Annual Report 2016

inabox group

Inabox Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Inabox Group Limited
ABN:	32 161 873 187
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	36.8%	to	88,005
Profit from ordinary activities after tax attributable to the owners of Inabox Group Limited	up	344.7%	to	859
Profit for the year attributable to the owners of Inabox Group Limited	up	344.7%	to	859

Dividends
On 25th August 2016, the directors declared a fully franked final dividend for the year ended 30 June 2016 of 1.7 cent per ordinary share with payment date of 28 October 2016 to eligible shareholders on the register as at 30 September 2016.

Comments
The profit for the group after providing for income tax amounted to $859,000 (30 June 2015: loss of $351,000).

Refer to 'Review of operations' in the Directors' Report for detailed commentary in relation to the results for the year.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(14.68)	(28.24)

4. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

5. Attachments

Details of attachments (if any):

The Annual Report of Inabox Group Limited for the year ended 30 June 2016 is attached.

6. Signed

Signed ______________________________ Date: 25 August 2016

Damian Kay
Managing Director and Chief Executive Officer
Sydney

Inabox Group Limited

ABN 32 161 873 187

Annual Report - 30 June 2016

Dear Shareholders,

On behalf of the Board of Inabox Group Limited, it is our pleasure to present the annual report for the financial year ended 30 June 2016.

Highlights of the year were:

- Record earnings before interest, tax, depreciation and amortization ('EBITDA') of $5.5million
- Sold non-core capital intensive HCS platform. This has freed up the company to focus on core growth areas
- Anittel acquisition successfully integrated and grown
- Revenue increased 37% to $88million
- Revenue from the high margin enablement business more than doubled to $5.7 million
- Strong pipeline of new enablement clients

It has been a year of rapid change for Inabox. This is reflected in the strong momentum in our financial results. The results were driven by the bedding down of prior year's acquisitions, investment in new products and system capabilities, and a significant increase in investment requirements for the HCS business. Notably, 2015's acquisition of Anittel has been highly successful as a strong contributor to our earnings overall, with a demonstrated ability to successfully cross sell other products and services.

Strategy & vision

The year saw the Board and Management team review the overall strategy of the Group and set an objective to be the leading IT and managed communications solutions provider to SME and customer brands across Australia. We strive to achieve this by investing in our people, products and automation to make it easy for our customers to do business.

The revised vision is executed through three channels: Direct, Indirect, and Enablement. The product, network, and systems teams have been targeted to drive core products, services, and automation through our established channels that enable SME's, across Australia, to leverage next generation voice and data services that make it easier for them to do business.

Well positioned for shifting market environment

In a market that continues to undergo structural change, Inabox's products and services are at the forefront of a shift from 'tin-to-cloud' or from on-premises telecommunications hardware to hosted services, and a trend towards outsourced IT and communications services. The Group also successfully negotiated to be the first aggregator to make available to its resellers a mobile service using part of the 4G mobile network and capabilities of Telstra Corporation Ltd. The Group is very well positioned to capitalise on these dynamic market conditions and continue delivering bundled IT and managed communications services via our 400+ indirect channels and to our 1,500+ direct customers. In addition, our Enablement Platform, which allows major retail consumer brands to add communication services to their portfolio of products, continues to grow strongly and now sits at 90,000+ services in operation (SIOs).

Significant growth and strong financial performance

The financial year has seen significant growth, with the Group delivering a record $5.5million EBITDA for FY16; more than double prior year's EBITDA and exceeding guidance of a previously foreshadowed $5million EBITDA. This reflects management's ongoing commitment to generating a strong return for shareholders.

The following table summarises key reconciling items between statutory profit after tax and EBITDA:

	Consolidated	
	2016 $'000	2015 $'000
Statutory net profit after tax	859	-351
Add: Finance costs	703	352
Add: Depreciation and amortisation expense	3,250	2,051
Add: Tax expense expense/(benefit)	538	-175
Add: Assets written off	164	-
Less: Interest revenue	-49	-70
EBITDA	5,465	1,807

Revenues for the Group grew to $88million for FY16, up from $64.3million or 37% on FY15, with all three channels seeing a lift in their revenue contribution.

