have accepted offers of employment with the Company, there is a possibility that certain staff may not accept. In this case, the Company may suffer detriment as a consequence of those staff being unavailable to support its business, although the Company may decide not to proceed with the Business Acquisition in such a case.

(c) Staff Costs

Following the divestment of its communications business in January 2014, Anittel has continued to rationalise its operating costs. There is no guarantee that any operating expense reduction occurring in this realignment or otherwise will be sustainable in the period after Completion of the Business Acquisition.

(d) Tasmanian Government Contract

Anittel entered into a contract for the associated use of hardware and deployment of posted communications system to the Tasmanian Government in 2012 for a five year contract term, with two options each of three years. The TGC will be a material contract for the Company following the Business Acquisition.

The value of products and services provided under the TGC may not increase to the level anticipated by the Performance Condition measures set out in the Business Purchase Agreement, resulting in decreased profitability. If this occurs, a decrease will be partially offset by a reduction in the amount of the Performance Consideration paid as this is dependent on the Business units achieving targets set out in the Business Purchase Agreement.

The TGC envisages the deployment of a range of products over its term. There is no guarantee that the value of products and services will increase by a significant amount post Completion, that the term of the TGC will be extended, or that the TGC will not be terminated prior to expiry of its term.

In those cases, the Company would still incur substantial liability in respect of the arrangements made to support the TGC, but may not receive sufficient revenue to offset those liabilities.

(e) Pressure on Share Price

No escrow or other restrictions apply in relation to the Acquisition Shares. Post Completion, shareholders of the Company (which will at that time include the Anittel Shareholders) could dispose of their shares, creating downward pressure on the Company's share price.

Some parties receiving shares may elect to sell those Shares following the resumption of trading of the Shares.

If shareholders elect to sell a sufficiently large number of Shares, then this may negatively impact the price of Shares and decrease the realisable value of existing Shareholders' investment in the Company.

(f) Outcome of IT Business Unit Restructuring

The revenue of Anittel's IT Business Unit has declined over recent years, and there is a risk that the Company's planned restructuring and growth strategies fail to arrest the decline and/or retain customers, resulting in reduced profitability.

(g) Ongoing funding of the Business

The Company intends to assume the existing leasing facilities of the Business or to enter into new similar facilities at or after Completion. These facilities will be secured against some or all of the assets of the Company.

The Company may obtain additional facilities or raise new equity to fund all or part of the Performance Consideration or for future working capital requirements of the Business. Although the Company has implemented plans to obtain additional facilities, there is a risk that the Company cannot do so on terms satisfactory to it, which may impact on the Company's plans due to the need to fund Performance Consideration from operating cash flow.

Further risks are set out in section 6.2 of the Prospectus.

4.4 Consequences if the proposed acquisition does not proceed

(a) If the proposed acquisition does not proceed:

(i) No change to business model

There will be no change to the Company's business or business model.

(ii) Future growth

The acquisition is in line with the Company's long term strategy and seeks to consolidate its telecommunications operations. Further, similar opportunities that offer synergistic goodwill may be limited.

(iii) Limited new opportunities

The Company may be restrained by limited funds in funding and securing new business opportunities.

(iv) No dilution of existing Shareholders

The proposed issue of additional securities will not occur as a result there will be no corresponding dilution of existing Shareholders.

(b) In the event that the conditions precedent are not satisfied or waived under the Business Purchase Agreement, the Business Purchase Agreement will be terminated.

5 Summary of Business Purchase Agreement

The following is a summary of the key terms of the Business Purchase Agreement:

5.1 Capital Reduction

Completion of the Business Purchase Agreement is subject to a number of conditions precedent. These are listed below in section 5.3(a).

A key condition precedent is that the Anittel Shareholders approve a capital reduction under section 256C(1) of the Corporations Act. The capital reduction will involve the distribution of the Acquisition Shares to Anittel Shareholders pro rata.

Under the Business Purchase Agreement, subject to the conditions precedent being satisfied, Anittel has authorised the Company, as its attorney, to immediately transfer to the Anittel Shareholders the Acquisition Shares issued to Anittel at Completion.

The Resolution relates to the momentary holding of the Acquisition Shares by Anittel before the distribution to Anittel Shareholders occurs.

5.2 Consideration and Net Working Capital

(a) The Business Purchase Agreement provides that the Company will pay a combination of Acquisition Shares and cash for the Business. The breakdown is as follows:

(i) 6,153,846 newly issued fully paid ordinary shares in the Company at Completion (**Acquisition Shares**) which will be distributed to the Anittel Shareholders on the Anittel share register as at the Record Date (**Eligible Shareholders**) by way of pro-rata in specie share distribution;

(ii) $500,000 in cash payable at Completion as adjusted in accordance with the Business Purchase Agreement; and

(iii) up to $1.5m of payable on or around 25 October 2015 (subject to the terms of the Business Purchase Agreement) dependent on the Anittel business units achieving agreed targets (**Performance Consideration**) between 1 January 2015 to 30 June 2015. The Performance Consideration will be based on several agreed measures relating to the performance of the two Anittel business units, the IT Business Unit and HCS Business, in the period from Completion (1 January 2015) to 30 June 2015. Full details of the Performance Consideration conditions are set out in **Annexure A**.

Based on the Company's closing share price as at 3 November 2014 ($1.28), the minimum total consideration for the Business Acquisition is $8.38 million and the potential maximum total consideration is $9.88 million if the full performance based consideration is achieved. This equates to an effective price per Anittel share in the range of 0.33 cents (minimum) to 0.39 cents (maximum) or a premium to Anittel's share price as at 3 November 2014 (0.3 cents) in the range of 9.06% to 28.59%.

(b) Adjustments

(i) At Completion, the Completion Payment will be subject to adjustment in accordance with the calculation of projected Net Working Capital under the Business Purchase Agreement (**Projected Net Working Capital**):

(A) if the Projected Net Working Capital is greater than 0, the Completion Payment will be increased by the amount the Projected Net Working Capital is greater than 0; or

(B) if the Projected Net Working Capital is less than 0, the Completion Payment will be reduced by the amount the Projected Net Working Capital is less than 0.

(ii) Following Completion, the Company and Anittel will calculate the actual Net Working Capital of the Business as at 31 December 2014 (**Actual Net Working Capital**):

(A) if the Actual Net Working Capital is greater than the Projected Net Working Capital, the Company is to pay to Anittel the difference between the Actual Net Working Capital and the Projected Net Working Capital; or

(B) if the Actual Net Working Capital is less than the Projected Net Working Capital, Anittel is to pay to the Company the difference between the Actual Net Working Capital and the Projected Net Working Capital.

5.3 Conditions Precedent, Break Fee and Warranties

(a) Conditions Precedent

The Business Purchase Agreement contains a number of conditions precedents to its completion. These are as follows:

(i) for the purposes of ASX Listing Rule 11.1.2 (if required) and sections 157(1) and 256C(1) of the Corporations Act and for all other purposes, Anittel receiving the approval of the Anittel Shareholders for each of the resolutions sought at Anittel's Annual General Meeting, including the Capital Reduction.

(ii) Anittel receiving all necessary waivers from the ASX in respect of the Business Acquisition and/or the resolutions sought at Anittel's Annual General Meeting.

(iii) that no convertible note issued by Anittel has been converted to equity at any time after 1 July 2014;

(iv) evidence reasonably satisfactory to the Company and Anittel that the Tasmanian Government Contract has been agreed to be assigned to the Company or its nominee (including the ability to receive funds from the Tasmanian Government) on terms reasonably acceptable to the Company and Anittel;

(v) evidence reasonably satisfactory to the Company and Anittel that the Cisco Agreements have been agreed to be assigned or novated to the Company or its nominee or consent of each counter party of the Cisco Agreements to change of control being obtained in writing, on terms reasonably acceptable to the Company and Anittel;

(vi) evidence reasonably satisfactory to the Company and Anittel that the Reseller Agreements have been agreed to be assigned to the Company or change of control consent for the benefit of the Company has been provided as the case may be;

(vii) evidence reasonably satisfactory to the Company and Anittel that assignment of the following items to the Company has occurred:

(A) leases of the following premises from Anittel to the Company or its nominee (including assignment of any cash deposits and arrangements being reached in respect of other securities to the satisfaction of the Company):

- Adelaide, South Australia;
- North Sydney, New South Wales;
- Lavington, New South Wales; and
- Orange, New South Wales;

(B) the Team Leasing Master Lease Agreement from Anittel to the Company or its nominee;

(C) the Aurora Energy Agreement from Anittel to the Company or its nominee;

(D) the Lanier Equipment Agreement from Anittel to the Company of its nominee;

(viii) subject to paragraph (ix) below, written consent for the Change of Control of APL in respect of the:

(A) CBA Master Rental Agreement being provided by the CBA in writing on terms acceptable to the Company;

(B) CBA Facility Agreement being provided by the CBA in writing on terms acceptable to the Company;

(C) Cisco Master Lease Agreement being provided by Cisco in writing on terms acceptable to the Company; and

(D) leases of the premises located at:

- Launceston, Tasmania; and
- Balcatta, Western Australia.

(ix) The terms of any consent to Change of Control contemplated by clause 5.3(a)(viii) are satisfactory to Anittel, including but not limited to the terms of such assignment providing for:

(A) Anittel to be expressly released from any obligation to perform and observe all covenants, terms and conditions of the agreements referred to in clause (x) after the Change of Control; and

(B) any guarantor under any such agreement to be released from any obligation as guarantor.

(x) the shareholders of the Company approving the transactions contemplated by the Business Purchase Agreement including any approval required under Item 7 of section 611 of the Corporations Act;

(xi) Anittel providing evidence reasonably acceptable to the Company that the sale transition arrangements with BigAir (as set out in the BigAir Share Sale Agreement between Anittel and BigAir) are finalised or do not affect the transaction contemplated by the Business Purchase Agreement;

(xii) the Company having instructed Anittel and Anittel procuring APL to make offers of employment to all Employees in accordance with the provisions of the Business Purchase Agreement;

(xiii) at least 80% of all Employees having accepted the offers of employment made by APL in accordance with the Agreement;

(xiv) no Material Adverse Change in respect of Anittel having occurred between the date of the Business Purchase Agreement and Completion;

(xv) no Material Adverse Change in respect of the Company having occurred between the date of the Business Purchase Agreement and Completion;

(xvi) any Encumbrances over the Assets, whether registered or not, are released or discharged to the extent necessary to permit the Business to be transferred to the Company free of Encumbrances (other than the Permitted Encumbrances);

(xvii) Anittel having obtained all necessary licenses for the Commercial Software;

(xviii) Anittel changing its name (and procures the change of name of any of its subsidiaries) to a name not containing the word ‘Anittel’, or any words or name that is substantially identical to, or deceptively similar to, or likely to be mistaken for or confused with the name ‘Anittel’;

(xix) Anittel obtaining all regulatory approvals required to complete the Business Acquisition and the Capital Reduction;

(xx) the Company having obtained all regulatory approvals required to complete the Business Acquisition;

(xxi) the Business having a minimum of 7,500 active licenses in respect of the HCS platform at Completion;

(xxii) the parties having agreed the Business Plan;

(xxiii) the projected Net Working Capital of the Business at 31 December 2014 is not higher than $250,000 or is not less than $250,000;

(xxiv) if APL has any liability under the Telstra Mobile Contract, that liability having been transferred to a third party on terms reasonably acceptable to the Company;

(xxv) more than 80% of the Employees working in:

(A) each geographical area in respect of each particular leased premises; and

(B) the Cloud/HCS Business unit,

having accepted the offer of employment made to them by APL under the Business Purchase Agreement;

(xxvi) the Record Date List being available to Anittel and such Record Date List being provided to the Company; and

(xxvii) the parties having agreed on the worked example of the balance sheet of the Business calculated as at 30 September 2014 as an example of how the net working capital formula detailed in the Business Purchase Agreement is to be applied to calculate the Net Working Capital of the Business in accordance with the Business Purchase Agreement.

The above conditions precedent must be satisfied on or before 16 January 2015. If they are not satisfied or waived in accordance with the Business Purchase Agreement, the party which has the benefit of the relevant unsatisfied condition precedent(s) may terminate the Business Purchase Agreement.

(b) Break Fee

The Business Purchase Agreement provides that Anittel will pay the Company's documented external costs in relation to the Business Acquisition up to a maximum of $500,000 if any of the following occurs:

(i) Anittel commits a material breach of the Business Purchase Agreement that is incapable of remedy and the Company is not in material breach of the Business Purchase Agreement:

(A) as at the date of the alleged material breach of Anittel; or

(B) as at the date of serving its notice of termination; or

(ii) Anittel is unable to obtain the approval of Anittel Shareholders to the Resolutions sought at Anittel's AGM

(iii) If any convertible note issued by Anittel has been converted to equity at any time after 1 July 2014 (unless this condition is waived); or

(iv) Anittel does not change its name in accordance with the Business Purchase Agreement (unless this condition is waived).

The Company confirms that it agreed on 20 November 2014 to provide to Anittel an irrevocable waiver of the requirement to pay the break fee if the requirement is triggered by a failure to obtain the approval of Anittel Shareholders referred to in section 5.3(b)(ii) above. As such, should the Anittel Shareholders vote down any of the resolutions at the Anittel AGM, Anittel will not be liable to pay the Company the break fee.

(c) Warranties

Both Anittel and the Company have made numerous customary warranties to the other in relation to the Business Purchase Agreement.

6 Effect on the Company

6.1 The Company's intentions relating to the Business

(a) Post Completion, it is intended that the Business will initially operate under the same brand and under substantially the same management. As a consequence, there are no plans by the Company to make substantial changes to the engineering and support department servicing Anittel customers.

(b) Anittel may implement a number of actions after Completion of the Business Purchase Agreement, with the intention of increasing profitability of the combined businesses, including but not limited to:

(i) appointing a new chief executive officer for the Anittel business, with a focus on increasing revenue, particularly from the managed IT and managed services components of the Anittel business;

(ii) expanding the availability and value of HCS (presently deployed in Tasmania) by investing in systems and hardware to extend its capabilities to mainland Australia; and

(iii) facilitating the expanded deployment of HCS to Anittel's existing clients in Tasmania.

6.2 Changes to the capital structure

The effect of the Business Acquisition on the Company's issued share capital will be as follows:

Shares in Inabox Group Limited	**No. of Shares**	**Pre Completion Proportion**	**Post Completion Proportion**
On issue immediately before completion	13,916,684	100%	69%
Acquisition Shares issued as Consideration	6,153,846		31%
On issue immediately after completion	**20,070,530**	**100%**	**100%**

6.3 Effect on working capital requirements

The Directors are satisfied that after completion of the Business Acquisition, the Company will be continuing to earn profits and will have sufficient working capital to carry out its objectives as previously disclosed and as described in this Explanatory Memorandum.

6.4 Effect on financial position

A draft pro forma consolidated balance sheet for the Company and Anittel at 30 June 2014 set out in **Annexure C** illustrates the effect that the proposed Business Acquisition is likely to have on the Company. The balance sheet has been prepared on the basis of information provided by Anittel to date and has not been audited.

6.5 Effect on financial performance

A draft pro forma consolidated profit and loss statement determining the results of both the Company and Anittel for the year ended 30 June 2014 is set out in **Annexure D**.

Information has been extracted without adjustments from the audited annual reports of each entity issued in September 2014.

7 Supplementary Information

The Company will issue a supplementary Explanatory Memorandum if the Company becomes aware of any of the following between the date of this Notice of Meeting and the date of the Meeting:

(a) a material statement in the Explanatory Memorandum is misleading or deceptive;

(b) there is a material omission from the Explanatory Memorandum;

(c) there has been a significant change affecting a matter included in the Explanatory Memorandum; or

(d) a significant new circumstance has arisen and it would have been required to be included in the Explanatory Memorandum.

8 Interests of Directors

8.1 Directors' Shareholdings

The Directors have a relevant interest in the following Shares and options to acquire Shares in the Company at the date of this Explanatory Memorandum:

Director	Shares	%	Options
Damian Kay	2,651,260	19.05%	83,333
Paul Line	127,014	0.9%	83,333
Garry Dinnie	1,667	N/A	83,333
David Rampa	10,000	N/A	0
Siimon Reynolds	17,000	N/A	83,333
Total	2,806,941	~19.95%	333,332

The terms of the options are described in section 8.2 below.

8.2 Options

The Directors hold the following options as at the date of this Explanatory Memorandum:

Option Holder	Number of options and shares to which they relate	Exercise price	Exercise period	Vesting condition	Expiry date
Siimon Reynolds	83,333 exercisable over 83,333 Shares	$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Damian Kay	83,333 exercisable over 83,3337 Shares	$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Garry Dinnie	83,333 exercisable over 83,333 Shares	$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Paul Line	83,333 exercisable over 83,3337 Shares	$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date

*The date of issue was 24 May 2013

**The options holder must continue to be engaged as a Director of the Company two years after the date of issue.

9 Recommendations of Directors

Each Director recommends that Shareholders vote in favour of the Resolution.

Each Director believes that in the absence of a superior proposal, the advantages of the proposed acquisition outweigh the disadvantages and risks as set out in section 4.

Each Director intends to vote in favour of each Resolution in respect of the Shares that they hold.

10 Statement by Directors

The Directors state that they have made all reasonable inquiries and have reasonable grounds to believe that the statements by the Directors in the Notice of Meeting are true and are not misleading and that in respect of statements made in the Notice of Meeting by persons other than Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that the persons making the statements were competent to do so and those persons have given their consent to be named in the Notice of Meeting in the form and context in which that reference was made and have not withdrawn that consent before the date of the Notice of Meeting.

Each Director of the Company has consented to the issue of the Notice of Meeting and has not withdrawn that consent prior to the date of the Notice of Meeting.

Angus Fotheringham
Company Secretary
20 November 2014

Annexure A - Performance Consideration

The Performance Consideration is a maximum of $1.5 million, less various amounts calculated by reference to the three measures set out below, and a minimum of $0.

The three measures relate to:

(A) Gross margin of the IT business unit (Measure 1);
(B) The level of contracted services revenue in the IT business unit (Measure 2); and
(C) Number of active HCS active services on the HCS (Measure 3).

Failure to reach the target of Measure 2 and 3 could reduce the Performance Consideration up to $1 m per measure and up to $1.5m in aggregate (which would reduce the Performance Consideration to zero). Failure to reach the target of Measure 1 could reduce the Performance Consideration up to $1.5m (which again would reduce the Performance Consideration to zero).

The formulas for calculating each of these measures are set out below.

The measures which may reduce the Performance Consideration are referred to as:

- "ITPS", meaning the IT Performance Shortfall calculated in accordance with item A below;
- "ITCGM", meaning the IT Contracted Gross Margin Adjustment calculated in accordance with item B below; and
- "HCSPS", meaning the HCS Performance Shortfall calculated in accordance with item C below.

The Company may offset any determined claims from the payment of the Performance Consideration.

Item A – IT Performance Shortfall

The lesser of $1,500,000 and the amount calculated as follows:

(($7,550,000 – 2HGM) x 5 x 2) - EAS

Where:

2HGM means the actual Gross Margin of the IT Business Unit for the period 1 January 2015 to 30 June 2015

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least $15 per month

EAS is:

- if there are 15,000 or less Active Services as at 30 June 2015, zero; or
- if there are more than 15,000 Active Services as at 30 June 2015, the amount calculated as follows:

  (Active Services – 15,000) x $200

IT Business Unit means the business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the Cisco HCS and Infrastructure as a Service (ISS) business.

Gross Margin means revenue minus direct costs of IT hardware, software and services excluding labour costs (refer to item D below for a list of categories of costs).

For the sake of clarity the IT Performance Shortfall cannot be less than $0.