- **Direct channel** revenues grew to $33.5million in FY16, up from $17.3million or 94% on FY15, driven by the success of the Anittel acquisition, and the demonstrated ability to cross sell bundled solutions through this channel.
- **Indirect channel** revenues grew to $48.8million, up from $45.0million or 8% on FY15, with strong performance in challenging market conditions, which saw the Group capitalising on acquisitions made in current and prior years while facing competitive pressure which restricted the growth of its smaller Retail Service Providers (RSPs).
- **Enablement channel** revenues grew to $5.7million, up from $2.0million or 185% on FY15, and continues to be the cornerstone of growth for the Group, with the rapid increase revenues resulting from threefold increase in services in operation, from 32,000 to 85,000+ during the year and significant increases in development revenue.

The Group achieved NPAT of $859,000 in FY16, up from a loss of $351,000 in FY15. The increase in NPAT was driven by the aforementioned growth across all three channels, offset by a significant increase in depreciation and amortisation charges relating to the capital intensive HCS business.

Successful sale of HCS business

On 30 June 2016, the Group successfully sold the HCS Business to Telstra Corporation Ltd for total cash consideration of $4.5 million. The cash from the sale will be received in 2017 after transition to Telstra and the 2017 results will be improved by lower depreciation and amortisation charges. The HCS Business provides Cisco hosted collaboration services to the Tasmanian Government was acquired as part of the acquisition of Anittel Group Limited in 2015.

The sale followed the board and management team's strategic review of the Group's operations, which indicated that the time was right to divest this non-core part of the business, allowing the Group to redirect investment and focus into the core products and services that best serve our SME customers. The disposal will leave the Group with a strengthened cash and balance sheet position going forward. The Group will also consider applying its cash reserves to strategic acquisitions.

Continued best in class service and innovation

The Group continued to invest in platform innovation, systems and automation between Inabox and its customers, maintaining its competitive edge, whilst driving scalability.

Most recently, Inabox was first to launch a wholesale-channel mobile product using part of the 4G mobile network and capabilities of Telstra Corporation Limited as part of its bundled IT and managed communications services. This product is sold via its wholesale reseller network of over 440 retail service providers to retail customers, which are predominantly SMEs.

Offering unmatched network coverage, the 4G network footprint reaches 90% of the Australian population. When combined with the 3G footprint, the coverage footprint reaches 98.5% of the population and covers 1,300,000 square kilometres of the Australian landmass, with superior mobile network coverage extending beyond major capital cities.

Maiden dividend

The strong improvement in performance along with good future cash projections has allowed the Board to declare an inaugural dividend. The Board declared a dividend of 1.7 cents per share representing 40% of NPAT and utilising $341,000 of cash. Going forward, the Board intends to maintain a dividend pay-out ratio of 40% - 50% of NPAT dependent on other capital requirements such as EPS accretive acquisitions.

Continued growth

The Group will continue to focus on growing its operations organically whilst reviewing any potential for strategic acquisitions, which accelerates achievement of our vision. Such acquisitions would be complementary to our existing offering, providing new products or services in the IT and managed communications space, or additional presence in key geographic regions.

Strength of our team, Board and management team

Inabox Group continues to build a strong national team, with a footprint that now extends Australia-wide, and includes a strong regional presence.

The year saw a number of key appointments to the Board and management team; further strengthening the Group's expertise and complementing the pre-existing skills and experience of the Group's leadership team.

As previously announced, Siimon Reynolds stepped down from his role as Chair and Director of the Group to pursue his growing American business interests. The guidance and leadership Siimon provided the Group in his role as Chair has been invaluable and on behalf of the Board we would like to thank him for his tremendous contribution.

David Rampa has taken on the role of non-executive, independent Chair for the Group. Spending much of his career in the IT&T sector in Australia and internationally, as a senior executive in both technology start-ups and multinationals, he brings a wealth of local and international experience and expertise to the role.

As part of a wider Board and management team refresh, Tom Stianos was appointed to the Board as non-executive director, bringing an abundance of knowledge and insight, having previously been CEO of IT service provider, SMS Management & Technology.

Additionally, the Group was pleased to make three significant appointments to our management team during the year.

- Vincent Pesquet (COO) leads Inabox's sales, marketing and operational teams for our Direct and Indirect channels and has over 20 years of experience in management, sales and marketing and a strong background in transformational leadership, change management and building high performance teams.

- Chris Ford (CTO) leads the digital development side of our business. With 24 years of IT and telecommunications experience, Chris brings specialised knowledge across fixed, mobile and voice networks, product and software development, architecture, product marketing and digital strategy, program management, technical sales and consulting.

- Deborah Zimmer (CFO) brings over 20 years of experience in financial and commercial management, expertise in commercial negotiations, raising finance, project management, mergers and financial control.

Promising outlook

With the market continuing to evolve, Inabox is uniquely positioned to take advantage of the transformation change occurring in the industry. Continued investment in platform innovation ensures the Group's bundled IT and managed communications solutions reflect a strong offering for our SME customers, with the provision of best in class and up to date services.

Management expects that the strong organic growth in revenue will continue in FY17. In addition, an increase in profitability is anticipated as management continues to drive the revenue mix towards higher margin services.

David Rampa Chairman	Damian Kay Managing Director and Chief Executive Officer

25 August 2016
Sydney

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Inabox Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

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

David Rampa - Independent Chairman
Damian Kay
Garry Wayling
Tom Stianos (appointed on 26 November 2015)
Siimon Reynolds (resigned on 20 May 2016)

Principal activities

The Inabox Group provides managed IT and communication services to SME's across Australia either via our 400+ channel partners or directly to our 1500+ SME customers managed through our national footprint of 12 offices located in Capital cities and major regional centres. In addition, we enable national retail brands to add telecommunication services to their consumer product offers. We are uniquely positioned to leverage the roll-out of the NBN and assist our SME clients in the migration of their communication and IT platforms from on premise to the cloud.

Dividends

On 25th August 2016, the directors declared a fully franked dividend for the year ended 30 June 2016 of 1.7 cents per ordinary share with a payment date of 28 October 2016 to eligible shareholders on the register as at 30 September 2016. This equates to a total distribution of $341,000 based on the number of ordinary shares on issue as at 30 June 2016. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2016 financial statements and will be recognised in subsequent financial reports.

Review of operations

The profit for the group after providing for income tax amounted to $859,000 (30 June 2015: loss of $351,000).

Revenue for the year has risen to $88,005,000 (30 June 2015: $64,328,000). The 2015 acquisition of Anittel Pty Ltd (‘Anittel’) contributed $16,824,000 of this increase.

Overview of business segments

Following the acquisition of the Anittel business on 1 January 2015, the group’s activities have included the direct supply of telecommunications products and services, and managed information technology services, under the Anittel and Anittel Communications brands.

The group has continued, under its brands Telcoinabox, iVox and Neural Networks, to provide telecommunications services for resale, together with unbranded operational support and billing services to its resellers (known as Retail Service providers, or RSPs).

For reporting purposes, this component of the group’s business is referred to as indirect, in contrast to the direct sales component.

In addition, the group operates a business segment referred to as enablement, in which the group provides networks, systems, operational support and billing services, and software development (with or without the resale of telecommunications products and services) to established consumer brands seeking to offer telecommunications to their customers.

Direct – Telecommunications and IT Services Supply
The group has grown both revenue and profitability of the Anittel and Anittel Communications branded activities during the year.

Under the Anittel brand, the group provides managed telecommunications services and information technology consulting services throughout Australia. The group has been successful in organically growing its national customer base, as well as re-contracting with its largest information technology consulting service customers for extended fixed contract terms.