<u>Item B - IT Contracted Gross Margin Adjustment</u>

If at 30 June 2015, the Gross Margin of the managed service contracts and managed IT contracts (together "CGM") in the period 1 July to 31 December 2015 is forecast to be less than during the period 1 January to 30 June 2015 (taking lost contracts but also new contracts into account), the Performance Consideration will be reduced by the lesser of $1,000,000 and the amount calculated as follows:

(2HFY15 CGM – 1HFY16F CGM) x 5 x 2

Calculation of the 1HFY16 forecast:

- Where the buyer has received a notice of termination from an account prior to 30/6/15, the monthly contract Gross Margin for that account shall not be included in the calculation of CGM for 1HFY16.
- If a client has formally notified the buyer of a reduction in their monthly service fee prior to 30/6/15, the lower monthly service fee and corresponding Gross Margin shall be included in the 1HFY16 Forecast.
- New contracts signed before 30/6/15 will be included in the forecast at the Gross Margin of their committed value.
- Consistent accounting policies are to be applied to the calculation of Gross Margin in 2HFY15 and the forecast period of 1HFY16.

<u>Item C - HCS Performance Shortfall</u>

The lesser of $1,000,000 and the amount calculated as follows:

(15,000 - Active Services) x $200

where

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least $15 per month

<u>Item D - Categories of Costs</u>

30 - Product – Hardware
40 - Product – Software
50 - Service - Professional Services
55 - Service - MIT (Managed IT)
57 - Service – MSC
60 - Comms - Internet and Data
70 - Comms - Hosting and Cloud
80 - Comms - Voice and Video (Telco)
90 - Other Income
45 - Service - Infrastructure as a Service

Annexure B - Glossary

In this Notice of Meeting, the following terms and abbreviations have the following meaning unless the context otherwise requires:

$, A$ or Dollars	Australian dollars unless otherwise stated.
Acquisition Shares	6,153,846 Shares in the Company proposed to be issued in relation to the Business Acquisition.
Agreed Working Capital	Working capital amount calculated in accordance with Business Purchase Agreement required to remain in the Business at Completion as working capital.
Anittel or AYG	Anittel Group Limited ACN 009 805 298 (ASX: AYG) and controlled subsidiaries.
Anittel AGM	The Anittel annual general meeting to be held on 18 December 2014 where the Anittel Shareholders will vote to approve the Capital Reduction to distribute the Acquisition Shares on a pro rata basis to the relevant Anittel Shareholders.
Anittel Shareholders	The shareholders of Anittel on the Record Date.
APL	Anittel Pty Ltd, which is the chief operating entity within Anittel.
ASIC	The Australian Securities & Investments Commission.
ASPL	Anittel Services Pty Ltd which is a subsidiary of Anittel which employs all staff within the Anittel group of companies.
ASX	The ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited
ASX Listing Rules	The official listing rules of the ASX.
Aurora Energy Agreement	The agreement between Anittel and Aurora Energy Pty Ltd undated, comprising the application for co-location services and dark fibre exchange access.
BigAir	BigAir Group Limited ABN 57 098 572 626 of Level 1, 59 Buckingham Street, Surry Hills, New South Wales 2010.

BigAir Share Sale Agreement	Share sale agreement between BigAir and Anittel dated 19 December 2013.
Board	The board of Directors.
Break Fee	The fee payable by Anittel (subject to the terms of the Business Purchase Agreement) to the Company for the total amount of fees paid by the Company in respect of this transaction up to a maximum amount of $500,000 (exclusive of GST).
Business	The business comprising of the operating assets of Anittel acquired by the Company under a Business Purchase Agreement including: ▪ the acquisition of all the relevant business assets of the parent entity, Anittel; ▪ the acquisition of all APL shares owned by the parent entity, Anittel; and ▪ the assumption of the trading liabilities relating to the operating assets, but excluding the Cash, Shareholder Loans and the Dormant Subsidiaries.
Business Acquisition	The acquisition of the Business described in sections 1.3 and 5.
Business Plan	The business plan for the Business to be agreed between the parties before Completion.
Business Purchase Agreement	The agreement between Inabox Group Limited and Anittel Group Limited executed on 4 November 2014 to purchase the Anittel Business.
Capital Reduction	The proposed capital reduction involving the in specie distribution of the Acquisition Shares to the Anittel Shareholders, as described in section 5.1.
Cash	Cash in Anittel as at Completion surplus to the Agreed Working Capital.
CBA	Commonwealth Bank of Australia ABN 48 123 123 124.
CBA Facility Agreement	The loan facility agreement constituted by the letter of offer from CBA to the directors of APL dated 26 September 2013

	and CBA's terms and conditions for business finance.
CBA Master Rental Agreement	The master rental agreement dated 8 July 2013 between CBA (as the owner), APL (as the customer, renter and guarantor) and Anittel, ASPL and the Dormant Subsidiaries (as guarantors).
Change of Control	Change of control in relation to a corporation: (a) the person who controls the corporation at the date that the corporation first became a party to the Business Purchase Agreement ceases to have control of the corporation; (b) a person who does not control the corporation at the date that the corporation first became a party to the Business Purchase Agreement subsequently obtains control of the corporation; or (c) if the corporation is controlled by a group or consortium of persons, or if the group or consortium could control the corporation were they to act collectively, any material change in the composition of that group or consortium.
Cisco	Cisco Systems Australia Pty Limited ABN 52 050 332 940 of Level 9, 80 Pacific Highway, North Sydney, New South Wales 2060.
Cisco Addendum	The addendum to the Cisco Indirect Channel Partner Agreement between Cisco and a member of the group dated 3 April 2013 and amendment No 1 dated on or around 17 October 2013.
Cisco Agreements	Cisco Indirect Channel Partner Agreement, the Cisco Addendum and the Cisco Memorandum of Understanding
Cisco Indirect Channel Partner Agreement	The indirect channel partner agreement dated on or around 2 November 2009.
Cisco Masters Lease Agreement	The master lease agreement between Cisco and APL.
Cisco Memorandum of Understanding	The memorandum of understanding dated on or around 28 May 2013.
Company or IAB	Inabox Group Limited (ABN 32 161 873 187) and controlled subsidiaries.

Completion	Completion occurs when completion of the Business Purchase Agreement occurs.
Commercial Software	The software specified in the Business Purchase Agreement.
Corporations Act	The Corporations Act 2001 (Cth).
Director	A director of the Company.
Dormant Subsidiaries	The following seven dormant subsidiaries within AYG including: Onenetwork Pty Limited, Sholl Communications (Aust) Pty Limited, Accord Technologies (WA) Pty Limited, Axxis Technology Pty Limited, Invizage Pty Limited, Anittel (TAS) Pty Limited and Cloud Only Distribution Pty Limited.
Eligible Shareholder	Means the relevant Anittel Shareholders on the Record Date.
Employees	All employees employed by ASPL on the date of the Business Purchase Agreement other than the Excluded Employees.
Employee Entitlements	The accrued employment benefits and entitlements in accordance with the relevant law.
Encumbrance	Includes: (a) a security interest (as defined in the Personal Property Securities Act 1999 (Cth)); (b) any other right, interest or arrangement that secures, or which has the effect of securing, the payment of money or the performance of a debt, obligation or liability or which has the effect of giving a person a preferential interest or priority, including a mortgage, debenture, charge, lien, pledge, bill of sale, hypothecation, title retention arrangement, lease, hire purchase, trust, assignment or deposit by way of security, however described; (c) any right, interest, power or arrangement which has the effect of providing a person with a priority, preference or advantage over another person, including arising from any option, equity, preferential interest, adverse interest or third party claim or right of any kind; (d) a right that a person (other than the owner) has to remove something from an asset (known as profit á prendre), or to use or occupy the asset, including a

	lease or licence or a caveat, easement or restrictive or positive covenant affecting an asset, and any third party right or interest in any right arising as a consequence of the enforcement of a judgement, including a garnishee order or a writ of execution; and (e) any agreement to give, create, grant or register any of the above or allow any of the above to exist without regard to the form of the transaction or agreement.
EST	Eastern Standard Time, New South Wales
Excluded Liabilities	Means: (a) any loan provided by Peter Kazacos and/or Vicki Kazacos to Anittel or APL; (b) any liability in a Dormant Subsidiary which is not fairly recognised in the accounts; (c) any liability that relates to the business of the entity sold to BigAir; and (d) any liability under the Telstra Mobile Contract.
FY	Financial Year.
HCS	The Cisco Host Collaboration Solution.
ICT	Information and Communications Technology.
Independent Expert	RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024.
Independent Expert's Report	The independent expert's report prepared by the Independent Expert and included at **Annexure E**.
IT Business Unit	The business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the Cisco HCS and Infrastructure as a Service (ISS) business
Lanier Equipment Agreement	The agreement between Anittel and Lanier (Australia) Pty Ltd dated 9 May 2012.

Material Adverse Change	Material adverse change means: (a) a Purchaser Material Adverse Change; or (b) a Vendor Material Adverse Change,
Net Working Capital	the net working capital of the Business calculated in accordance with the methodology and formula set out in the Business Purchase Agreement.
Performance Consideration	The deferred cash consideration payment payable to Anittel at or around 25 October 2015 in cash, dependent on the Anittel business units achieving agreed targets.
Permitted Encumbrances	Means: (a) all Encumbrances over or affecting the Anittel or APL or their assets that relate to the Cisco Agreements and the Tasmanian Government Contract, or (b) any title retention interest or other legal or equitable proprietary title or interest retained or reserved in any asset arising in the ordinary course of the business of Anittel, including any hire purchase agreement, finance lease or bailment.
Purchaser Material Adverse Change	Any fact that separately, or when aggregated with any other fact would be reasonably likely to result in a reduction of the annual amount of: (a) earnings before interest, tax depreciation and amortisation of the Company of not less than \$260,000; or (b) net assets of the Company of not less than \$260,000.
Prospectus	The prospectus lodged with ASIC on 4 November 2014.
Proxy Form	The proxy form attached to this Notice of Meeting.
Record Date	The date for determining the eligibility of Anittel Shareholders for participation in the Capital Reduction, anticipated to be 24 December 2014.
Record Date List	A list of the Eligible Shareholders together with the number of Acquisition Shares to be transferred to each Eligible

	Shareholder.
Reseller Agreements	The reseller, partner or similar agreements relating to the Business to which APL or an Anittel entity is a party, being agreements with Microsoft, Dell, Cisco, HP, Apple, IBM, Lenovo, Vmware, Citrix, EMC, APC, Symantec and Lexmark.
Share	A fully paid ordinary share in the Company.
Shareholder	The registered holder of Shares in the Company.
Shareholder Loans	Loans made to Anittel by the Anittel Shareholders or associates of them.
Tasmanian Government Contract or TGC	The agreement between Anittel and the government of Tasmania executed in August 2012 (together with subsequent amendments) for the provision of telecommunications hardware and the deployment and support of a hosted communications system to parts of the Tasmanian Government. The TGC has an initial five year term.
Team Leasing	Team Leasing Pty Limited ABN 12 130 240 443.
Team Leasing Master Lease Agreement	The master lease agreement between Team Leasing and Anittel.
Telstra Mobile Contract	The customer relationship agreement entered into by Anittel with Telstra Corporation Limited ACN 051 775 556 or any of its related bodies corporate dated 11 March 2008 in respect of wholesale mobile services.
Vendor Material Adverse Change	Any fact that separately, or when aggregated with any other fact would be reasonably likely to result in a reduction of the annual amount of: (a) earnings before interest, tax depreciation and amortisation of Anittel in connection with the Business of not less than $150,000; or (b) net assets of Anittel in connection with the Business of not less than $150,000.

Annexure C - Statements of financial position

(a) Pro forma combined balance sheet at 30 June 2014

	AYG assets and liabilities to be acquired $m	Completion $m	IAB 30 Jun 14 $m	Proforma Group $m
Current assets				
Cash and cash equivalents	0.1	(0.5)	3.7	3.3
Trade and other receivables	3.3	-	4.1	7.4
Inventories	0.4	-	0.0	0.4
Other	0.2	-	2.2	2.4
Total current assets	**4.0**	**(0.5)**	**10.0**	**13.5**
Non-current assets				
Receivables	0.2	-	-	0.2
Property, plant and equipment	2.5	-	0.6	3.1
Intangibles	4.4	10.0	4.3	18.7
Deferred tax	-	-	0.2	0.2
Other	-	-	0.5	0.5
Total non-current assets	**7.0**	**10.0**	**5.6**	**22.6**
Total assets	**11.1**	**9.5**	**15.6**	**36.1**
Current liabilities				
Trade and other payables	3.6	-	5.6	9.2
Borrowings	1.0	-	0.9	1.9
Income tax	-	-	1.1	1.1
Employee benefits	0.9	-	0.7	1.7
Other current liabilities	1.7	0.7	1.6	3.9
Total current liabilities	**7.3**	**0.7**	**9.9**	**17.7**
Non-current liabilities				
Borrowings	3.5	-	-	3.5
Employee benefits	0.3	-	0.3	0.6
Other non-current liabilities	-	1.5	0.7	2.2
Total non-current liabilities	**3.8**	**1.5**	**0.9**	**6.2**
Total liabilities	**11.1**	**2.2**	**10.9**	**23.9**
Net assets/(liabilities)	**-**	**7.3**	**4.7**	**12.2**
Equity				
Issued capital	-	7.5	5.7	13.2
Other Equity	-	-	-	-
Share based payments reserve	-	-	0.0	0.0
Reserves	-	-	(2.4)	(2.4)
Retained profits	-	(0.2)	1.3	1.1
Total equity	**-**	**7.3**	**4.7**	**12.2**

Notes on the Statements of Financial Position:

(i) Sources AYG Annual Report – 30 June 14 , dated 17 September 2014, Statement of Financial Position and IAB Annual Report – 30 June 14 , dated 10 September 2014, Statement of Financial Position. The value of individual assets and liabilities will have changed in the normal course of business between 30 June 14 and the Completion date.

(ii) "AYG assets and liabilities to be acquired" excludes the balance sheet of the parent company, the majority of cash balances and shareholder loans from related parties.

(iii) "Completion" reflects the following:

	$m	Source	Sect 3.1(e)
Issue of Shares			
Shares issued at completion (value to be derived from average price up to completion; estimate $1.30)	8.0		i
Cash payable at completion	0.5	Cash	ii
Accrued performance consideration	1.5	Non-current liabilities	iii
Total Estimated Consideration	**10.0**		
Attributable Costs			
Costs of Share Issue	0.48	Current Liabilities	
Attributable Taxation	(0.14)	Deferred Tax	
	0.34		
Incidental costs of completion	0.19	Current Liabilities	
	0.53		

(iv) Current liabilities include:

(A) Borrowings: proportion of lease finance commitments payable over the following twelve months. The total facility, both current and non-current, is used to finance assets held in non-current assets

(B) Deferred premises lease incentives recognised over the remaining life of the relevant leases

(C) Provisions for long service leave

(v) The allocation of the difference between the value of consideration given, net of costs of issue, and the carrying value of assets and liabilities acquired is indicative only. Consideration given will be determined by applying the market value of shares in the Company up to the date of Completion to the number of shares agreed to be issued, and the Company will undertake a post-Completion fair valuation of the assets and liabilities acquired which will determine the nature of the separable intangible assets and, where applicable, their estimated useful life.

Annexure D - Statement of financial performance

	IAB $m	AYG $m
Revenue	46.9	36.1
Cost of Sales	(32.2)	(19.4)
Gross Profit	**14.7**	**16.7**
Employee Benefits Expense	(9.6)	(15.4)
Occupancy	(0.2)	(1.3)
Other Operating Costs	(2.5)	(1.0)
EBITDA	**2.4**	**(1.0)**
Depreciation	(0.2)	(0.5)
Amortisation	(0.6)	(0.9)
Finance Costs	(0.0)	(0.9)
Profit/(loss) before tax	**1.6**	**(3.4)**
Tax	(0.5)	-
Profit/(loss) after tax	**1.1**	**(3.4)**

The AYG result relates to the performance of continuing operations, after eliminating the contribution to results of the group's telecommunications business which was sold in early 2014.

(f) Business Unit Information

Anittel comprises of two main operating business units, the IT Business Unit and the HCS Business. Information in relation to the financial performance of each for the 2014 financial year is set out below:

	IT & Services $m	HCS and Cloud $m	Total $m
Revenue	34.3	1.8	36.1
Cost of Sales	(19.1)	(0.2)	(19.4)
Gross Profit	**15.1**	**1.6**	**16.7**
Employee Benefits Expense	(11.6)	(2.2)	(13.8)
Other Costs	(3.0)	(0.4)	(3.4)
EBITDA	**0.6**	**(1.0)**	**(0.4)**
Depreciation & Amortisation	(0.7)	(0.7)	(1.4)
Finance Costs	(0.0)	(0.2)	(0.2)
Profit / (Loss) before taxation	**(0.2)**	**(1.9)**	**(2.0)**

(i) the table above is summarised from Anittel's management accounts for the year ended 30 June 2014.

(ii) Profit / (Loss) before taxation is stated before charging:

(A) interest due on shareholder loans

(B) corporate overheads allocated to discontinued operations

(g) HCS Platform Licences

Information with respect to active services billing on the HCS platform:

Average number of services billed during FY14	c 4,000
Actual services billing as at 30 Jun 14	c 7,000
Actual services billing as at 4 November 2014	c 8,000
Condition precedent minimum services as at Completion	7,500
Target for Performance Consideration as at 30 June 15	15,000

Annexure E - Independent Expert's Report

RSM Bird Cameron Corporate Pty Ltd

Inabox Group Limited

Financial Services Guide and Independent Expert's Report

November 2014

We have concluded that the Proposed Transaction Not Fair but Reasonable to IAB Shareholders

RSM Bird Cameron Corporate Pty Ltd

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below7.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Independent Expert's Report

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RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Direct Line: (03) 9286 8167
Email: glyn.yates@rsmi.com.au

13 November 2014

The Directors
Inabox Group Limited
10/9 Hunter Street
Sydney, NSW 2000

Dear Sirs

Independent Expert's Report

1. Introduction

1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Meeting and Explanatory Memorandum for Shareholders for the Extraordinary General Meeting of Inabox Group Limited ("IAB" or "the Company"), to be held on or around 22 December 2014, at which the approval of the following resolution ("the Proposed Transaction") will be sought from IAB shareholders ("IAB Shareholders").

Resolution:

To consider and, if thought fit, to pass without amendment the following resolution:

"That for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, approval is given for the acquisition by, and the allotment and issue of 6,153,846 new ordinary shares in the capital of the Company to, Anittel Group Limited on the terms and conditions set out in the Explanatory Memorandum."

1.2. The Directors of IAB have requested that RSM Bird Cameron Corporate Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to IAB Shareholders.

1.3. This Report has been prepared solely for use by IAB Shareholders to provide them with information relating to the Proposed Transaction and cannot be used by any other persons or for any other purpose. If in doubt about the Proposed Transaction, or matters dealt with in this Report, IAB Shareholders should seek independent professional advice.

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out in Sections 11 and 12 of this report, the Proposed Transaction is **Not Fair but Reasonable** for IAB Shareholders.

2.2. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent financial advisor.

Fairness

2.3. In assessing whether we consider the Proposed Transaction is fair to IAB Shareholders, we have valued a share in IAB prior to, and immediately after the Proposed Transaction, to determine whether an IAB Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

	Low	High	Mid point
Fair Value of an IAB share prior to the Proposed transaction (100% interest)	1.40	1.56	1.48
Fair Value of an IAB share after the Proposed transaction (Minority Interest)	1.10	1.18	1.14

Table 1: Valuation Summary

Chart 1 – Valuation Summary

2.4. As the preferred value, at the mid-point of the range, of an IAB share after the Proposed Transaction is less than the value of an IAB share prior to the Proposed Transaction, and in the absence of any other relevant information, we consider the Resolution to be **Not Fair** to IAB Shareholders.

2.5. On the basis that Anittel Group Limited ("AYG") will hold at 31% interest in IAB prior to the distribution of IAB shares to AYG shareholders, RG 111 requires the Proposed Transaction to be assessed in the same manner as a takeover bid where AYG is the bidder and IAB is the target entity. Accordingly, for the purpose of assessing the Fair Value of an IAB share prior to the Proposed Transaction, the valuation incorporates a control premium.