The group has during the year entered into an agreement for the divestment to Telstra of its business supplying enterprise managed services to the Tasmanian Government, via the Cisco Hosted Collaboration Suite platform (‘HCS business’). The group will continue to provide services under its existing arrangement with the Tasmanian Government, and receive associated revenue, during a transition period, expected to conclude during second half of FY 2017.

The group has also grown its direct retail telecommunications business, both through organic growth and through acquisition. The group expects continued opportunity for organic growth as a result of cross-selling direct telecommunications services to customers with existing managed telecommunications and information technology consulting services. The group also believes that cross-sell opportunities will minimise the potential for channel conflict with RSPs in its indirect segment.

Indirect – Wholesale Telecommunication Supply
As at 30 June the group had 400+ RSPs across its entire reseller channel. The channel continues to generate recurring revenue from RSPs, and the group has entered into long term contracts with a number of its larger RSPs during the year. IAB expects to continue prioritising the agreement of extended contract terms with its RSPs.

During the year, the group entered into agreements with Telstra Wholesale to facilitate the sale of a 4G mobile product. The group is at present the only Australian telecommunications aggregator to offer a 4G mobile product of this nature, which is available to RSPs via a dealer arrangement. The group expects that this mobile product will prove attractive to its RSPs by virtue of its leading coverage area and speed.

The group has successfully resolved a number of mediations with resellers in the group’s legacy franchise RSP base. A number of franchisees continue in operation, but the group does not anticipate entering into additional franchise agreements.

Enablement – Supporting Established Consumer Brands
The group’s largest enablement customer has continued to grow, and the group has deployed network equipment in order to increase the scale of the enablement services provided to them.

During and since the close of the reporting period, the group has experienced continuing growth in the total number of services supported across its other enablement customers.

The group looks forward to continuing to expand the products supported by its enablement offering, and to recruiting additional enablement customers.

Significant changes in the state of affairs
On 30 June 2016, the group agreed to sell the HCS business assets to Telstra for a cash consideration of $4,500,000.The cash consideration will be received by 30 June 2017 following the completion of the transition of services from the group HCS platform to Telstra’s platform. As a result, all HCS assets which will be transferred to Telstra have been recognised as 'Assets held for sale' following the board decision in May 2016 to proceed with the sale.

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

Matters subsequent to the end of the financial year
Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations
Likely developments in the operations of the group and the expected results of those operations are contained in the Chairman and CEO's report.

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

Information on directors

Name:	David Rampa
Title:	Independent Non-Executive Chairman
Qualifications:	B.Bus, FAICD
Experience and expertise:	David held senior executive positions at both Telstra and Singtel Optus prior to working in investment banking in New York. Recently David was a Non-Executive Director of the M2 Group Ltd (prior to the merger with Vocus Communications Ltd), where he was also Chairman of the Nominations and Remuneration Committee. David is the current Chairman of the Advisory Board at Aviation Logistics Pty Ltd, a ground and air patient transfer operation. He is also a Senior Consultant at TMT Partners, a Sydney based corporate advisory firm specialising in capital raises, IPOs and mergers and acquisitions in the Technology, Media and Telecommunications sector. Previously David also served as Deputy Chairman of the Telecommunications Service Provider Association, and was President of ANZACC (Australian, New Zealand, and American Chamber of Commerce) Midwest in the United States of America.
Other current directorships:	None
Former directorships (last 3 years):	M2 Group Limited (ASX: MTU)
Special responsibilities:	Member of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	10,000 ordinary shares
Interests in options:	None

Name:	Damian Kay
Title:	Managing Director and Chief Executive Officer
Qualifications:	B.Comm, GAICD
Experience and expertise:	Damian has more than 15 years' experience in the telecommunications industry. Previously he owned telecommunications reseller Universal Telecom, which he sold to Commander in 2006. He also held roles at Optus and has extensive sales experience in the FMCG (fast moving consumer goods) and IT industries. In 2002, Damian co-founded Telcoinabox Pty Ltd.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,740,173 ordinary shares
Interests in options:	83,333 options

Name:	Garry Wayling
Title:	Independent Non-Executive Director
Qualifications:	B.Comm, ACA, GAICD
Experience and expertise:	Garry has more than 30 years’ experience in audit, risk and finance. As a long-standing partner at Ernst & Young, Garry worked with large corporate audit and middle markets growth companies across an extensive range of sectors. Garry has also held various executive roles as CFO and managing director for listed resources companies and business consulting roles. He is currently an Independent Director and Chair of the Audit and Risk Committee of OneVue Holdings Limited, Independent Director of MAP Funds Management Ltd, Independent Director and member of the Audit and Risk Committee for Odyssey House and ex-officio advisor of the Board Audit Risk Committee for Mission Australia.
Other current directorships:	OneVue Holdings Limited (ASX: OVH)
Former directorships (last 3 years):	Coalworks Limited
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	23,453 ordinary shares
Interests in options:	None

Name:	Tom Stianos
Title:	Independent Non-Executive Director (appointed on 26 November 2015)
Qualifications:	BA (Sc), FAICD
Experience and expertise:	Tom is a specialist in growing IT services businesses and advises on corporate strategy, growth and performance for companies ranging from start-ups to listed companies. Previously, Tom was CEO of IT service provider, SMS Management & Technology for 13 years, and was a Non-Executive Director of the Australian Information Industry Association. He has also held senior positions with the Department of Premier and Cabinet, Department of Justice, and Department of Treasury & Finance. Tom holds a Bachelor of Applied Science from the University of Melbourne and was awarded the Ford Australia prize for Economics.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	None

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

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

Company secretary

Angus Fotheringham (LLB (Hons), BA, GAICD, GIA(Cert)) joined the group in 2010 as General Counsel and Company Secretary. Prior to joining the group, Angus was Legal and Business Affairs Executive for Beyond International Limited and was a solicitor at Norton Rose Fulbright.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
David Rampa	14	14	4	4	1	1
Damian Kay	14	14	-	-	-	-
Garry Wayling	14	14	2	2	1	1
Tom Stianos	8	8	2	2	1	1
Siimon Reynolds	13	13	3	3	-	-

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel ('KMP') remuneration arrangements for the group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the group's KMP reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns KMP rewards with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board ensures that KMP rewards satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders; an
- transparency.

The Nomination and Remuneration Committee ('NRC') is responsible for determining and reviewing remuneration arrangements for its KMPs. The performance of the group depends on the quality of its directors and other KMP. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The NRC has structured a KMP reward framework that is market competitive and complements the reward strategy of the group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having profitable growth as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre KMP.

Additionally, the reward framework seeks to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive director remuneration
Non-executive director remuneration includes a mix of short and post employment benefits. Fees and payments to non-executive directors reflect the responsibilities and demands placed on directors. The nature and the amount of compensation is reviewed and approved by the NRC.

Because non-executive directors assess individual and group performance, their remuneration does not have a variable performance related component. The non-executive directors may hold shares and options over shares in the company.

As prescribed by the Listing Rules of the ASX, the aggregate remuneration of non-executive directors is determined from time to time by shareholders at general meeting. Non-executive directors' fees (including statutory superannuation) are determined within an aggregate directors' fee pool limit. The pool currently stands at a maximum of $600,000 in total, which was approved by shareholders on 10 May 2013.

Non-executive remuneration currently consists of:
- a base fee for serving as a director, currently $100,000 per annum for the chairman and $60,000 per annum for other non-executive directors;
- an additional fee of $10,000 per annum for serving as chairman of the Audit and Risk Committee;
- an additional fee of $10,000 per annum for serving as chairman of the Nomination and Remuneration Committee; and
- statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

Termination and cash bonus payments do not apply to non-executive directors.

Executive remuneration
The group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework (LTI and STI) has the following components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executives' total remuneration.

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the group and provides additional value to the executive.