Reasonableness

2.6. RG 111 states that a transaction might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. When assessing the reasonableness of the Proposed Transaction, we have considered the following factors other than fairness:

- the level of practical control achieved by AYG as a result of the Proposed Transaction;
- the future prospects of the Company if the Proposed Transaction does not proceed; and

- any other commercial advantages and disadvantages to IAB Shareholders as a consequence of the Proposed Transaction proceeding.

2.7. We have assessed the Proposed Transaction as **Reasonable**, despite it not being fair. In arriving at this conclusion we have given primary consideration to the following factors:

The level of practical control achieved by AYG

- On the basis that AYG will hold at 31% interest in IAB prior to the distribution of IAB shares to AYG shareholders, RG 111 requires the Proposed Transaction to be assessed in the same manner as a takeover bid where AYG is the bidder and IAB is the target entity. Accordingly, the Fair Value of an IAB share prior to the Proposed Transaction must be assessed on the basis of 100% ownership (i.e incorporating a control premium.)

- Whilst we have assessed the Fair Value of an IAB share prior to the Proposed Transaction on a 100% ownership basis, RG 111.27 states that that there may be circumstances in which the allottee (in this case, AYG) will acquire 20% or more of the voting power of the securities in the company following an allotment of shares to increase a holding to a level above 20%, but does not obtain a practical measure of control over the company.

- RG 111.28 further states that "if the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is "reasonable" if it has assessed the issue price as being not fair applying the test in RG 111.11.

- Whilst the Proposed Transaction is assessed as Not Fair, we consider that, whilst required for the purposes of RG 111.11, the inclusion of a control premium when ascribing a Fair Value to IAB prior to the Proposed Transaction does not reflect the substance of the Proposed Transaction, where no single entity will have in excess of 20% of IAB's issued equity, as a result of the AYG distribution of IAB shares to its shareholders.

- Under RG 111.28 if an expert believes that the allottee (AYG) has not obtained or increased its control over the company as a practical matter, then the expert can take this outcome into account in assessing whether the issue price is "reasonable" if it has assessed the issue price as being not fair applying the test in RG 111.11.

- A comparison of the assessed Fair Value of an IAB share, on a Minority Interest basis, prior to and after the Proposed Transaction, together with the VWAP of IAB shares since the announcement of the Proposed Transaction, is set out in the table below:

	Low	High	Preferred
Fair Value of an IAB share prior to the Proposed Transaction (Minority Interest)	1.25	1.33	1.29
Fair Value of an IAB share after the Proposed transaction (Minority Interest)	1.10	1.18	1.14
VWAP of IAB shares since the announcement of the Proposed Transaction	1.24	1.30	1.25
VWAP of IAB shares prior to the announcement of the Proposed Transaction	1.23	1.28	1.26

Table 2: Valuation of IAB shares pre and post the Proposed Transaction

- The IAB share price has not moved significantly since the Proposed Transaction was announced on 5 November 2014. Over the 10 days prior to the announcement of the Proposed Transaction, IAB shares traded between $1.23 and $1.28, with a VWAP of $1.26. Between 5 November 2014 and 10 November 2014, IAB shares traded in a range between $1.24 and $1.30, with a VWAP of $1.25. As at 10 November 2014 the IAB share price was $1.30. Notwithstanding that we have assessed the Proposed Transaction as Not Fair, the market has not significantly changed its valuation of IAB in light of the Proposed Transaction. We consider that the information provided to the market by IAB in its announcement of the Proposed Transaction provides a reasonable basis for the market to assess the relative merits of the Proposed Transaction.

Consideration of post transaction synergies

- On the basis of our review of the cost base of the Merged Group and our discussions with IAB Management, we consider there to be potential cost synergies that may be realised post transaction. The synergies identified relate to back office functions and are intended by IAB Management to be realised over the course of FY 2015 and FY 2016. Based on an assessment of the information provided to us, we consider that cost savings in the order of $1 million per year would not be unreasonable. The table below sets out a summary of the assessed Minority Interest value of an IAB share after the Proposed Transaction, inclusive of the assessed value of synergy benefits.

	Low	High	Preferred
Fair Value of an IAB share prior to the Proposed Transaction (Minority Interest)	1.25	1.33	1.29
Fair Value of an IAB share after the Proposed Transaction (Minority Interest)	1.10	1.18	1.14
Assessed minority interest value of an IAB share after the Proposed Transaction, inclusive of synergy benefits	1.29	1.49	1.39
VWAP of IAB shares since the announcement of the Proposed Transaction	1.24	1.30	1.25
VWAP of IAB shares prior to the annoucment of the Proposed Transaction	1.23	1.28	1.26

Table 3: Valuation of IAB shares pre and post Proposed Transaction

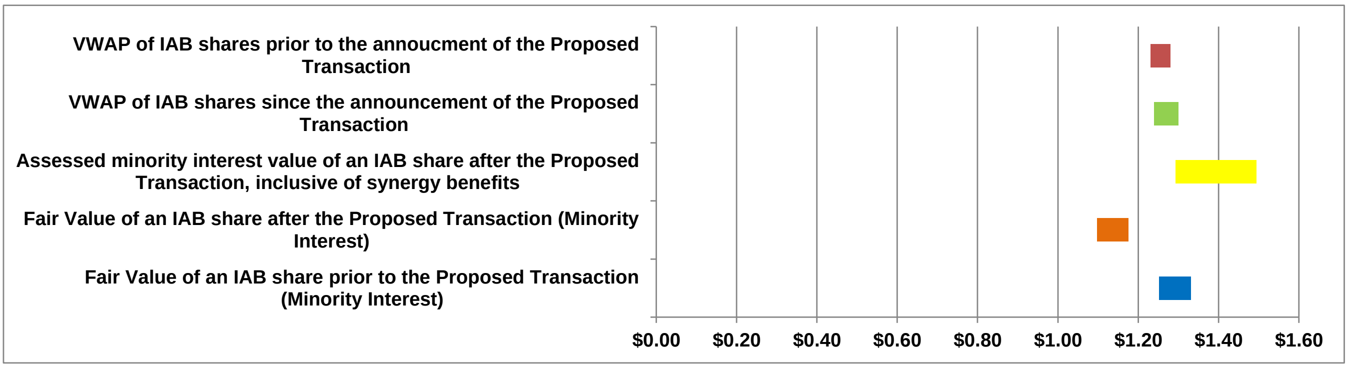

Chart 2 – Valuation Summary

- After inclusion of the assessed value of synergy benefits the assessed value of an IAB share is comparable to the Fair Value of an IAB share prior to the Proposed Transaction, on a Minority Interest basis and the VWAP of IAB shares since the announcement of the Proposed Transaction.

- A summary of our assessment and valuation of the identified synergy benefits is set out in paragraphs 12.9 to 12.13.

Other key advantages and disadvantages

- Our consideration of the other relative advantages and disadvantages to IAB shareholders in the event that the Proposed Transaction proceeds are set out below:
  - Subsequent to the Proposed Transaction, IAB will have increased scale of operations and a more diverse revenue stream. Specifically:
    - IAB is proposing to acquire AYG's IT and Services Business and the HCS platform in which AYG has made a multi-million dollar investment over the past two and half years. Our assessment of fairness incorporates an assessment of the value of the HCS Business on a net assets basis and therefore does not incorporate any potential upside to the HCS Business. Notwithstanding the inherent uncertainty in respect of projecting future revenue from the HCS Business over the medium to long term, the acquisition of the HCS platform provides an opportunity for IAB to grow the HCS revenue base significantly above its current level in future years. The HCS Business is currently delivering a 5 year contract with two 3 year options to deploy over 8,000 end points for the Tasmanian Government. Management considers that the HCS platform can scale to more than double its current capacity in the Tasmanian market. Whilst the future prospects of the HCS Business are not sufficiently certain to enable an income based valuation methodology to be utilised, the factors set out above in relation to the prospects of the HCS Business, if delivered, may result in a considerable uplift in the value of IAB in the medium to long term.
    - The Proposed Transaction would result in IAB gaining the capacity to service clients with end to end Information Technology ("IT"), cloud and communications services. The Proposed Transaction will also provide an opportunity to cross sell the existing Inabox service offerings and the IT and Services and Cloud offerings.
    - IAB currently services the consumer and SME markets indirectly via Retail Service Providers ("RSPs"). The Proposed Transaction would enable IAB to directly service larger businesses, including the corporate market and Government entities.
- The Merged Group will have a national presence with over 200 staff and with revenue of circa $83 million based on FY 2014 revenue, compared to IAB's FY 2014 revenue on a stand-alone basis of $47 million. The increased size and scale of IAB post the transaction may result in the market re-rating the Company over the medium term. Further, the increased size and scale of the Company and its increased shareholder base may result in improved liquidity in the market for IAB shares and may enhance IAB's ability to raise equity or debt capital if required.
- Other than the Proposed Transaction being assessed as Not Fair, the key disadvantages for IAB Shareholders in the event that the Proposed Transaction proceeds are:
  - IAB shareholders will be diluted from 100% of IAB to 69.34%;
- Notwithstanding the potential benefits of acquiring the IT and Services Business and the HCS Business, should the Proposed Transaction proceed, IAB shareholders will hold an interest in a merged entity that will have a different risk profile to the current IAB business, including potential downside risks that forecast earnings from the IT and Services do not materialise as envisaged and that the HCS Business does not achieve the potential benefits set out above.

3. Summary of the Proposed Transaction

3.1. On 4 November 2014, the Company entered into a business purchase agreement ("BPA") with AYG.

3.2. AYG is an entity listed on the ASX and a national, end-to-end provider of technology and connectivity services focused on support and value. It offers managed and hosted information and communications technology ("ICT") solutions for desktop, infrastructure and communications. AYG provides these services to regional and metropolitan Australia with a physical presence in 14 locations.

3.3. AYG currently owns, directly or indirectly, the entire issued share capital of the following companies:

- an operating subsidiary called APL;
- a subsidiary which employs all staff called ASPL; and
- seven dormant subsidiaries.

3.4. Under the terms of the BPA, the Company will acquire the operating businesses of AYG ("the Business"), including:

- all of the relevant business assets and liabilities of the parent entity AYG;
- all of the APL shares owned by the parent entity AYG; and
- make offers of employment to most employees of ASPL.

3.5. The parent entity, Anittel, and the dormant subsidiaries are not being acquired. The cash and the shareholder loans of the group will be retained by AYG.

3.6. On completion of the BPA, the Company will gain effective control over the Business.

3.7. The BPA provides that the Company will pay a combination of IAB shares and cash for the Business. The breakdown is as follows:

- 6,153,846 shares issued at Completion;
- $500,000 in cash payable at Completion; and
- up to $1.5m of Performance Consideration payable on or around 30 September 2015 in cash, dependent on the AYG business units achieving agreed targets.

3.8. The BPA provides that:

- the Company will acquire all relevant AYG operating assets and agreed working capital; and
- the Company will take over all of the liabilities relating to the Business other than the shareholder loans and employee entitlements for employees who do not accept the Company's offer of employment; and
- all of the Acquisition Shares will be transferred pro rata to AYG's shareholders following the approval of the capital reduction by AYG's shareholders.

3.9. The table below sets out a summary of the capital structure of IAB prior to and subsequent to the Proposed Transaction.

	Number of shares	% interest prior to Proposed Transaction	% interest after Proposed Transaction
IAB shares on issue immediately prior to the completion	13,916,684	100.00%	69.34%
IAB shares issued to AYG at upon completion	6,153,846	-	30.66%
IAB shares on issue imediately after completion	**20,070,530**	**100.00%**	**100.00%**

Table 4: Capital structure before and after the Proposed Transaction

3.10. The issue of 6,153,846 IAB shares ("Acquisition Shares") to AYG will result in AYG holding a 30.66% interest in IAB.

3.11. Under the terms of the BPA, upon completion, the IAB shares initially issued to AYG will be distributed immediately to the AYG Shareholders on the AYG register as at the record date (anticipated to be 24 December 2014). The issue is subject to AYG Shareholders approving the sale of the Business and a capital reduction at the AYG annual general meeting for the distribution of the Acquisition Shares to them on a pro rata basis.

3.12. At the completion of the distribution of Acquisition Shares to AYG shareholders:

- AYG will not hold any interest in the share capital of IAB; and
- No AYG shareholder will hold greater than 10.6% of IAB's share capital as a result of the Proposed Transaction.

3.13. IAB has stated that the rationale for the acquisition of the Business is the creation of a complete end to end information technology ("IT"), cloud and communications solution provider with a physical presence in 14 locations across metropolitan and regional Australia. IAB consider that the acquisition will provide opportunities for cross selling and up selling through IAB's channel partners and the Business's clients including SMEs, corporates, not for profit organisations and Government.

3.14. Further, IAB has stated that the Business will continue to operate within the IAB structure under the Anittel brand and with substantially the same staff and management. IAB consider that significant cost savings can be achieved through the elimination of back office and corporate overheads.

4. Purpose of this Report

Corporations Act

4.1. Section 606(1) of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company:

- would increase from 20% or below to more than 20%; or
- would increase from a starting point that is above 20% and below 90%.

4.2. In broad terms, a person has a "relevant interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a relevant interest, compared with the total number of voting shares in a company.

4.3. As noted above, section 606(1) of the Corporations Act prohibits an acquisition of a relevant interest in issued voting shares by a person in a listed company if the transaction would result in that person's (or someone else's) voting power in the company increasing from 20% or below to more than 20% or from a starting point that is above 20% and below 90% (except in certain exempted circumstances, such as with shareholder approval in accordance with the relevant takeover laws).

4.4. As a result of the Proposed Transaction, AYG will acquire a relevant interest of 30.66% in the Company, prior to distributing those shares to its shareholders on the record date, and this requires shareholder approval under Section 611 of the Corporations Act.

4.5. Section 611, Item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under section 606(1) of the Corporations Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company, and:

(i) no votes are cast in favour of the resolution by the person or their associates proposing to make the acquisition; and

(ii) there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates, or known to the Company that was material to a decision on how to vote on the resolution.

4.6. Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting.

4.7. RG 111 advises the commissioning of an IER in such circumstances and provides guidance on the content.

4.8. This report has been prepared to assist the Directors of IAB in making their recommendation to IAB shareholders in relation to the Resolution, and to assist IAB shareholders to assess the merits of the Proposed Transaction. The sole purpose of this report is to set out RSM's opinion as to whether the Proposed Transaction is fair and reasonable.

Basis of Evaluation

4.9. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.

4.10. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.11. RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.12. Where an issue of shares by a company otherwise prohibited under Section 606 is approved under Item 7 of Section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

Fairness

4.13. In assessing whether the Proposed Transaction is fair to IAB shareholders, we have considered a comparison of:

- the value of an IAB share (including a premium for control), prior to the Proposed Transaction and assuming that the Proposed Transaction does not proceed; to
- the value of an IAB share after the Proposed Transaction (on a minority interest basis).

Reasonableness

4.14. In assessing whether the Proposed Transaction is reasonable to IAB shareholders, the analysis is undertaken as following:

- a review of other significant factors which IAB shareholders might consider prior to approving the Proposed Transaction, including the level of practical control obtained by AYG as a result of the Proposed Transaction;
- in particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed, including the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to IAB shareholders as a consequence of the Proposed Transaction proceeding.

4.15. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

5. Profile of IAB

5.1. The Company operates as a non-carrier telecommunications aggregator, providing its customers, RSPs, with telecommunications products including fixed line, hosted voice, mobile, cloud and data services. As part of this service, the group provides back office services including billing, provisioning, product development, training and support, and customer service using the brand selected by its service providers.

5.2. IAB operates under three brands targeting different sectors of the market:

- The Telcoinabox brand services and targets RSPs with a requirement for a full suite of telecommunication products and back end services including billing, payment processing, customer care and technical support.

- The iVox brand services RSPs. iVox competes for price sensitive and technically competent RSPs by focusing on a narrower range of next generation Internet Protocol ("IP") products, supported by customer service and a limited range of back office services.

- The Neural Networks brand was acquired by IAB in July 2014 as part of IAB's acquisition of Neural Networks Data Services Pty Limited. Neural Networks provides cloud, data and connectivity services to the wholesale market.

5.3. The Company's principal business activity has been to supply wholesale telecommunications services to resellers, who in turn resupply their primarily business end-customers. The Company's business model is as set out below:

- RSPs enter into an agreement to supply telecommunications products and services to end users;
- The RSP uses Telcoinabox's provisioning and billing platform to enter the end user and service details;
- Telcoinabox then sends a provisioning request to the ultimate carrier (i.e Telstra, Optus etc);
- Once the services are active, the Carrier starts to bill Telcoinabox for usage and call/data traffic; and
- Each day Telecoinabox collects usage information relating to the end user services from the carrier, this is stored in the provisioning and billing system.

5.4. The iVox business operates differently to the above with most RSPs using their own billing systems and prepaying for their services.

5.5. The Company has expanded its activities to provide telecommunications services to large corporates, and operates an additional business capability which it describes as "enablement". This operates as a separate segment under the Company's Telcoinabox brand, leveraging the Company's existing skills and relationships for larger consumer businesses.

5.6. IAB provides the following products and services to its customers:

Telecommunication products

- Mobile voice and data services – supplied by both Telstra and Optus
- Fixed wire – traditional phone lines (Public Switched Telephone Network ("PSTN")), digital home lines (Integrated Services Digital Network ("ISDN"))

- Internet – IAB manages and maintains its own national network in conjunction with its suppliers, providing ADSL, SHDSL and Ethernet. Wireless broadband is provided through Optus, with coverage in most capital cities (and steady growth in regional areas)
- Inbound – telephone service for 13, 1300 and 1800 numbers
- Hosted Voice – includes IP telephone lines (SIP Trunks), Hosted PBX and VoIP
- Hosting products including web, domain name services and email
- Hardware – mobile handsets and SIM cards, routers and hosted voice hardware

Back office services

- Bill management – production of monthly end user invoices, printing and mailing
- Customer Relationship management (“CRM”) – cloud based system integrated with the billing system allowing end users to be managed throughout all stages of the selling process
- Provisioning services – the transfer of existing or the activation of new services
- Training - comprehensive training programs, covering all aspects of being an RSP, from technical knowledge to marketing and ongoing workshops, webinars, regulatory guidance, annual sales conference and online tutorials
- Payment processing – provides many different ways for end users to pay their bills, e.g. credit card, EFTPOS, BPAY etc.
- Marketing – assisting RSPs via branded product collateral, stationery, websites, email campaign templates and social media guidance
- Faults – technical help desk provides assistance to end users and answers the phone using the RSP’s name (rather than Inabox)
- Customer care using the RSP’s brand –handles billing enquiries, requests for additions, moves, changes and upgrades on behalf of RSPs
- Knowledge base – online technical support
- Product development – procurement and launch of new products and services

5.7. The Company generates circa 50% of its revenue from fixed line telephony services with circa 17%, 13% and 10% generated from mobile, data and IP telephony, respectively. The remaining 10% of revenue is primarily non-network income.

Capital structure

5.8. The table below sets out a summary of the capital structure of IAB as at 21 October 2014.

Shareholder	Number	Percentage
DUIT NOMINEES PTY LTD (DUNCAN INVESTMENTS UNIT A/C)	2,651,260	19.05%
KUIT NOMINESS PTY LTD (KAY INVESTMENTS UNIT A/C)	2,651,260	19.05%
GUIT NOMINESS PTY LTD (GOULD INVESTMENTS UNIT A/C)	2,651,260	19.05%
M2 GROUP LTD	1,666,667	11.98%
KNARF INVESTMENTS PTY TLD (TERRIGAL A/C)	1,257,867	9.04%
MR MICHAEL JOHN CLARKE	807,132	5.80%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	258,189	1.86%
COLESROW PTY LIMITMED (THE COLESROW A/C)	172,862	1.24%
CITICORP NOMINEES PTY LIMITED	143,728	1.03%
MR PAUL LINE	127,014	0.91%
MAST FINANCIAL PTY LTD (A TO Z INVESTMENT A/C)	113,250	0.81%
ADC (INVESTING) PTY LTD (AL COOK ASSET A/C)	90,000	0.65%
MOAT INVESMENTS (MOAT INVESTMENT A/C)	79,166	0.57%
WA ANDREWS (MEDICAL) PTY LTD (WSA SUPERANNUATION FUND A/C)	76,000	0.55%
FORTY FIRTH DECBARB PTY LTD (ME RYAN SUPER FUND A/C)	72,535	0.52%
MR DAMIEN KAY & MRS NATASHA MYRA KAY (MANCART SUPER FUND A/C)	56,678	0.41%
ZANDEN VENTURES PTY LTD (THE ZANDEN VENTURES A/C)	52,083	0.37%
TOMPAG PTY LTD (J&M PAGILARO A/C)	49,167	0.35%
MR DAVID JOHN FAHEY & MRS NICOLE PAULY FAHEY (YUNDA HOLDINGS SUPER A/C)	40,000	0.29%
MR TREVOR IRVIN CLARKE & MRS ROSLYN ANN CLARKE	31,447	0.23%
Top 20	**13,047,565**	**93.75%**
Remaining shareholders	869,119	6.25%
Total shares on issue	**13,916,684**	**100.00%**

Table 5: Largest twenty IAB shareholders

5.9. Prior to the Proposed Transaction, IAB has 13,916,684 shares on issue, with 93.75% held by the top twenty shareholders.

5.10. A total of 7,953,780 IAB shares, representing 57.15% of total share capital, held by entities associated with the founders of IAB being Damian Kay, Morgan Duncan and Damien Gould are subject to a voluntary escrow for a period of at least 18 months from the date of the listing (12 July 2013) of the Company's shares on the Australian Stock Exchange ("ASX").

5.11. A summary of outstanding options is set out in the table below:

	Grant date	Expiry date	Exercise price	No. of options
(a)	10 January 2013	30 November 2018	0.96	1,041,666
(b)	24 May 2013	23 May 2018	1.20	333,322
				1,374,988

Table 6: Outstanding IAB options

(a) Option holders have the right to invest $1,000,000 at a price of $0.96 per share not later than 30 November 2018. The investment of the first $340,000 has no time restrictions but at the time of exercise the Company's Share price must have outperformed the ASX 200. The remainder can only be exercised after three years from the date of issue and at exercise date must have outperformed the ASX 200 and the share price must be $1.38 or higher.

(b) The option holder must continue to be engaged as a Director of the Company two years after the date of issue.

5.12. Of the options set out above, 354,167 options, with an exercise price of $0.96 are eligible to be exercised at the discretion of the option holders on the basis that the Company's share price has outperformed the ASX 200 index, since listing, as at 10 November 2014.

Financial Performance

5.13. The financial performance of IAB for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014 is set out in the table below.

Financial Performance	Year ended 30-Jun-14 *Audited* $'000	Year ended 30-Jun-13 *Audited* $'000	Year ended 30-Jun-12 *Audited* $'000
Revenue			
Revenue from services	46,910	41,483	42,173
Other Income	4	94	522
Total revenue	**46,915**	**41,577**	**42,695**
Operating expenses	44,501	39,383	42,985
EBITDA	**2,414**	**2,194**	**(289)**
EBITDA margin	*5.1%*	*5.3%*	*-0.7%*
Depreciation & amortisation	756	371	186
EBIT	**1,658**	**1,823**	**(475)**
EBIT margin	*3.5%*	*4.4%*	*-1.1%*
Interest paid	(48)	(78)	(132)
Profit before income tax	**1,610**	**1,745**	**(606)**
Tax expense	541	543	213
Profit after income tax	**1,068**	**1,202**	**(820)**
Profit after income tax margin	*2.3%*	*2.9%*	*-1.9%*

Table 7: IAB Historical Financial Performance

5.14. The financial performance set out above represents audited financial information as reported in IAB's financial statements. The trading results for FY 2014 include the trading results of the iVox business from the acquisition date of 12 July 2014.

5.15. IAB has also made ASX releases (including the IPO prospectus) setting out pro-forma and underlying financial performance over the 4 years to 30 June 2014. The pro forma results are inclusive of trading results of the iVox business. The table below sets out a summary of the pro forma and underlying EBITDA results.

Adjusted Financial Performance	Ref	Year ended 30-Jun-14 *Audited* $'000	Year ended 30-Jun-13 *Pro forma* $'000	Year ended 30-Jun-12 *Pro forma* $'000	Year ended 30-Jun-11 *Pro forma* $'000
Revenue	5.19	46,910	45,056	45,700	51,600
EBITDA	5.20	2,414	3,128	1,400	1,700
One off restructure cost	5.17	300	-	-	-
Bad debts	5.18	-	-	1,400	-
Adjusted EBITDA		**2,714**	**3,128**	**2,800**	**1,700**
Adjusted EBITDA margin		*5.8%*	*6.9%*	*6.1%*	*3.3%*
Revenue growth		*4.1%*	*-1.4%*	*-11.4%*	*N/A*
Adjusted EBITDA growth		*-13.2%*	*11.7%*	*64.7%*	*N/A*

Table 8: IAB Adjusted Historical Financial Performance

5.16. The pro forma EBITDA for FY 2011 and FY 2012 were subject to review by Ernst and Young in the IAB prospectus dated 10 May 2013. The FY 2013 pro forma results comprise the audited results of IAB and the unaudited results of iVox[1].

5.17. The adjusted FY 2014 EBITDA result set out above comprises the trading result disclosed in the FY 2014 audited financial statements together with the add back of a one off restructure cost of $300,000 in relation to employee redundancy payments made in the first quarter of FY 2014[2].

5.18. The adjusted FY 2012 EBITDA result includes an adjustment to remove the impact of bad debts expense of $1.4 million. IAB has disclosed bad debts expense of $33,000 and $1,500 in FY 2013 and FY 2014, respectively.

5.19. The decline in revenue from FY 2011 to FY 2012 was primarily due to a decline in mobile and fixed line revenue.

5.20. The EBITDA margin increased from 3.1% to 6.9% in FY 2013 primarily due improved gross margin on fixed line and mobile services and circa $1.4 million of bad debts expenses in FY 2012 that were not incurred in FY 2013.

[1] Inabox ASX release dated 30 August 2013.
[2] Inabox ASX release dated 29 August 2014.

Financial Position

5.22. The financial position of IAB as at 30 June 2013 and 30 June 2014 is set out in the table below.

Financial Position	Ref	As at 30-Jun-14 *Audited* $'000	As at 30-Jun-13 *Audited* $'000
Current assets			
Cash and cash equivalents	5.25	3,657	409
Trade and other receivables		4,054	2,911
Inventories		9	36
Other		2,250	2,942
Total current assets		9,970	6,298
Non-current assets			
Property Plant and Equipment		573	360
Intangibles	5.24	4,337	847
Deferred tax assets		172	323
Other		500	650
Total non-current assets		5,581	2,180
Total assets		15,551	8,478
Current liabilities			
Trade and other payables		5,571	4,884
Borrowings	5.25	866	876
Income Tax		1,091	255
Employee Benefits		740	927
Other Current Liabilities		1,645	2,118
Total current liabilities		9,912	9,059
Non-current liabilities			
Employee Benefits		282	182
Other non-current liabilities		658	801
Total non-current liabilities		940	983
Total liabilities		10,853	10,042
NET ASSETS	5.23	**4,699**	**(1,564)**
Equity			
Issued Capital		5,694	537
Reserves		(2,324)	(2,362)
Retained Profits		1,329	260
TOTAL EQUITY		**4,699**	**(1,564)**

Source: Audited financial statements for the two years ended 30 June 2014

Table 9: IAB Historical Financial Position

5.23. As at 30 June 2014, IAB disclosed net assets of $4.7 million and net tangible assets of $362,000. The increase in net assets of $6.2 million compared to 30 June 2013 arose primarily due to equity raised from the IPO in July 2013 of $5.2 million and retained profit of $1.1 million.

5.24. Intangible assets comprise of intangible assets acquired as part of the iVox acquisition, including goodwill, customer lists and software.

5.25. As at 30 June 2014, IAB disclosed cash, net of interest bearing liabilities, of $2.8 million.

Share Price and Performance

5.26. The daily closing share price and traded volumes of IAB shares on the ASX from 12 July 2013 (the date of official quotation of IAB shares) to 5 November 2014 are set out in the table below.

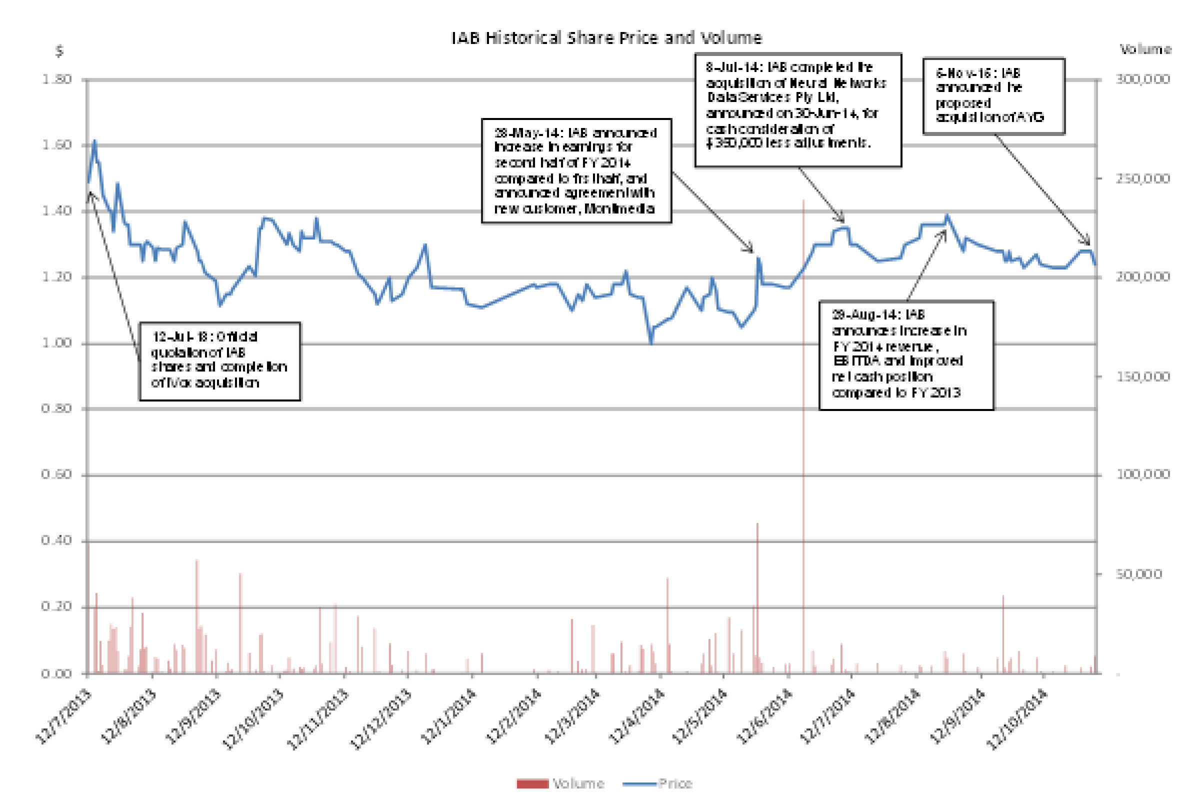

Chart 3 – IAB Daily Closing Share Price and Traded Volumes from 12 July 2013 to 5 November 2014
(Source: Capital IQ, ASX announcements and RSM analysis)

5.27. IAB was admitted to the official list of the ASX on 10 July 2013, with official quotation of the Company's securities commencing on 12 July 2013.

5.28. On 12 July 2013, the Company also completed its acquisition of a 100% equity interest in specialist VoIP provider, iVox Pty Ltd ("iVox") for consideration of approximately $3.42 million, comprising the following:

- $900,000 in cash; and
- the issue of 2,096,446 new IAB shares at a valuation of $1.20 each, totalling $3,415,735.

5.29. The iVox brand became available to the Company on completion of its IPO in July 2013.

5.30. On 28 May 2014, IAB announced that its wholly-owned subsidiary, Telcoinabox, had signed a telecommunications supply agreement with new customer Montimedia Pty Ltd ("Montimedia").

Montimedia is a reseller of internet and phone services. As a result of the supply agreement, approximately 2,000 customers were migrated across to the Telcoinabox platform.

5.31. On 30 June 2014, IAB announced the acquisition of the business and assets of Neural Networks Data Services Pty Ltd ("Neural Networks"), a cloud and VoIP provider, on a debt and cash free basis. On 8 July 2014, the Company announced that it had completed the acquisition of Neural Networks for cash consideration of $350,000, less adjustments. The consideration was paid from the Company's existing cash reserves.

5.32. On 29 August 2014, IAB announced that the financial results for the year ended 30 June 2014 included an increase in revenue of 13.0% to total $46.9 million, and an increase in EBITDA of 16.6% to total $2.4 million compared to the 2013 financial year. The Company also announced a net cash position of $2.8 million at 30 June 2014, compared to a net debt position of $0.5 million in 2013.

5.33. On 5 November 2014, IAB announced the proposed acquisition of AYG.

5.34. Since its listing, IAB's share price has fluctuated from a high of $1.62 on 15 July 2013 to a low of $1.00 on 7 April 2014.

5.35. Since the announcement of the Proposed Transaction on 5 November 2014 to 10 November 2014, IAB's share price has fluctuated between $1.24 and $1.30, with a VWAP of $1.25.

5.36. The liquidity of IAB's shares has been relatively low. Of the total 13,916,684 ordinary listed shares, 7,953,780 were placed in escrow as at 12 July 2013, with 5,962,904 listed shares available for trading. Only 2.4% of the available shares were traded in the 60 days available for trading prior to the initial announcement of the Proposed Transaction on 5 November 2014.

6. Profile of the AYG Business

6.1. The Business that forms the Proposed Transaction represent the operating businesses of AYG.

6.2. AYG is an entity listed on the ASX and is a national, end-to-end provider of technology and connectivity services focused on support and value. It offers managed and hosted information and communications technology ("ICT") solutions for desktop, infrastructure and communications. AYG provides these services to regional and metropolitan Australia with a physical presence in 14 locations.

6.3. AYG has a diverse client base of over 1,000 small, medium and large enterprise clients, corporates and Government agencies with key strengths in the education and government sectors. It also holds relationships with key ICT vendors and distributors and is an accredited or certified partner with Cisco, HP, Dell, Microsoft, Lenovo, IBM, VMWare, Citrix and others. AYG is one of a limited number of Cisco partners in Australia to deploy a Hosted Collaboration Solution ("HCS"), supporting AYG's contract with the Tasmanian Government.

6.4. The Business that forms the Proposed Transaction comprise two segments:

<u>IT and Services Business</u>

- IT products – procurement of IT telecommunications software and hardware from leading global partners
- IT services
  - Managed IT support – Includes system monitoring, proactive maintenance and trouble shooting support across entire workstation, server and network environment.
  - Managed services – Outsourced IT support service that is designed and tailored to each client's requirement.
  - Professional services- Strategic IT planning, project management, life cycle planning and technology audits.

<u>HCS Business:</u>

- Cisco hosted collaboration solution and cloud computing.

6.5. AYG divested its general hosting and network infrastructure and carrier business on 31 January 2014.

Financial Performance

6.6. The table below sets out summary of the historical financial performance of the Business for FY 2014. The financial information set out below is sourced from the financial information included in IAB's announcement to the ASX in respect of the Proposed Transaction on 5 November 2014.

Financial Performance from continuing operations	Business to be acquired Year ended 30-Jun-14 *IT & services* $'000	Year ended 30-Jun-14 *Cloud* $'000	Year ended 30-Jun-14 *Total* $'000	Year ended 30-Jun-14 *Corporate* $'000	Year ended 30-Jun-14 *Audited Total* $'000	Year ended 30-Jun-13 *Audited Total* $'000
Revenue	**34,285**	**1,775**	**36,060**		**36,060**	**37,212**
Cost of Sales	19,141	223	19,364	-	19,364	21,133
Gross profit	**15,144**	**1,552**	**16,696**	**-**	**16,696**	**16,079**
Gross profit margin	*44.2%*	*87.4%*	*46.3%*	*N/A*	*46.3%*	*43.2%*
Operating expenses	14,578	2,537	17,115	623	17,738	17,822
EBITDA	**566**	**(985)**	**(419)**	**(623)**	**(1,042)**	**(1,743)**
EBITDA margin	*1.7%*	*-55.5%*	*-1.2%*	*N/A*	*-2.9%*	*-4.7%*
Depreciation & amortisation	722	671	1,393	-	1,393	1,034
Impairment	-	-	-	-	-	5,000
EBIT	**(156)**	**(1,656)**	**(1,812)**	**(623)**	**(2,435)**	**(7,777)**
EBIT margin	*-0.5%*	*-93.3%*	*-5.0%*	*N/A*	*-6.8%*	*-20.9%*

Table 10: Historical Financial Performance

6.7. The table set out above sets out segmented financial performance of the IT and Services business and the HCS business for FY 2014. With the exception of $623,000 of corporate costs, the trading results set out above agree to the results from continuing operations (i.e. excluding the operations divested during FY 2014).

6.8. The corporate costs of $623,000 comprise costs relating to the listed entity and will not form part of the Proposed Transaction.

6.9. Revenue from continuing operations declined by 3% from FY 2013 to FY 2014 due to a decline in IT product sales and related services, partly offset by increased end point service deployments to delivered under a contract with the Tasmanian Government.

6.10. Whilst revenue from continuing operations declined, gross profit margin increased from 43.2% to 46.3%.

6.11. The IT and Services Business generated an EBITDA of $566,000 in FY 2014. The HCS business generated loss of $1 million.

6.12. The impartment charge of $5 million incurred in FY 2013 was in relation to the write down of the carrying value of goodwill in respect of the IT and Services division.

Financial Position

6.13. The financial position of AYG as at 30 June 2014, together with the assets and liabilities to be acquired as part of the Proposed Transaction, is set out in the table below. The assets and liabilities to be acquired are as at 30 June 2014. The values of these assets will change between 30 June 2014 and completion.

Financial Position	Ref	AYG As at *30 June 2014 Audited* $'000	Assets *and liabilities to be acquired (rounded)* $'000
Current assets			
Cash and cash equivalents		7,762	100
Trade and other receivables		3,304	3,300
Inventories		417	400
Other		166	200
Total current assets		11,649	4,000
Non-current assets			
Receivables		173	200
Property Plant and Equipment		2,481	2,500
Intangibles		6,054	4,400
Total non-current assets		8,708	7,100
Total assets		20,357	11,100
Current liabilities			
Trade and other payables		5,260	3,600
Borrowings		1,011	1,000
Provisions		929	900
Revenue received in advance		1,708	1,700
Total current liabilities		8,908	7,200
Non-current liabilities			
Borrowings		13,170	3,500
Provisions		273	300
Total non-current liabilities		13,443	3,800
Total liabilities		22,351	11,100
NET ASSETS / (LIABILITIES)	6.14	**(1,994)**	-

Source: Audited financial statements for year ended 30 June 2014 and Explanatory Memorandum

Table 11: AYG historical Financial Position

6.14. As at 30 June 2014, AYG disclosed a net liability position of $1.99 million.

6.15. The assets and liabilities, as estimated by IAB, to be acquired under the Proposed Transaction have a net balance of $nil, as at 30 June 2014.

6.16. The estimated $4.4 million of intangible assets represents IAB's preliminary estimate of the intangible assets to be acquired as part of the Proposed Transaction.

6.17. The table below sets out the working capital as at 30 June 2014 in respect of the balances to be acquired by IAB.

	Working *capital to be acquired (rounded)* $'000
Cash and cash equivalents	100
Trade and other receivables	3,300
Inventories	400
Other	200
Trade and other payables	(3,600)
Provisions	(900)
Revenue received in advance	(1,700)
Working capital	**(2,200)**

Source: Audited financial statements for year ended 30 June 2014 and Explanatory Memorandum

6.18. As at 30 June 2014, the Business had a working capital deficiency of $2.2 million. The deficiency is comprised primarily of revenue received in advance. Through discussions with Management and a review of projected working capital, we understand that the working capital deficiency represents the Business' normal level of working capital. As at 30 June 2014, IAB had undrawn credit facilities of $739,000.

7. Valuation Approach

Valuation Methodologies

7.1. In assessing the value of IAB prior to the Proposed Transaction and subsequent to the Proposed Transaction (including the value of the Business), we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings Multiples to the estimated future maintainable earnings or cashflows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

- market based methods;
- income based methods; and
- asset based methods.

Market Based Methods

7.3. Market based methodologies estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities;
- recent offers; and
- industry specific methods.

7.4. The recent quoted price for listed securities method provides evidence of the Fair Value of a company’s securities where they are publicly traded in an informed and liquid market.

7.5. Recent offers and completed transactions for the company’s shares provide evidence of the Fair Value of a company’s securities.

7.6. Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

7.7. Income based methodologies estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- DCF methodology; and
- Capitalisation of maintainable earnings methodology.

7.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure, costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

7.9. The Capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate Capitalisation Multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading Multiples of comparable companies.

Asset Based Methods

7.10. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.11. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.12. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.

7.13. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of IAB prior to the Proposed Transaction

7.14. In assessing the Fair Value of IAB and an IAB share we have selected the following valuation methodologies:

- Capitalisation of FME – primary methodology; and
- Quoted price of listed securities – secondary methodology.

7.15. In our opinion, these are the most appropriate methodologies for the following reasons:

- IAB has generated a reasonably consistent pattern of historical earnings;
- There is an adequate number of publicly listed companies with operations sufficiently similar to IAB to provide meaningful analysis;
- Whilst Management prepare long term forecasts, given the dynamic nature of the industry in which IAB operates and the significant number judgement based assumptions required to project cash flows for a sufficient period to enable a DCF to be undertaken, we do not consider a DCF valuation to be appropriate. We note that IAB does not provide forward guidance to the market; and
- IAB's securities are listed on the ASX, which provides an indication of the market value where an observable market for the securities exists.

Valuation of IAB immediately after the Proposed Transaction

7.16. We have selected the following methodologies to value IAB immediately after the Proposed Transaction:

- For the reasons set out in paragraph 7.15 above, we have selected the Capitalisation of FME to value the existing IAB business;
- We have assessed the Fair Value of the Business to be acquired under the Proposed Transaction as follows:
  - IT and Services Business: We have selected the Capitalisation of FME methodology, on the basis that the IT and Services Business, on a stand alone basis, has a profitable trading history.
  - HCS Business: In assessing the appropriate valuation methodology to apply in respect of the HCS Business, we have had regard to RG 111.95 which states that an expert should not include prospective financial information (including forecasts and projections) unless there are reasonable grounds for the forward looking information. Accordingly, we have selected the net assets on a going concern basis methodology on the basis that the HCS Business has generated historical trading losses and, whilst we understand that Management anticipate that the profitability of the business will improve over FY 2015 and beyond, we do not have access to forecast information for a sufficient period of time, or with sufficient certainty in relation to key forecast assumptions, to enable an income based valuation methodology to be utilised.

8. Valuation of IAB prior to the Proposed Transaction

8.1. We have assessed the Fair Value of IAB and an IAB share on a control basis using the Capitalisation of FME methodology as our primary methodology. We have also considered the recent quoted price of IAB's listed securities as our secondary basis of valuation. The remainder of this section of our Report sets out our valuation of IAB.

Capitalisation of future maintainable earnings (primary methodology)

8.2. We have assessed the Fair Value of 100% of IAB to be in the range of approximately $20.0 million to $22.2 million and the Fair Value of an IAB share on a control basis to be in the range of $1.40 to $1.56, based on the Capitalisation of FME methodology, as summarised in the table below. The value per share set out below is on an undiluted basis and a diluted basis, having regard for 356,167 options that are currently in the money and can be exercised by the option holder at their discretion. We have adopted the diluted basis for the valuation of an IAB share prior to, and after, the Proposed Transaction.

	Low	High
Assessed EBITDA ($'000)	2,600	2,800
Assessed EBITDA multiple	5.50	5.50
Enterprise Value (Minority Interest)	**14,300**	**15,400**
Add net cash ($'000)	2,791	2,791
Cash from exercise of share options	340	340
Equity Value (Minority Interest) ($'000)	**17,431**	**18,531**
Control premium	15.0%	20.0%
Equity Value (100% interest) ($'000)	**20,045**	**22,237**
Number of shares on issue	13,916,684	13,916,684
Value per share (undiluted)	**$1.44**	**$1.60**
Number of in the money share options	354,167	354,167
Value per share (diluted)	**$1.40**	**$1.56**

Table 12: Assessed Fair Value of IAB and a IAB share

Key assumptions

8.3. The Capitalisation of earnings methodology estimates the Fair Value of the equity of a company by capitalising the FME of the underlying business at an appropriate Multiple, which reflects the underlying risk profile and growth prospects of the business, adding the Fair Value of any surplus or non-operating assets, deducting net debt (or adding net cash) and applying a premium for control where necessary. Accordingly, valuing IAB using the Capitalisation of maintainable earnings methodology requires the determination of the following variables:

- future maintainable earnings;
- an appropriate Capitalisation Multiple;
- the current level of net debt;
- the value of surplus assets; and
- an appropriate premium for control.

8.4. Our considerations with regard to each of these factors is presented below.

Future maintainable earnings

8.5. We have selected EBITDA as an appropriate measure of FME in our valuation of IAB because Multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than Multiples based on other earnings measures such as EBIT or NPAT. In our opinion, this approach allows a better comparison with earnings Multiples of other companies and those implied in recent transactions.

8.6. In assessing the FME we have had regard to the pro forma financial results of IAB for the four years ended 30 June 2014 as at out at paragraph 5.15 and our review of the Company's internal budget for FY 2015 and our associated discussions with Management.

Assessment of IAB FME

8.7. In assessing the FME of IAB, we have had regard to the following:

- IAB generated an adjusted EBITDA of approximately \$1.70 million, \$2.8 million, \$3.1 million and \$2.7 million in the years ended 30 June 2011, 2012, 2013 and 2014, respectively;
- The improvement in EBITDA margin from FY 2012 to FY 2013 and FY 2014 arose due to improved gross margin and lower bad debt expense; and
- IAB's revenue has been relatively consistent over the 3 years ended 30 June 2014.

8.8. Having regard to the above, we have adopted a future maintainable EBITDA range of \$2.6 million to \$2.8 million for the purposes of this valuation. The selected FME range is not inconsistent with the FY 2015 forecast financial information that we have been provided with.

Capitalisation Multiple

8.9. In selecting an appropriate Capitalisation Multiple to value IAB we have considered the trading Multiples of equities of companies which are listed on the ASX whose operations are sufficiently comparable to IAB.

Market trading Multiples

8.10. The table below sets out a summary of the historic and forecast EBITDA Multiples of entities listed on the ASX and other exchanges whose operations and activities are comparable to those of IAB. Brief descriptions of each of the comparable companies are set out at Appendix 4.

Company	Country	Total Assets $M	Total Liabilities $M	Net Assets $M	Net Tangible Assets $M	Revenue Trailing 12 months $M	Historical EBITDA FY 14 $M	Forecast EBITDA FY 15 $M	Market Cap. $M	Net debt $M	Enterprise Value $M	Ratios: Historical EV EBITDA	Ratios: Forecast EV EBITDA
Amcom Telecommunications Ltd.	Australia	248.5	80.7	167.8	113.1	170.4	46.7	52.53	495.5	(7.9)	487.6	10.44	9.3
BigAir Group Limited	Australia	67.2	24.9	42.3	7.9	41.7	15.1	19.49	138.3	11.5	149.8	9.92	7.7
iiNet Ltd.	Australia	870.6	514.6	356.0	(204.3)	1,005.5	195.6	209.86	1,302.2	297.6	1,599.8	8.18	7.6
M2 Group Ltd	Australia	861.8	529.1	332.7	(267.1)	1,024.4	160.1	177.24	1,447.8	255.5	1,703.3	10.64	9.6
Macquarie Telecom Group Limited	Australia	146.2	54.4	91.8	78.4	196.8	25.5	28.54	111.8	18.8	130.5	5.12	4.6
My Net Fone Limited	Australia	27.5	13.2	14.2	2.3	59.3	9.0	11.20	210.5	(7.3)	203.2	22.57	18.1
Vocus Communications Limited	New Zealand	211.8	74.7	137.1	52.3	92.3	33.1	52.10	556.5	5.3	561.8	16.99	10.8
Average		**347.7**	**184.5**	**163.1**	**(31.1)**	**370.1**	**69.3**	**78.7**	**608.9**	**81.9**	**690.9**	**12.0**	**9.7**
Median		**211.8**	**74.7**	**137.1**	**7.9**	**170.4**	**33.1**	**52.1**	**495.5**	**11.5**	**487.6**	**10.4**	**9.3**
Min		**27.5**	**13.2**	**14.2**	**(267.1)**	**41.7**	**9.0**	**11.2**	**111.8**	**(7.9)**	**130.5**	**5.1**	**4.6**
Max		**870.6**	**529.1**	**356.0**	**113.1**	**1,024.4**	**195.6**	**209.9**	**1,447.8**	**297.6**	**1,703.3**	**22.6**	**18.1**
Average (exc.My Net Fone and Vocus (excluded for historical only)												**8.9**	**8.3**
Median												**9.9**	**8.5**
Min												**5.1**	**4.6**
Max												**10.6**	**9.6**

Source: Capital IQ

Market Capitalisation for Amcom Telecommunications Ltd and Vocus Communications Limited is at 24 October 2014, prior to the ASX announcement that Vocus had made an offer to accquire Amcom.

Table 13: Summary of trading Multiples of comparable companies *(Source: S&P Capital IQ)*

Notes

1. Enterprise values and earnings Multiples calculated as at 10 November 2014
2. Forecast EBITDA based on current year consensus estimates collated and provided by S&P Capital IQ.

8.11. In relation to the above trading Multiples, we note that the share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings Multiples derived from those shares prices are consequently non-controlling Multiples and they do not reflect a premium for control.

Conclusion on Capitalisation Multiple

8.12. Based on our analysis of comparable company Multiples, we consider an appropriate non-controlling EBITDA Multiple for IAB to be 5.5 times. In assessing this range, we have considered inter alia:

- the historical trading Multiples observed for the comparable listed ranged from 5.1 to 22.6, with a mean of 12.0 and median of 10.4. Excluding My Net Fone Limited and Vocus Communications Limited, which are trading on historical EBITDA Multiples well above the other comparable companies, the comparable companies have a mean of 8.9 times and a median of 9.9 times.

- the forecast trading Multiples observed for the comparable listed companies ranged from 4.6 to 18.1, with a mean of 9.7 and median of 9.3. Excluding My Net Fone Limited, the comparable companies have a mean forecast EBITDA Multiple of 8.3 and a median of 8.5.

- IAB is a significantly smaller company than most of the listed comparable companies with respect to revenue, EBITDA and market Capitalisation. As a smaller entity, IAB inherently carries a greater risk factor than the comparable listed companies due to its smaller and less diversified revenue stream, lack of economies of scale and limited access to debt and equity markets.

- The comparable companies generate an average EBITDA margin of 23% which is significantly higher than the EBITDA margin generated by IAB of 5.8% in FY 2014.

- The comparable companies are forecast to generate average EBITDA growth in FY 2015 of circa 22%, significantly higher than the growth rate implied by the selected level of FME.

Comparable transactions

8.13. We have researched the implied EBITDA Multiples and control premiums in comparable transactions involving ASX listed entities whose operations and activities are comparable to IAB. In this regard, we note that My Net Fone Limited acquired Connexus for $4.75 million in 2012 and iBoss for $1.4 million in 2013, implying EBITDA mutiples of 2.9 and 5.5, respectively.

8.14. Whilst IAB is a larger entity than Connexus or iBoss, we consider that our selected Multiple does not appear unreasonable to these recent comparable transactions involving small companies in the telecommuncations industry. Further details in relation to the Connexus and iBoss businesses are set out in Appendix 8.

Surplus assets

8.15. Surplus assets are those assets owned by a company that are surplus to its main operating activities, such as property used for non-business purposes, loans or investments. Such assets should be valued separately from the main operating activities of the business, after adjusting operating results to remove the net income or expense generated by these surplus assets.

8.16. Based upon an analysis of the historic financial position of the Company which is set out at paragraphs 6.13 to 6.15 of this report and discussion with Management, we consider that that IAB has no surplus assets.

Working capital

8.17. As at 30 June 2014, IAB disclosed a working capital deficiency of $2.7 million (30 June 2103: $2.3 million), excluding cash and current interest bearing liabilities. Based on our analysis and discussions with IAB Management, we consider that the level of working capital as at 30 June 2014 is reflective of normal working capital requirements.

Net cash

8.18. We have assessed the cash position of IAB to be approximately $2.8 million, as summarised in the table below.

Net Cash	As at 30 June 2014 Audited $'000
Cash and cash equivalents	3,657
Debt	(866)
Net cash	**2,791**

Table 14: Assessment of net cash *(audited financial statements for the year ended 30 June 2014)*

8.19. As at 30 June 2014, IAB had cash and cash equivalents of approximately $3.66 million and debt of $866,000.

Premium for control

8.20. Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

8.21. In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Consequently, earnings Multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

8.22. RG 111 states that “an issue of shares by a company otherwise prohibited under Section 606 may be approved under item 7 of Section 611 and the effect of the company’s shareholding is comparable to a takeover bid.” Further, RG 111.25 states that if this is the case, the transaction should be analysed as if it was a takeover bid under Chapter 6 of the Act.

8.23. Where an expert assesses a transaction under Chapter 6 of the Act, RG 111.11 requires the expert to assume 100% ownership of the target (in the case of an item 7 Section 611 transaction, the target is the entity issuing greater than a 20% equity interest).

8.24. On the basis that AYG will hold at 31% interest in IAB prior to the distribution of IAB shares to AYG shareholders, RG 111 requires the Proposed Transaction to be assessed in the same manner as a takeover bid where AYG is the bidder and IAB is the target entity. Accordingly, the value of an IAB share prior to the Proposed Transaction must be assessed on the basis of 100% ownership (i.e. incorporating a control premium.)

8.25. RG 111.27 considers that that there may be circumstances in which the allottee (in this case, AYG) will acquire 20% or more of the voting power of the securities in the company following an allotment of shares to increase a holding to a level above 20%, but does not obtain a practical measure of control over the company.

8.26. RG 111.28 further states that “if the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is “reasonable” if it has assessed the issue price as being not fair applying the test in RG 111.11.

8.27. Accordingly, we have assessed a 100% interest in IAB immediately prior to the Proposed Transaction. However, on the basis that AYG will hold an interest above 20% in IAB for a short period of time and is required to distribute the IAB shares to its shareholders, we consider that AYG does not, in a practical sense, obtain control, or a level of control, over IAB. Consequently, we have taken the effect of the control premium applied to the Fair Value of an IAB share, prior to the Proposed Transaction, into account in our assessment of reasonableness set out in Section 12.

8.28. In selecting this control premium to apply to the minority interest Fair Value of IAB, we have considered the following factors:

- RSM Bird Cameron has undertaken a survey of control premiums paid over a 7 year period to 30 June 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSMBC Control Premium Study 2013"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, the closing share price of the acquiring company on the day prior to the date of the offer was used. Our study concluded that the median control premiums in takeovers and schemes of arrangements involving Australian companies were in the range of 25% to 30%.

- Premiums for control are assessed at the equity level. Acquirers will not typically pay a control premium for cash. IAB has a net cash balance of $2.8 million. Accordingly, we have selected a control premium that is below the typical range for an entity that has a level of gearing.

8.29. On the basis of the above we believe that a premium for control in the range of 15% to 20% is appropriate in assessing the value of a controlling interest in IAB.

Quoted Market Share Price

8.30. In accordance with the requirements of RG 111, we have considered the listed securities' depth, liquidity, and whether or not the market price of an IAB share is likely to represent the value of an IAB share.

8.31. The following chart sets out daily closing share prices and volumes in IAB shares traded in the year prior 5 November 2014.

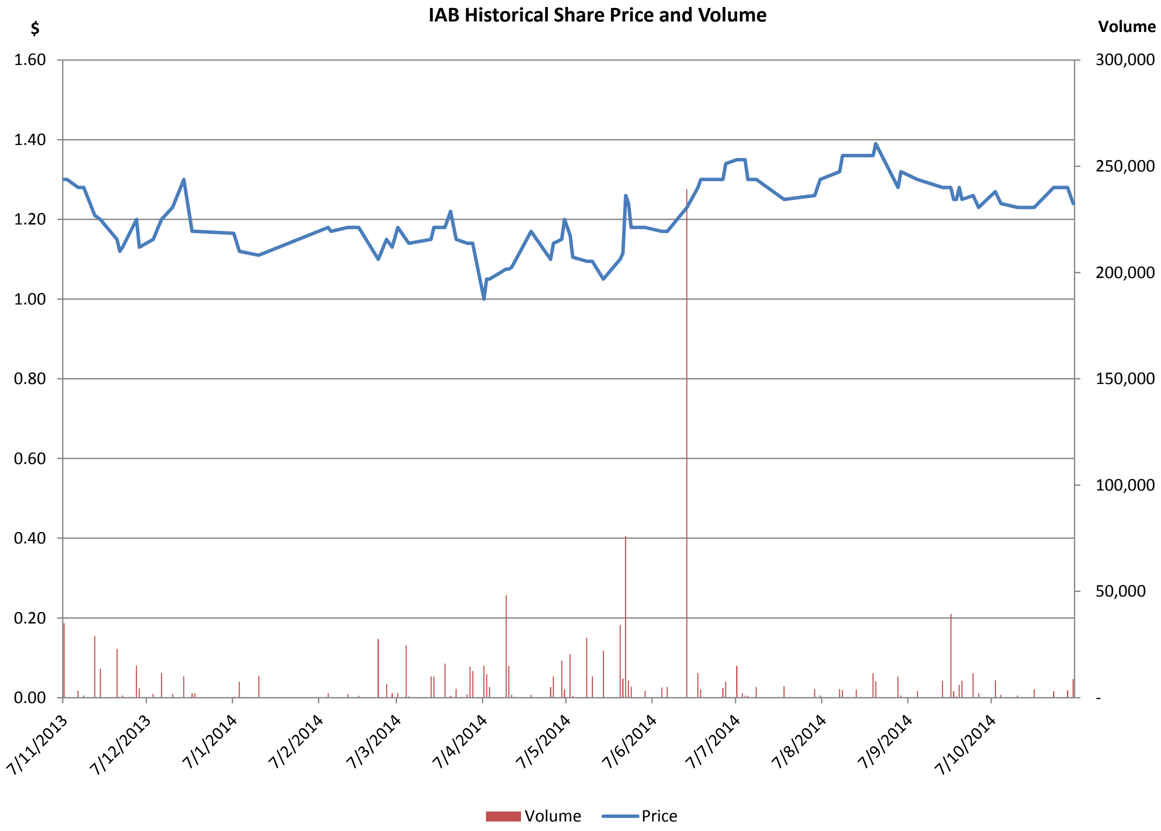

Chart 4 – IAB trading activities (7 November 2013 to 5 November 2014)
(Source: Capital IQ)

8.32. During the period 7 November 2013 to 5 November 2014, the IAB share price has fluctuated between $1.00 and $1.39.

8.33. To provide further analysis of the market prices for IAB shares, we have considered the Volume Weighted Average Price ("VWAP") for the 1 day, 5 day, 10 day, 30 day and 60 trading day periods to 5 November 2014 as set out in the table below:

Trading days prior to 5 November 2014	High	Low	Value ($)	Volume	VWAP	Volume traded as % of issued shares
1 day	1.280	1.280	4,378	3,420	1.280	0.06%
5 days	1.280	1.280	8,218	6,420	1.280	0.11%
10 days	1.280	1.230	13,138	10,420	1.261	0.17%
30 days	1.280	1.230	65,022	51,620	1.260	0.87%
60 days	1.390	1.230	184,879	143,220	1.291	2.40%

Table 15: IAB trading activities pre announcement of the Proposed Transaction

8.34. RG 111.69 indicates that for the quoted market price share price methodology to represent a reliable indicator of Fair Value there needs to be an active and liquid market for the shares.

8.35. The following characteristics may be considered to be representative of a liquid and active market:

- Regular trading in the company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The bid/ask spread of a company's shares must not be so great that a single minority trade can significantly affect the market Capitalisation of a company; and
- There are no significant but unexplained movements in the share price.

8.36. We note the following:

- 143,000 (2.4%) of IAB's quoted shares[3] have been traded in the 60 trading day period prior to the announcement of the Proposed Transaction. We consider that this represents a low level of liquidity;
- the bid/ask spread is often used to measure market efficiency. For the 60 days prior to the announcement of the Proposed Transaction, the closing bid/ask spread of IAB has averaged 4.1% of the close mid-point. On the basis that, over a comparable time period, all stocks trading on the ASX had an average bid/ask spread of 0.219%[4], we consider the bid/ask spread of IAB to be relatively large;
- a total of 7,953,780 IAB shares are subject to a voluntary escrow for a period of at least 18 months from the date of the listing (12 July 2013) of the Company's shares on the ASX.
- notwithstanding the level of liquidity, IAB complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of IAB; and
- in the absence of other share offers, the trading share price represents the value in which minority shareholders could realise if they wanted to exit their investment.

[3] Quoted shares includes only shares available for trading and excludes escrowed shares.
[4] Equity market data for the quarter ending September 2014 – ASIC.

8.37. We have selected a control premium of 15% to 20% and applied it to our assessed value of an IAB share on a minority interest basis as follows.

	Low	High
Quoted market price	1.28	1.28
Control premium	15%	20%
Quoted market price including a premium for control	**1.47**	**1.54**

Table 16: Assessed value of an IAB share using the quoted market price

8.38. Our valuation of an IAB share on the basis of the quoted market price including a premium for control is between $1.47 and $1.54. The table below sets out a summary of our assessment of the value of an IAB share, prior to the Proposed Transaction utilising the Capitalisation of FME methodology and the quoted market price.

	Low	High	Mid point
Value of an IAB share on a control basis prior to the Proposed Transaction - Capitalisation of FME	1.40	1.56	1.48
Quoted market price of an IAB share prior to the Proposed Transaction, including a premium for control	1.47	1.54	1.51

Table 17: Comparison of Capitalisation of FME and quoted market price

8.39. On the basis that our valuation of an IAB share on the basis of the Capitalisation of FME methodology and the quoted market price overlap, we have adopted the Capitalisation of FME methodology as our preferred methodology.

9. Valuation of the Business

IT and Services Business

9.1. We have assessed the Fair Value of the IT and Services Business using the Capitalisation of FME methodology as our primary methodology.

Capitalisation of future maintainable earnings

9.2. We have assessed the Fair Value on a minority interest basis of the IT and Services Business to be in the range of approximately $4.6 million to $5.1 million, as summarised in the table below.

	Low	High
Assessed EBITDA ($'000)	950	1,050
Assessed EBITDA multiple	5.00	5.00
Enterprise Value (Minority Interest)	**4,750**	**5,250**
Less net debt ($'000)	(162)	(162)
Equity Value (Minority Interest) ($'000)	**4,588**	**5,088**

Table 18: Assessed Fair Value of the IT and Services Business

Key assumptions

9.3. The Capitalisation of FME methodology estimates the Fair Value of the equity of a company by capitalising the FME of the underlying business at an appropriate Multiple, which reflects the underlying risk profile and growth prospects of the business, adding the Fair Value of any surplus or non-operating assets, deducting net debt and applying a premium for control where necessary. Accordingly, valuing IAB using the Capitalisation of FME methodology requires the determination of the following variables:

- future maintainable earnings;
- an appropriate Capitalisation Multiple;
- the current level of net debt / net cash;
- the value of surplus assets; and
- an appropriate premium for control.

9.4. Our considerations with regard to each of these factors is presented below.

Future maintainable earnings

9.5. We have selected EBITDA as an appropriate measure of FME in our valuation of the IT and Services Business because Multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than Multiples based on other earnings measures such as EBIT or NPAT. In our opinion, this approach allows a better comparison with earnings Multiples of other companies.

9.6. In assessing the FME we have had regard to the pro forma financial results of the IT and Services Business as set out in the table below:

	Year ended 30-Jun-14 *IT & Services* $'000
Revenue	**34,285**
Cost of Sales	19,141
Gross profit	**15,144**
Gross profit margin	*44.2%*
Operating expenses	14,578
EBITDA	**566**
EBITDA margin	*1.7%*

Table 19: Historical Financial Performance – IT and Services Business

9.7. The IT and Services Business generated an EBITDA of $566,000 in FY 2014. We have been provided with unaudited management accounts for the IT and Services Business for the first quarter of FY 2015. We have also been provided with forecast trading results for FY 2015 to FY 2017, prepared by IAB Management.

9.8. We have reviewed the forecast results for reasonableness, with particular regard to the FY 2015 trading results in light of the first quarter trading results set out in the management accounts. The trading results achieved by the IT and Services Business in the first quarter of FY 2015 are indicative of the selected FME range of $950,000 to $1.05 million.

9.9. In reviewing the unaudited management accounts for the IT and Services Business, we note that the operating costs in relation to employees and other overheads have decreased by circa 8%, on pro rata basis in the first quarter of FY 2015 compared to the FY 2014 annual result. We understand that AYG has implemented cost reduction measures in relation to its operating costs over the second half FY 2014 and the FY 2015 year to date. Accordingly, we consider that the level of cost reduction achieved to date appears likely to be maintained over FY 2015.

9.10. Having regard for the trading results achieved in FY 2014, unaudited financial information for the first quarter of FY 2015 and the forecast results prepared by IAB, we consider that an FME of circa $950,000 to $1.05 million to be reasonable.

9.11. The selected FME range of $950,000 to $1.05 million does not include any synergy benefits that IAB may be able to achieve upon consolidation and integration of the IT and Services Business with the existing IAB business.

Capitalisation Multiple

9.12. In selecting an appropriate Capitalisation Multiple to value the IT and Services Business we have considered the trading Multiples of equities of companies which are listed on the ASX whose operations are sufficiently comparable to the IT and Service Business.

Market trading Multiples

9.13. The table below sets out a summary of the historic and forecast EBITDA Multiples of entities listed on the ASX and other exchanges whose operations and activities are comparable to those of the IT and Services Business. Brief descriptions of each of the comparable companies are set out at Appendix 4.

Company	Country	Total Assets $M	Total Liabilities $M	Net Assets $M	Net Tangible Assets $M	Revenue Trailing 12 months $M	Historical EBITDA FY 14 $M	Forecast EBITDA FY 15 $M	Market Cap. $M	Net debt $M	Enterprise Value $M	Ratios Historical EV EBITDA	Ratios Forecast EV EBITDA
ASG Group Limited	Australia	179.8	86.3	93.5	1.0	160.1	22.0	22.6	162.3	21.7	184.0	8.36	8.1
Byte Power Group Limited	Australia	2.5	7.8	(5.3)	(5.3)	4.3	0.6	-	4.5	3.5	8.0	13.52	N/A
CPT Global Limited	Australia	21.9	8.1	13.8	6.3	38.6	3.2	-	26.1	(2.4)	23.6	7.32	N/A
DWS Limited	Australia	73.8	13.4	60.4	27.1	94.4	18.2	18.5	145.6	(16.4)	129.2	7.09	7.0
Empired Limited	Australia	66.0	31.6	34.5	2.8	66.8	5.7	12.3	81.9	6.0	87.9	15.42	7.1
Melbourne IT Ltd.	Australia	175.6	65.0	110.6	(9.3)	125.5	13.0	19.8	115.3	(9.4)	105.8	8.12	5.3
Oakton Ltd.	Australia	136.6	32.5	104.2	18.9	164.5	14.2	16.1	126.9	(2.4)	124.5	8.77	7.7
RXP Services Limited	Australia	111.3	28.9	82.4	8.1	56.1	9.4	13.9	81.0	(18.7)	62.2	6.59	4.5
SMS Management & Technology Ltd.	Australia	200.7	75.0	125.7	11.4	314.4	21.3	26.7	251.9	(7.5)	244.4	11.46	9.2
UXC Limited	Australia	425.6	210.6	215.0	(4.0)	643.4	36.4	39.5	277.0	2.7	279.6	7.69	7.1
Average		**139.4**	**55.9**	**83.5**	**5.7**	**166.8**	**14.4**	**16.9**	**127.2**	**(2.3)**	**124.9**	**9.4**	**7.0**
Median		**124.0**	**32.0**	**87.9**	**4.5**	**110.0**	**13.6**	**17.3**	**121.1**	**(2.4)**	**115.2**	**8.2**	**7.1**
Min		**2.5**	**7.8**	**(5.3)**	**(9.3)**	**4.3**	**0.6**	**-**	**4.5**	**(18.7)**	**8.0**	**6.6**	**4.5**
Max		**425.6**	**210.6**	**215.0**	**27.1**	**643.4**	**36.4**	**39.5**	**277.0**	**21.7**	**279.6**	**15.4**	**9.2**

Source: Capital IQ

Market Capitalisation for Oakton Limited is at 12 August 2014, prior to the ASX accouncement that Dimension Data Australia had made an offer for Oakton.

Table 20: Summary of trading Multiples of comparable companies *(Source: S&P Capital IQ)*

Notes

1. NA = Not available
2. Enterprise values and earnings Multiples calculated as at 10 November 2014
3. Forecast EBITDA based on current year consensus estimates collated and provided by S&P Capital IQ.

9.14. In relation to the above trading Multiples, we note that the share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings Multiples derived from those shares prices are consequently non-controlling Multiples and they do not reflect a premium for control.

Conclusion on Capitalisation Multiple

9.15. Based on our analysis of comparable company Multiples, we consider an appropriate non-controlling EBITDA Multiple for the IT and Services Business of 5.0 times. In assessing this range, we have considered inter alia:

- the historical trading Multiples observed for the comparable listed ranged from 6.6 to 15.4, with a mean of 9.4 and median of 8.2.
- the forecast trading Multiples observed for the comparable listed ranged from 4.5 to 9.2, with a mean of 7.0 and median of 7.1.
- The IT and Services Business is a significantly smaller company than most of the listed comparable companies with respect to revenue, EBITDA and market Capitalisation. As a smaller entity, it inherently carries a greater risk factor than the comparable listed companies due to its smaller and less diversified revenue stream, lack of economies of scale and limited access to debt and equity markets.
- The comparable companies generate an historical average EBITDA margin of 11% which is significantly higher than the EBITDA margin generated by the IT and Services Business of 1.7% in FY 2014.

Surplus assets

9.16. Surplus assets are those assets owned by a company that are surplus to its main operating activities, such as property used for non-business purposes, loans or investments. Such assets should be valued separately from the main operating activities of the business, after adjusting operating results to remove the net income or expense generated by these surplus assets.

9.17. Based upon an analysis of the assets and liabilities to be transferred to IAB as part of the Proposed Transaction, we do not consider that an adjustment for surplus assets is required.

Working capital

9.18. As at 30 June 2014, the combined IT and Services Business and HCS Business had a working capital deficiency of $2.2 million. We understand that this working capital deficiency is indicative of the likely position at completion.

9.19. The deficiency is comprised primarily of revenue received in advance. We have not been provided with divisional balance sheets to enable us to identify the respective working capital positions of the IT and Services Business and the HCS Business.

9.20. We have estimated the proportion of working capital deficiency to apply to each business, on a pro rata basis, based on percentage of turnover attributable to each business. Accordingly, we have ascribed 95%, or $2.1 million of the working capital deficiency to the IT and Services Business.

9.21. Through discussions with IAB Management and a review of projected working capital, we understand that the working capital deficiency of $2.1 million represents the IT and Services Business's normal level of working capital

Net debt

9.22. We understand that interest bearing liabilities, with a value of $162,000[5] at 30 June 2014, in relation to the IT and Services Business are to be transferred to IAB as part of the Proposed Transaction.

[5] AYB balance sheet information provided by IAB Management.

HCS Business

9.23. We have assessed the Fair Value of the HCS Business using the Net Assets on a going concern methodology.

9.24. The table below sets out the assets and liabilities, identified as part of the HCS Business, to be transferred to the IAB as part of the Proposed Transaction.

	$'000
Computer equipment	2,154
Software	751
Goodwill	1,261
Hosted Unified Communications - intangible asset	1,871
Other non current assets	62
Interest bearing liabilities	(4,338)
Other non current liabilities	(27)
Net working capital	(512)
Net assets as at 30 June 2014	**1,222**
Minority Interest discount	21.5%
Net asset - Minority Interest	**959**

Table 21: Assets and liabilities of HCS Business

9.25. In assessing the net asset position of the HCS Business, we have included the assets and liabilities associated with the HCS business as at 30 June 2014[6].

9.26. We have included the carrying value of intangible assets as at 30 June 2014 on the basis that the carrying values of these assets have been assessed for impairment as at 30 June 2014 and subject to audit. We have also included the value of the interest bearing liabilities and the working capital deficiency associated with the HCS Business.

9.27. The net asset value of the HCS Business represents a 100% interest and, therefore, incorporates a control premium. As set out in paragraph 8.28, control premiums typically range between 25% to 30%. We have applied a minority interest discount to the net assets value of the HCS Business of 21.5% representing the implied minority interest discount at the mid point of the typical control premium range of 25% to 30%.

[6] AYB balance sheet information provided by IAB Management.

Combined value of the IT Business and HCS Business

9.28. The table below sets out a summary of the minority interest value of the IT Business and the HCS Business.

	Low $'000	High $'000	Mid point $'000
Fair Value of the IT and Services Business	4,588	5,088	4,838
Fair Value of the HCS Business	959	959	959
Total	**5,547**	**6,047**	**5,797**

Table 22: Value of IT and Service Business and HCS Business – Minority Interest

9.29. As a cross check of the assessed Fair Value of the IT and Services Business and the HCS business, we have considered the market Capitalisation of AYG prior to announcement of the Proposed Transaction.

9.30. We have considered the VWAP for the 1 day, 5 day, 10 day, 30 day and 60 trading day periods to 5 November 2014:

Trading days prior to 5 November 2014	High	Low	Value ($)	Volume	VWAP	Volume traded as % of issued shares
1 day	0.003	0.003	450	150,000	0.0030	0.006%
5 days	0.003	0.003	450	150,000	0.0030	0.006%
10 days	0.003	0.003	1,200	400,000	0.0030	0.016%
30 days	0.004	0.003	4,479	1,376,000	0.0033	0.054%
60 days	0.004	0.003	166,023	43,890,970	0.0038	1.714%

Table 23: AYG trading activities pre announcement of the Proposed Transaction

9.31. The market for AYG shares represents a low level of liquidity with 1.7% of AYG shares being traded in the 60 day period prior to the announcement of the Proposed Transaction. RG 111.69 indicates that for the quoted market price share price methodology to represent a reliable indicator of Fair Value there needs to be an active and liquid market for the shares.

9.32. The bid/ask spread is often used to measure market efficiency. For the 60 days prior to the announcement of the Proposed Transaction, the closing bid/ask spread of AYG has averaged 29% of the close mid-point. On the basis that, over a comparable time period, all stocks trading on the ASX had an average bid/ask spread of 0.219%[7], we consider the bid/ask spread of AYG to be large.

9.33. Notwithstanding the level of liquidity, AYG complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of AYG.

9.34. The 1 day, 5 day and 10 day VWAP of AYG shares of $0.003 represents a Market Capitalisation of circa $7.7 million. On the basis that AYG disclosed a Net Debt Position of $6.4 million as at 30 June 2014, we consider the Enterprise Value of AYG to be $14.1 million.

[7] Equity market data for the quarter ending September 2014 - ASIC

9.35. The Enterprise Value implied by our valuation of the Business is $12.2 million (Fair Value of the Business of $5.8 million, at the mid point of the valuation range, plus net debt of $6.4 million). Our implied Enterprise Value is 13.3% lower than the Enterprise Value of $14.1 million implied by the AYG VWAP of $0.003. Notwithstanding the low level of liquidity and the 29% bid/ask spread in relation to the market for AYG shares, we consider the Market Capitalisation of AYG prior to the Proposed Transaction may imply that the market is valuing the HCS Business on an income based methodology. Whilst we do not consider an income based approach to be unreasonable on the basis that the HCS Business is expected by AYG and IAB Management be profitable in future years, we have adopted a net asset methodology, as we consider that there is not sufficient certainty in relation to key forecast assumptions to enable an income based valuation methodology to be applied. As set out in paragraph 7.16, in adopting this approach we have had regard to RG 111.95.

10. Valuation of the Merged Group

10.1. The table below sets out our assessment of the Fair Value of an IAB share immediately after the Proposed Transaction.

	Low	High	Mid point
Fair Value of IAB - minority interest ($'000)	17,431	18,531	17,981
Fair Value of the IT Business ($'000)	4,588	5,088	4,838
Fair Value of the HCS Business ($'000)	959	959	959
	22,978	**24,578**	**23,778**
Cash consideration ($'000)	(500)	(500)	(500)
Estimated transaction costs	(53)	(53)	(53)
Equity Value (Minority Interest) ($'000)	**22,425**	**24,025**	**23,225**
Number of shares on issue	20,070,530	20,070,530	20,070,530
Value per share (undiluted)	1.12	1.20	1.16
Number of in the money IAB share options	354,167	354,167	354,167
Value per share (diluted)	**$1.10**	**$1.18**	**$1.14**

Table 24: Minority Interest Fair Value of IAB after the Proposed Transaction

10.2. We have assessed the Fair Value of an IAB share immediately after the Proposed Transaction by assessing the Fair Value of IAB, inclusive of the IT Business and the HCS Business (“the Merged Group”) on a minority interest basis.

10.3. We have assessed the impact on our valuation of the level of Performance Consideration payable in 2015 in the event that the Business meets the performance criteria set out in the BPA.

10.4. The assessed financial performance reflected in our valuation of the Business would not result in the payment of any Performance Consideration. Our review of the forecast information provided to us indicates that, in the event that the Performance Consideration criteria was met in full and, therefore, a payment of $1,500,000 was payable to AYG, the likely uplift in annualised EBITDA resulting from the achievement of the Performance Consideration criteria (in full) would be in-excess of $300,000 per annum. On that basis that we have assessed an EBITDA Multiple of 5 in respect of the IT and Services Business, we consider that payment of the Performance Consideration would result in an increase in value to IAB Shareholders.

10.5. The details of the conditions of the Performance Consideration are set out in Appendix 9.

11. Is The Proposed Transaction Fair?

11.1. In assessing whether we consider the Proposed Transaction to be fair to IAB Shareholders, we have valued a share in IAB prior to and immediately after the Proposed Transaction to determine whether an IAB shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

	Low	High	Mid point
Fair Value of an IAB share prior to the Proposed transaction (100% interest)	1.40	1.56	1.48
Fair Value of an IAB share after the Proposed transaction (Minority Interest)	1.10	1.18	1.14

Table 25: Valuation summary

11.2. Our preferred Fair Value of an IAB share after the Proposed Transaction is less than our preferred Fair Value of an IAB share prior to the Proposed Transaction (inclusive of a control premium) of $1.48.

11.3. As our assessed Fair Value of an IAB share after the Proposed Transaction is less than our assessed Fair Value of an IAB share prior to the Proposed Transaction at both the low and high ends of the valuation range, we consider the Resolution to be **Not Fair** to IAB Shareholders.

12. Is The Proposed Transaction Reasonable?

12.1. RG 111 establishes that an offer is reasonable if it is fair. RG 111 states a transaction might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. When assessing the reasonableness of the Proposed Transaction, we have considered the following factors other than fairness:

- the level of practical control achieved by AYG.
- the future prospects of the Company if the Proposed Transaction does not proceed.
- any other commercial advantages and disadvantages to IAB shareholders as a consequence of the Proposed Transaction proceeding.

The level of practical control achieved by AYG

12.2. On the basis that AYG will hold at 31% interest in IAB prior to the distribution of IAB shares to AYG shareholders, RG 111 requires the Proposed Transaction to be assess in the same manner as a takeover bid where AYG is the bidder and IAB is the target entity. Accordingly, the value of an IAB share prior to the Proposed Transaction must be assessed on the basis of 100% ownership (i.e incorporating a control premium.)

12.3. RG 111.27 considers that there may be circumstances in which the allottee (in this case, AYG) will acquire 20% or more of the voting power of the securities in the company following an allotment of shares to increase a holding to a level above 20%, but does not obtain a practical measure of control over the company.

12.4. RG 111.28 further states that "if the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is "reasonable" if it has assessed the issue price as being not fair applying the test in RG 111.11.

12.5. Accordingly, to assess the fairness of the Proposed Transaction, we have assessed a 100% interest in IAB immediately prior to the Proposed Transaction. However, on the basis that AYG will hold an interest above 20% in IAB for a short period of time and is required to distribute the IAB shares to its shareholders, we consider that AYG does not, in a practical sense, obtain control, or a level of control, over IAB. Consequently, we have taken the effect of the control premium applied to the Fair Value of an IAB share, prior to the Proposed Transaction, into account in our assessment of reasonableness as set out below.

12.6. In the absence of a control premium being applied to the Fair Value of a Minority Interest in IAB, the comparison of the Fair Value of an IAB share immediately prior to and immediately after the Proposed Transaction is set out in the table below.

	Low	High	Preferred
Fair Value of an IAB share prior to the Proposed Transaction (Minority Interest)	1.25	1.33	1.29
Fair Value of an IAB share after the Proposed Transaction (Minority Interest)	1.10	1.18	1.14
Assessed minority interest value of an IAB share after the Proposed Transaction, inclusive of synergy benefits	1.29	1.49	1.39
VWAP of IAB shares since the announcement of the Proposed Transaction	1.24	1.30	1.25
VWAP of IAB shares prior to the annoucment of the Proposed Transaction	1.23	1.28	1.26

Table 26: Valuation of IAB shares pre and post the Proposed Transaction (excluding control premium)

12.7. The IAB share price has not moved significantly since the Proposed Transaction was announced on 5 November 2014. Over the 10 days prior to the announcement of the Proposed Transaction, IAB shares traded between $1.23 and $1.28, with a VWAP of $1.26. Between 5 November 2014 and 10 November 2014, IAB shares traded in a range between $1.24 and $1.30, with a VWAP of $1.25. As at 10 November 2014 the IAB share price was $1.30. Notwithstanding that we have assessed the Proposed Transaction as Not Fair, the market has not significantly changed its valuation of IAB in light of the Proposed Transaction. We consider that the information provided to the market by IAB in its announcement of the Proposed Transaction provides a reasonable basis for the market to assess the relative merits of the Proposed Transaction.

12.8. As set out in paragraph 9.35, the Enterprise Value implied by our valuation of the Business is $12.2 million (Fair Value of the Business of $5.8 million, at the mid point of the valuation range, plus net debt of $6.4 million). Our implied Enterprise Value is 13.3% lower than the Enterprise Value of $14.1 million implied by the AYG VWAP of $0.003. Notwithstanding the low level of liquidity and the 29% bid/ask spread in relation to the market for AYG shares, we consider the Market Capitalisation of AYG prior to the Proposed Transaction may imply that the market is valuing the HCS Business on an income based methodology.

Consideration of post transaction synergies

12.9. On the basis of our review of the cost base of the Merged Group and our discussions with IAB Management, we consider there to be potential cost synergies that may be realised post transaction. The synergies identified relate to back office functions and are intended by IAB Management to be realised over the course of FY 2015 and FY 2016. Based on an assessment of the information provided to us, we consider that cost savings in the order of $1 million to $1.3 million per year would not be unreasonable.

12.10. The table below sets out a summary of our assessed value of the identified synergies.

	Low	High	Mid point
Savings in relation to back office costs ($'000)	1,000	1,300	1,150
EBITDA multiple	4.0	5.0	4.5
Value of post merger synergies ($'000)	**4,000**	**6,500**	**5,250**

Table 27: Assessed value of identified synergies

12.11. We have applied an EBITDA Multiple to capitalise the annual identified cost synergies. We have adopted a lower Multiple that the Multiples adopted in relation IAB or the Business as a result of the risks and uncertainty associated with achievement and timing of the potential cost savings in relation to the Merged Group.

12.12. The table below sets out our assessed value of the Merged Group after the Proposed Transaction and inclusive of the value of the identified synergies.

	Low	High	Mid point
Fair Value of the Merged Group- minority interest ($'000)	22,425	24,025	23,225
Value of post merger synergies ($'000)	4,000	6,500	5,250
	26,425	**30,525**	**28,475**
Number of shares on issue	20,070,530	**20,070,530**	20,070,530
Value per share (undiluted)	**1.32**	**1.52**	**1.42**
Number of in the money IAB share options	354,167	**354,167**	354,167
Value per share (diluted)	**$1.29**	**$1.49**	**$1.39**

Table 28: Assessed value of Merged Group including post acquisition synergies

12.13. The assessed value per share of IAB on a minority interest basis after the Proposed Transaction and including the value of identified synergy benefits of $1.39, at the mid point of the valuation range, is above the assessed value per share of IAB of $1.29, at the mid point of the valuation range, on a minority interest basis prior to the Proposed Transaction.

12.14. The chart below sets out a summary of the valuation considerations assessed as part of our reasonableness assessment.

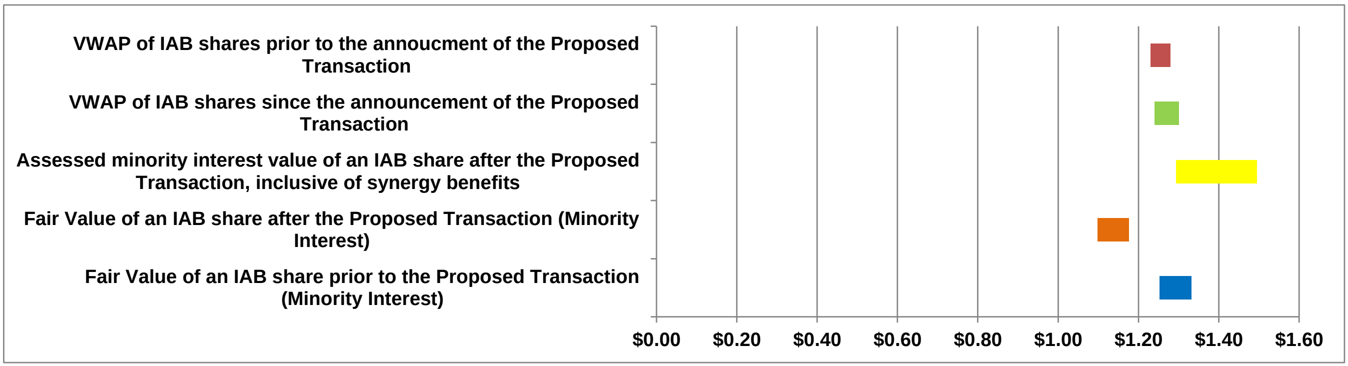

Chart 5 – Valuation Summary

Future Prospects of the Company if the Proposed Transaction Does Not Proceed

12.15. If the Resolution is not approved, the IAB Directors have stated that there will be no change to the current IAB business model.

The likely price of IAB shares should the Proposed Transaction not proceed

12.16. The Proposed Transaction was announced on 5 November 2014. In the 60 trading dates prior to the announcement of the Proposed Transaction, IAB shares had traded between $1.23 and $1.39 with a VWAP of $1.29. Over the 10 days prior to the announcement of the Proposed Transaction, IAB shares traded between $1.23 and $1.28, with a VWAP of $1.26.

12.17. Since the announcement of the Proposed Transaction, the price of IAB shares has fluctuated between $1.24 and $1.30 with a VWAP of $1.26. On the basis that the movement in the IAB share price since the announcement of the Proposed Transaction has not been significant, we consider that, should the Proposed Transaction not proceed, it is unlikely to significantly affect the IAB share price in the short term.

Advantages

12.18. The key advantages to IAB shareholders accepting the Resolution are:

- Subsequent to the Proposed Transaction, IAB will have increased scale of operations and a more diverse revenue stream. Specifically:

    - IAB proposing to acquire AYG's IT and Services Business and HCS platform in which AYG has made a multi-million dollar investment over the past two and half years. Whilst our assessment of fairness has valued the HCS Business on a net assets basis, notwithstanding the inherent uncertainty in respect of projecting future revenue from the HCS over the medium to long term, the acquisition of the HCS platform provides an opportunity for IAB to grow the HCS revenue base significantly above its current level in future years. The HCS Business is currently undertaking a 5 year contract with two 3 year options to deploy over 8,000 end points for the Tasmanian Government. Management consider that the HCS platform can scale to more than double its current capacity in the Tasmanian market.

    - The Proposed Transaction would result in IAB gaining the capacity to service clients with end to end IT, cloud and communications services. The Proposed Transaction will also provide an opportunity to cross sell the existing Inabox service offerings and the IT and Services Business and Cloud offerings

    - IAB currently indirectly services the consumers and SME's markets via RSP's. The Proposed Transaction would enable IAB to directly service larger businesses including the corporate market and Government entities.

- The Merged Group will have a national presence with over 200 staff and with revenue of circa $83 million based on FY 2014 revenue, compared to IAB's FY 2014 revenue on a stand alone basis of $47 million. The increase size and scale of IAB post the Post Transaction may result in the market re-rating the Company over the medium term. Further, the increased size and scale of the Company and its increased shareholder base may result in improved liquidity in the market for IAB shares and may enhance the IAB's ability to raise equity or debt capital if required.

- As set out in paragraph 12.10, the IAB share price has not moved significantly since the Proposed Transaction was announcement on 5 November 2014. Notwithstanding that we have assessed the Proposed Transaction as Not Fair, the market has not significant changed its valuation of IAB in light of the Proposed Transaction.

Disadvantages

12.19. The key disadvantages to IAB Shareholders accepting the Resolution:

- We have assessed the Proposed Transaction as Not Fair. However, this assessment was undertaken by assessing the value of IAB prior to the Proposed Transaction, inclusive of a control premium. Whilst the inclusion of a control premium is required under RG 111, we consider that AYG would not, in a practical sense, obtain control, or a level of control, over IAB on the basis that the IAB shares allotted to AYG will be distributed to AYG shareholders. Accordingly, we consider that a comparison of the Fair Value of a Minority Interest in IAB prior to the Proposed Transaction with the Fair Value of a Minority Interest in IAB after the Proposed Transaction is a more appropriate assessment of the value proposition for IAB Shareholders. As set out in 12.6 our assessment of the Fair Value (at the mid-point of the valuation range) of an IAB share under this scenario is $1.29 prior to the Proposed Transaction, $1.14 after the Proposed Transaction and excluding synergies and $1.39 including synergies.

- In the event that the Proposed Transaction proceeds, IAB shareholders will be diluted from 100% of IAB to 69.34%.

12.20. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully
RSM BIRD CAMERON CORPORATE PTY LTD

Glyn Yates

Andrew Gilmour

G YATES
Director

A GILMOUR
Director

Appendix 1 – Declarations and Disclaimers

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Andrew Gilmour are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Yates and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the shareholders of Inabox Group Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Inabox Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Glyn Yates, Andy Gilmour, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately $20,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether IAB Shareholders approve the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Memorandum as a whole.

Appendix 2 – Sources of Information

In preparing this report we have relied upon the following principal sources of information:

- Draft Notice of Meeting and Explanatory Memorandum;
- IAB audited financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- The IAB Prospectus dated 10 May 2013;
- IAB share registry provided by IAB Management;
- AYG audited financial statements for the years ended 30 June 2013 and 30 June 2014;
- Forecast financial information prepared by IAB management in relation to IAB and the Business to be acquired under the Proposed Transaction;
- ASX announcements;
- Capital IQ Database;
- IBISWorld; and
- Discussions with IAB Management.

Appendix 3 – Details of listed companies comparable to IAB

Amcom Telecommunications Limited

Amcom Telecommunications Limited operates as an IT and telecommunications company in Australia. It operates in Telecommunications, Hosted and Cloud Services, and IT Services segments. The company offers data and network solutions, including Internet and Ethernet services, fiber-optic point-to-point connectivity solutions, managed layer 3 VPN services, and VPN link services; unified solutions, such as cloud collaboration, SIP lines, and on premise services for communication needs, as well as Amcom IP Tel, a customised solution to access unified communications features and functions; and cloud services comprising Web solutions. It also provides managed IT services, including network, infrastructure, desktop, and IT service management services, as well as WiFi as a service; licensing and maintaining solutions, such as Amcom Active, which consolidates, controls, and maintains the licensing and maintenance requirements of organization's IT; and data centre management services. In addition, the company provides IT services, such as systems; communications; information, communication, and technology consulting (ICT) services comprising technology and infrastructure audits, and ICT strategy; and security, governance, risk, and compliance services. Further, it offers consumer DSL services; and infrastructure-as-a-service. Amcom Telecommunications Limited is headquartered in Perth, Australia.

BigAir Group Limited

BigAir Group Limited, together with its subsidiaries, provides fixed wireless broadband solutions for businesses and campus environments in Australia. It operates in two segments, Fixed Wireless for Business and BigAir Community Broadband. The company owns and operates the fixed wireless Ethernet broadband network that covers Sydney, Melbourne, Brisbane, Perth, Adelaide, Newcastle, Gold Coast, Sunshine Coast, and Darwin cities. It also provides private data links for a wide area network to multi-site businesses, including retailers and national organizations; and high-speed Internet access services. In addition, the company offers outsourced managed Internet services in the tertiary student accommodation market. It provides broadband and data services primarily through its channel partners comprising ISPs, carriers, and other IT service companies. The company was founded in 2002 and is based in Surry Hills, Australia.

iiNet Limited

iiNet Limited provides Internet and telephony services to various residential, regional, corporate, and government customers in Australia. The company offers Internet solutions, such as business bundles, business national broadband network, naked DSL, mobile broadband solutions, ADSL broadband, VPN, fiber connections, and SHDSL that offers high speed connectivity. It also provides business desk phones, PSTN phones, and Voice over Internet Protocol systems, as well as business voice systems and SIP trunking solutions; mobile solutions, such as mobile phones, mobile fleet, mobile broadband, iiNet Microsoft Lync, and tablets; Website solutions, including domain names, Web hosting, Microsoft exchange, and online shopping solutions; cloud computing; and installation and support services. In addition, the company offers Internet Protocol telephony network solutions for hosted voice, cloud, Internet, VPN, and mobile. It supplies approximately 1.8 million broadband, telephony, Internet Protocol TV, mobile, and other services to approximately 950,000 broadband subscribers. iiNet Limited was founded in 1993 and is based in Perth, Australia.

M2 Group Limited

M2 Group Ltd provides telecommunications services, and electricity and gas to residential and business customers in Australia and New Zealand. It operates through three segments: Consumer, Business, and Wholesale. The Consumer segment provides telecommunication services, including fixed line voice and data services, as well as mobile services for the residential market. This segment also offers electricity and gas services; and financial services, such as car, home, and contents insurance products. The Business segment provides packaged telecommunications services and energy services comprising fixed line voice and terrestrial broadband Internet services, and electricity bundles, as well as mobile, voice, and data services for small business markets. The Wholesale segment offers a suite of fixed line voice services consisting of line rental services, mobile voice and data services, terrestrial broadband Internet services, and mobile telephones to the telecommunications reseller market. M2 Group Ltd provides its products and services under the brand names of Commander, Engin, iPrimus, and Dodo. The company was founded in 1999 and is headquartered in Melbourne, Australia.

Macquarie Telecom Group Limited

Macquarie Telecom Group Limited provides various telecommunication and hosting services to corporate and government customers in Australia. The company conducts its operations through Voice, Data, Hosting, and Mobile segments. It offers collocation services; data and voice services, including Internet and business broadband, managed wide-area-network optimization, IP virtual private network, and international data center services; and business mobility and national broadband network services. The company also provides simplified network infrastructure, smart networks, mobile workforce, enterprise hosting, eCommerce hosting, PCI compliance, government, and SaaS application hosting solutions. The company was founded in 1992 and is headquartered in Sydney, Australia.

My Net Fone Limited

My Net Fone Limited provides voice communications, broadband Internet, and cloud based communications services to residential, business, government, and wholesale customers in Australia and internationally. The company offers home phone-VoIP, DSL Internet, national broadband network Internet, and mobile VoIP services, as well as virtual fax service, which delivers faxes directly to email address as PDF documents and sends faxes directly from computer; phone and broadband bundles; high-speed ADSL2+ broadband services; Ethernet broadband services for businesses that require high-speeds for data applications; and enterprise SIP trunking service that acts as an ISDN primary rate replacement. It also provides meet-me conferencing services that allow various participants from various locations to be joined in a conference call; and local call and special service numbers, number porting, gold direct-in-dial numbers, additional DIDs, white pages and location information, Mytext SMS, additional IP addresses, and reverse domain name system services. The company was founded in 2004 and is based in Surry Hills, Australia.

Vocus Communications Limited

Vocus Communications Limited provides telecommunications, data centre, and high bandwidth connectivity solutions to ISP and telecommunications markets in Australia and New Zealand. It owns and operates a global telecommunications network connecting Australia and New Zealand to the global Internet backbone in the United States. The company offers Pacific IX, an Internet peering service; collocation and data center services; Dark Fibre, a point-to-point connectivity solution that provides a way to deliver high bandwidth speed services; layer 2 and 3 DSL services; metro, national, and international carrier grade Ethernet services; and IP transit/Internet access; as well as voice services, including call termination, number allocation and portability, E1 and IP access, and carrier interconnect. Vocus Communications Limited was founded in 2008 and is headquartered in North Sydney, Australia.

Appendix 4 – Details of companies comparable to the IT and Services Business

ASG Group Limited

ASG Group Limited provides information technology services in Australia. The company offers managed services comprising service and delivery management, services desk, desktop services, database administration, network management, storage area network administration, security management, data center hosting, remote DBA, and HP managed application services; business solutions, including Oracle business solutions and Oracle PeopelSoft services; SAP projects and services; and reporting and analytic solutions for large and small organizations. It also provides professional services consisting of project services and Microsoft professional services; specialist technical services; architecture consulting services; and IT service management solutions, such as ITSM process design and implementation, ITSM administration, knowledge management, change calendar, and HP software implementation services. In addition, the company offers consulting services, including strategic business analysis, IT service transformation, supply chain transformation, and multi-channel transformation; and cloud services, including infrastructure as a managed service solutions, platform as a service solutions, software as a service solutions, and consulting services. It serves mining, transport and manufacturing, communications and technology, government, healthcare, corporate, utilities, education, not for profit, and construction sectors. The company was founded in 1996 and is headquartered in Perth, Australia.

Byte Power Group Limited

Byte Power Group Limited, together with its subsidiaries, provides IT&T solutions to the small and medium enterprises, and corporate and government sectors in Australia and Asia. It operates in Power Management, IT&T, Asian Business Division, and Other segments. The company provides ATM cash management, secure mobile phone based payment, and ERP solutions; infrastructure hardware products, including uninterruptible power supplies and power management products; network monitoring and management solutions; IT consultancy services; and network design, implementation, and management services. It also provides on-site support and maintenance services; implements e-kiosk solutions; and distributes wine. The company was formerly known as Willhart Limited and changed its name to Byte Power Group Limited in July 2003. Byte Power Group Limited was founded in 1989 and is based in Newstead, Australia.

CPT Global Limited

CPT Global Limited provides IT consultancy services in Australia, North America, and Europe. The company offers technical consulting services comprising capacity planning assurance and reviews; cost reduction programs, and cost of running reports and models; tuning services, such as corporate wide approach to performance tuning; technical support services, including database and system administration. Its technical consulting services also include technical reviews comprising environment and application performance; architecture services, such as technical architecture and design reviews; data warehousing solutions; stress and volume performance testing; and test facilitation and management. The company also provides management of IT consulting services, which consist of IT strategic planning; selective outsourcing/multi sourcing readiness support, and transition services; IT outsourcing contract services reviews; IT delivery and support reviews and improvement using the shared services/ITIL framework; senior project and system integration management; and IT business metrics alignment leveraging balanced scorecard and cost of ownership models. Its management of IT consulting services also comprises business process re-engineering; business process improvement; information management planning; eBusiness planning and implementation; business requirement definition; systems and technology integration; organization change; records and document management; and program and project management. The company was founded in 1993 and is based in Southbank, Australia.

DWS Limited

DWS Limited provides information technology services to corporations and government bodies in Australia. It offers a suite of integrated solutions, including IT consulting services, such as IT strategy and architecture advice, program and project management, business and technical analysis, custom application development, and systems integration and solution testing; and digital solutions incorporating data automation and capture systems, data optimization solutions, content management and distribution, and API creation and management services. The company also provides business analytics comprising advanced analytics, as well as Power BI and Data Warehouse as a Service; cloud services consisting of strategy and architecture advice, pilots and proofs of concepts, and planning services; and managed application services using a mix of offshore, on-site, off-site, and high-security models depending on client requirements. In addition, it offers iSolutions cloud products for financial institutions and telecommunications companies. The company was incorporated in 1991 and is headquartered in Melbourne, Australia.

Empired Limited

Empired Limited provides various IT services and solutions primarily in Australia. The company's IT services include software systems, consulting, and infrastructure design and deployment services. It offers infrastructure services comprising managed services; project services, such as professional application and infrastructure services to upgrade and enhance key IT platforms; and cloud-based solutions, including its FlexScale product that delivers Infrastructure-as-a-Service, Software-as-a-Service, Disaster Recovery-as-a-Service, and Backup-as-a-Service to the business benefits of their customers. The company's application and consulting services provide consulting and business services in research, business case creation, business model verification, requirements analysis, product selection, program management, project management, and PMO review practices; custom application services; and system support and application management services to monitor and control over the business activities. It also offers Microsoft business solutions, including systems consulting and analysis services in the areas of information management, collaboration and social, CRM/XRM, data visualization, business process, and change management and user adaptation platforms; Microsoft SharePoint solutions for use in delivering Intranet and portal solutions; and Microsoft dynamics CRM to deliver a line-of-business applications that serves various industries to manage customer relationships. In addition, the company provides Microsoft office365, a subscription-based online service that offers access to communication, collaboration, and productivity applications through the Internet; and systems support services for organizations to deliver services to their customers, partners, and employees through Microsoft technologies. Empired Limited serves government and private sectors. Empired Limited was founded in 1999 and is headquartered in Perth, Australia.

Melbourne IT Limited

Melbourne IT Limited, together with its subsidiaries, provides Internet-based technology services, such as Internet domain name, Web hosting, online brand protection and promotion, video content delivery, and managed IT services worldwide. The company operates through two segments, SMB Solutions and Enterprise Services. The SMB Solutions segment offers online solutions comprising domain forwarding, Web design and hosting, messaging, search engine optimization, and Website development to small to medium enterprise, and small and home office sectors. The Enterprise Services segment provides managed services and business grade Web application hosting services to corporate and government clients in Australia. Its services include smart digital platforms, managed Amazon Web services, application profiling, and managed Sitecore digital platform. Melbourne IT Limited was founded in 1996 and is headquartered in Melbourne, Australia.

Oakton Limited

Oakton Limited provides consulting services in the information technology (IT) industry in Australia and internationally. It offers accounting and assurance services, including internal audit, risk management, fraud control and related, probity advisory and auditing, IT assurance, business continuity and disaster recovery planning, business information assurance, governance risk and compliance advisory, and financial management consulting services. The company also provides application development and integration services, such as enterprise and consumer mobility, content management, collaboration and enterprise social, cloud enablement, and enterprise grade integration solutions; application management services; and strategic assessment and selection, implementation and deployment, and support and service delivery of ERP solutions, as well as designs, builds, and supports Omni-channel digital platforms. In addition, it offers information management strategy, analytics and business intelligence, data warehousing, and data management solutions; architecture, business systems planning and advisory, business transformation, and IT management consulting services; and enterprise project portfolio management, program and project management, agile project delivery, tender management and evaluation, project management office, post implementation review, project health check, project restoration, agile business analysis, business process improvement, testing as a service, testing strategy, test planning, and test execution services. Further, the company provides relationship management solutions; and service integration solutions. It serves education, construction and property, government, transport and logistics, healthcare, utilities, telecommunications, resources, retail and wholesale, and finance industries. The company was founded in 1988 and is headquartered in Melbourne, Australia.

RXP Services Limited

RXP Services Limited provides information and communications technology consulting, development, support, and maintenance services for medium to large enterprises and government organizations in Australia. The company offers strategic advisory services in the areas of strategic alignment and sourcing; service optimization; governance, risk, and compliance; business and enterprise architecture; and portfolio management. It also provides BI and information management services, including data governance, master data management, data warehousing, business intelligence and analytics, and data migration and management; and business process optimization and automation services, such as business process and workflow management, e-forms and smart forms, compliance/security, back-end integration, content services, and imaging and print management. In addition, the company offers enterprise service management services comprising ESM architecture and design, business and IT process improvement, ESM tool transformation, process and service automation, enterprise monitoring and reporting, communication and alert management, and workflow and forms tool consolidation. Further, it provides infrastructure and cloud services consisting of application readiness, performance testing, and infrastructure consulting, as well as cloud design, hosting, and support; and PMO-as-a-service, and project management and project management services. Additionally, the company offers change leadership, organizational readiness, stakeholder and communication management, and change and communication framework services; and integration governance and architecture, analysis and design, development and testing, application support, and integration platform training services. It also provides application strategy consulting, mobile development and integration, wire-framing/UI design, salesforce development, and application and portal development. The company is based in Melbourne, Australia.

SMS Management & Technology Limited

SMS Management & Technology Limited provides consulting, technology, and managed services primarily in Australia. It operates through two segments, SMS Consulting and M&T Resources. The SMS Consulting segment offers a range of value added management and technology related business services, including business performance improvement, business process management, customer relationship management, information and data management, infrastructure consulting, operational learning and change, solutions development, program and project, and managed services. The M&T Resources segment provides recruitment and contract labor services primarily in the information technology sector. It serves financial services, information, communication, and technology, defense, health, utilities, mining, gaming, and infrastructure sectors, as well as the government. The company also has operations in Hong Kong, Singapore, and Vietnam. SMS Management & Technology Limited was founded in 1986 and is headquartered in Melbourne, Australia.

UXC Limited

UXC Limited provides business services and solutions in the areas of information, communication, and technology in Australia and New Zealand. It operates in three segments: Consulting, Applications, and Information Technology (IT) Infrastructure. The Consulting segment offers services in the areas of training, business transformation, information management, telecommunications consulting, project, program and portfolio management, change management, IT research, IT strategy and architecture, IT professional services, and mobility. The Applications segment provides consultancy and implementation services for enterprise resource planning systems for mid to large size organizations, as well as represents Microsoft Dynamics, SAP, Oracle, and ServiceNow systems in the market. The IT Infrastructure segment specializes in the areas of workspace innovation, contact centre, security, mobility, cloud, entertainment and content, managed services, data centre optimization, and outsourcing. UXC Limited also offers cloud-based business management applications to businesses. The company serves energy and utility, government, manufacturing and CPG, mining and resource, and telecommunication industries. UXC Limited is headquartered in Melbourne, Australia.

Appendix 5 – Glossary of Terms and Abbreviations

Term	Definition
Acquisition Shares	6,153,846 IAB shares
Act	The Corporations Act 2001
ADSL	Asymmetric digital subscriber line
APL	An operating subsidiary company of Anittel Group Limited
ASPL	A subsidiary of Anittel Group Limited which employees all of Anittel's employees
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AYG	Anittel Group Limited
BPA	An agreement dated 4 November 2014 for Inabox Group Limited to acquire the operating business of AYG
Business	The IT and Services Business and the HCS Business of AYG
Capitalisation	A conversion of a single period of economic benefits into value
Capitalisation Rate	Any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value
Company	Inabox Group Limited
Corporations Act	Corporations Act 2001
CRM	Customer Relationship Management

Term	Definition
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest tax depreciation and amortisation
Explanatory Memorandum	Explanatory Memorandum issued to IAB Shareholders that provides information which is material to a decision on how to vote on the Resolution
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Future maintainable earnings (FME)	The average level of earnings expected to be achieved in the future
FY	Financial year
HCS	Hosted Collaboration Solution
IAB	Inabox Group Limited
ICT	Information and communications technology
IER	Independent Expert's Report
IP	Internet Protocol
IPO	Initial Public Offer
ISDN	Integrated Services Digital Network
IT and Services Business	The business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the HCS and Infrastructure of a Service business
iVox	iVox Pty Ltd
Management	Management of IAB
Merged Group	IAB after the Proposed Transaction
Minority Interest	A non-controlling ownership interest, generally less than 50%, of a company's voting shares

Montimedia	Montimedia Pty Ltd

Term	**Definition**
Multiple	The inverse of the Capitalisation rate
Neural Networks	Neural Networks Data Services Pty Ltd
IAB Shareholders	Shareholders not associated with the Proposed Transaction
Notice of Meeting	The Notice of Meeting sent to Shareholders in December 2014
NPAT	Net profit after tax
Performance Consideration	The performance consideration set out in Appendix 9 of the Report
Proposed Transaction	The transaction as set out in the Resolution
PSTN	Public Switched Telephone Network
Report	This IER report.
Resolution	That for all purposes including for the purpose of section 611, item 7 of the Corporations Act and, approval is given for the allotment and issue of 6,153,846 new ordinary shares in the capital of the Company to Anittel Group Limited on the terms and conditions set out in the Explanatory Memorandum and the Business Purchase Agreement
RG 111	ASIC Regulatory Guide 111 –'Content of experts reports'
RSM	RSM Bird Cameron Corporate Pty Limited
RSPs	Retail Service Providers
SME	Small and medium enterprises
SHDSL	Symmetrical high-speed digital subscriber line
VoIP	Voice over IP
VWAP	Volume Weighted Average Price

Appendix 6 – Telecommunications Industry profile

Telecommunication Services Industry – Industry Overview[8]

Introduction

Inabox operates in the Australian telecommunications services industry ("Telco Industry"), consisting of participants engaged in operating, maintaining, supporting or providing access to facilities for the transmission of voice, data, text, sound and video over wire, cable, wireless and satellite networks.

The primary activities of the Industry are wired telecommunication service provision, wireless telecommunications service provision, satellite communication service provision and television and radio relay station operation. There is a trend from wired telecommunications to wireless telecommunication caused by smartphones and enhanced mobile connectivity.

The National Broadband Network is expected to change the competitive environment. Investment in 4G networks is expected to increase competition in the wireless telecommunications carriers industry.

Market share concentration is high with the top three major companies accounting for more than 70.0% of the revenue. Competition across the Telco Industry is medium and increasing with products competing on price, quality, speed, coverage and reliability.

Industry Performance

Industry profit is forecast to be $5.4 billion or 13.0% of revenue in FY 2014. Higher volumes and greater economies of scale have offset price cuts and led to an increase in profit margins.

Industry revenue is forecast to be $41.5 billion in FY 2014, representing compound annual decline of 1.5% since the global financial crises in 2009 due to a decline in wired telecommunication revenue and price cuts across the industry as participants compete for market share.

The Industry's performance is dependent on:

- Mobile telecommunications density which is the proportion of the population that owns a mobile phone.
- Number of businesses. An increase in the number of businesses in Australia increases demand for telecommunication services to produce and distribute goods and services.
- Real household discretionary income. An increase in discretionary income increases demand for the industries high-end mobile services.
- Demand from telecommunications and other electrical goods wholesaling.
- Number of households causes an increase in internet connections.

[8] IBISWorld Industry Report J5800 Telecommunication Services in Australia dated October 2014.

Products and Services

The products and services provided by the Industry are provided in the following table:

Product	Percentage of industry revenue
Mobile services	50.8%
Wired services	27.7%
Resold telecommunications	19.2%
Satellite, TV and other services	2.3%

Key Markets

The Industry's major markets are provided in the following table:

Client base	Percentage of industry revenue
Households	61.4%
Corporate clients	26.5%
Government	12.1%

Barriers to entry

Barriers to entry are high and vary between the various segments of the Telco Industry. Barriers include economies of scale, capital intensity, service differentiation, distribution networks and licences.

Key success factors

The key success factors for the Industry are:

- Having an extensive distribution network.
- Ability to raise revenue from additional sources.
- Having contracts within key markets such as pay TV, electronic commerce providers and other online service providers.
- Understanding government policies and their implications.
- Economies of scale to reduce costs and increase profit margins.
- Undertaking technical research and development to meet best practice in operational efficiency and delivery of service.

Outlook

Over the next 5 years growth is expected from advancements in network infrastructure, which will enable services such as VoIP, IPTV and mobile tethering, the National Broadband Network and expansion of 4G mobile networks.

Appendix 7 – IT Services Industry profile

Introduction

The IT and Services Business of AYG operates in the Australian IT consulting industry ("Industry"), consisting of participants engaged in the provision of IT advice and support services.

The primary activities of the Industry are hardware, software and internet consulting, computer programming, custom software development, software installation, system analysis and computer facility management.

Industry Performance

Industry profit is forecast to be $5.1 billion or 10.6% of revenue in FY 2014.

Industry revenue is forecast to be $48.1 billion in FY 2014, representing compound annual growth of 4.9% since the global financial crises in 2009. Revenue has grown over the past 5 years due to improvements in technology, the increased prevalence of mobile platforms, cloud computing and online connectivity. The strong reliance on internet and telecommunications by businesses has underpinned revenue growth.

The Industry's performance is primarily dependent on:

- Business confidence - an increase in business confidence causes an increase in demand for IT services.
- Capital expenditure on computer software and equipment which leads to an increase in computer consultancy services.
- Internet connections - the adoption of information technology by industry leads to an increase in demand for IT services.

Products

The products and services provided by the Industry are provided in the following table:

Product	Percentage of industry revenue
Computer system design	37.3%
Internet-specific services	23.4%
Computer facilities management	17.3%
Labour-based computer assistance	14.0%
Other	8.0%

Key Markets

The Industry's major markets are provided in the following table:

Client base	Percentage of industry revenue
Financial service providers	27.8%
Government	25.7%
Professional service providers	13.5%
Manufacturers	9.8%
Retailers	8.0%
Other	8.0%
Mining companies	7.2%

International Trade

The majority of Industry revenue is sourced from clients in Australia.

There is a growing trend of subcontracting some elements of the process to high-skill and low-wage countries such as India and China.

Barriers to entry

Barriers to entry are low as new entrants only require hardware, software and the relevant training or qualifications to enter the Industry.

Key success factors

The key success factors for the Industry are:

- Management and marketing skills to tender for IT projects and achieve outcomes within budget.
- Development of new products.
- Access to funds is needed to fund working capital and research and development.
- Highly skilled IT staff.

Outlook

The Industry is in the growth stage of its life cycle. The rapidly changing technological environment ensures that new markets are constantly opening up.

Revenue is expected to grow at an annualised rate of 3.0% per annum to FY 2020 to $55.6 billion due to system upgrades with improvements in technology and the development of specialist software for niche industries and clients.

As competition increases, domestic IT consultants are expected to focus on providing services that cannot be replicated by foreign firms.

The increased practice of providing start-to-finish service is projected to lead to greater consolidation among the largest firms.

Appendix 8 – Overview of comparable transactions

Below are the details of the comparable market transactions, listed by target company.

My Net Fone acquisition of iBoss

On 18 July 2014 My Net Fone Limited acquired the business and intellectual property of wholesale telecommunications enabler iBoss International Pty Limited from Vocus Holdings Pty Limited for $1.4 million, approximately 5.5x EBITDA. The iBoss telecommunications software platform manages billing, communications activity, provisioning and operations.

My Net Fone acquisition of Connexus

On 14 November 2012 My Net Fone Limited acquired 100% of the share capital in Connexus Pty Ltd, a Melbourne based internet service provider to small and medium enterprises, for $4.8 million, approximately 2.9x EBITDA.

Appendix 9 – Performance Consideration

Performance Consideration will be calculated in accordance with the following formula:

PC = $1,500,000 – ITPS – ITCGM – HCSPS

where

PC means Performance Consideration

ITPS means IT Performance Shortfall calculated in accordance with item A below

ITCGM means the IT Contracted Gross Margin Adjustment calculated in accordance with item B below

HCSPS means the HCS Performance Shortfall calculated in accordance with item C below

For the avoidance of doubt, if PC is less than 0, PC is 0

Item A – IT Performance Shortfall

The lesser of $1,500,000 and the amount calculated as follows:

(($7,550,000 – 2HGM) x 5 x 2) – EAS

where

2HGM means the actual Gross Margin of the IT Business Unit for the period 1 January 2015 to 30 June 2015

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least $15 per month

EAS is:

a) If there are 15,000 or less Active Services at 30 June 2015, zero; or

b) If there are more than 15,000 Active Services as at 30 June 2015, the amount calculated as follows:

   (Active Services – 15,000) x $200

IT Business Unit means the business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to Cisco HCS and Infrastructure as a Service (ISS) business

Gross Margin means revenue minus direct costs of IT Hardware, software and services excluding labour costs (refer to item D of this schedule for a list of categories of costs)

For the sake of clarity the IT Performance Shortfall cannot be less than $0.

Item B – IT Contracted Gross Margin Adjustment

If at 30 June 2015, the Gross margin on the managed service contracts and managed IT contracts (together "CGM") in the period 1 July to 31 December 2015 is forecast to be less than during the period 1 January to 30 June 2015 (taking lost contracts but also new contracts into account), the Performance Consideration will be reduced by the lesser of $1,000,000 and the amount calculated as follows:

(2HFY15 CGM – 1HFY16F CGM) x 5 x 2

Calculation of the 1HFY16 forecast:

- Where the buyer received a notice of termination from an account prior to 30 June 2015, the monthly contract Gross Margin for that account shall not be included in the calculation of CGM for 1HFY16.

- If a client has formally notified the buyer of a reduction in their monthly service fee prior to 30 June 2015, the lower monthly service fee and corresponding Gross Margin shall be included in the 1HFY16 Forecast.
- New contracts signed before 30 June 2015 will be included in the forecast at the Gross Margin of their committed value.
- Consistent accounting policies are to be applied to the calculation of Gross Margin in 2HFY15 and the forecast period of 1HFY16.

Item C – HCS Performance Shortfall

The lesser of $1,000,000 and the amount calculated as follows:

(15,000 – Active Services) x $200

where

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least $15 per month.

Item D – Categories of Costs

Product – Hardware
Product – Software
Service – Professional Services
Service – MIT (Managed IT)
Service – MSC
Comms – Internet and Data
Comms – Hosting and Cloud
Comms – Voice and Video
Other Income
Service – Infrastructure as a Service

All Correspondence to:

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GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (AEDT) on Sunday, 21 December 2014**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (AEDT) on Sunday, 21 December 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Inabox Group Limited
ACN 161 873 187

☐ **Your Address**
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Inabox Group Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the **Maple Room Swissotel Hotel, 68 Market Street, SYDNEY, NSW 2000 on Tuesday, 23 December 2014, at 10:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Allotment and issue of 6,153,846 new ordinary shares in the capital of the Company to Anittel Group Limited	☐	☐	☐

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name……………………………………………....

Contact Daytime Telephone…………………….........................

Date / / 2014