A short term incentive (‘STI’) plan was implemented during the year which offers executives the opportunity to earn an annual incentive award, which is delivered in cash after the year end when results have been finalised. The STI performance measures align executive rewards with the financial, company management, people management and merger and acquisition strategies of the group.

The group did award its employees, including senior management and the executive director, with an increase to base salary in line with the Consumer Price Index or an increase to ensure remuneration remained competitive by market standards.

Long-term incentives ('LTI') include long service leave and deferred share-based payments. No share options were granted during the financial year ended 30 June 2016.

Use of remuneration consultants
During the financial year ended 30 June 2016, the group did not engage any remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve its incentive programs.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
At the 2015 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The KMP of the group consisted of the following directors of Inabox Group Limited:
- David Rampa - Non-Executive Chairman
- Damian Kay - Managing Director/Chief Executive Officer
- Garry Wayling - Non-Executive Director
- Tom Stianos - Non-Executive Director (appointed on 26 November 2015)
- Siimon Reynolds - Non-Executive Chairman (resigned on 20 May 2016)

And the following persons:
- Angus Fotheringham - Company Secretary/General Counsel
- Laura Jacob - Chief Information Officer
- Vincent Pesquet - Chief Operating Officer
- Deb Zimmer - Chief Financial Officer (appointed on 17 August 2015)
- Chris Ford - Chief Technology Officer (appointed on 16 December 2015)
- Michael Clarke - Chief Technology Officer (resigned on 18 January 2016)

Amounts of remuneration
Details of the remuneration of the KMP of the group are set out in the following tables. Cash salary and fees include annual leave entitlements.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2016	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Leave benefits $	Equity-settled options $	Termination benefits $	Total $
Non-Executive Directors:								
David Rampa	79,388	-	-	-	-	-	-	79,388
Garry Wayling	70,000	-	-	6,650	-	-	-	76,650
Tom Stianos*	41,667	-	-	3,958	-	-	-	45,625
Siimon Reynolds**	91,667	-	-	8,708	-	-	-	100,375
Executive Director:								
Damian Kay	352,973	30,510	-	19,308	7,205	-	-	409,996
Other Key Management Personnel:								
Angus Fotheringham	189,821	20,000	-	17,745	6,655	-	-	234,221
Laura Jacob	199,846	18,000	-	18,409	12,394	-	-	248,649
Vincent Pesquet	250,000	21,250	-	19,308	11,093	-	-	301,651
Deb Zimmer*	190,885	17,250	-	16,487	6,142	-	-	230,764
Chris Ford*	116,769	10,687	-	10,293	7,858	-	-	145,607
Michael Clarke**	88,804	-	-	8,436	-	-	61,044	158,284
	1,671,820	117,697	-	129,302	51,347	-	61,044	2,031,210

* Remuneration from date of appointment as KMP for Tom Stianos on 26 November 2015, Deb Zimmer on 17 August 2015 and Chris Ford on 16 December 2015

** Remuneration is disclosed to date of cessation as KMP for Siimon Reynolds on 20 May 2016 and Michael Clarke on 18 January 2016.

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Leave benefits $	Equity-settled options $	Total $
Non-Executive Directors:							
David Rampa	71,830	-	-	-	-	-	71,830
Garry Wayling*	11,667	-	-	1,108	-	-	12,775
Garry Dinnie**	56,250	-	-	5,344	-	7,764	69,358
Siimon Reynolds	100,000	-	-	9,500	-	8,350	117,850
Executive Directors:							
Damian Kay	355,473	-	-	30,920	29,198	8,350	423,941
Paul Line**	244,586	-	-	25,682	8,426	7,764	286,458
Other Key Management Personnel:							
Angus Fotheringham	180,250	-	-	17,124	19,273	-	216,647
Laura Jacob	183,462	-	-	17,429	3,742	-	204,633
Vincent Pesquet*	125,000	-	-	11,875	11,218	-	148,093
Anthony Crossley***	160,611	-	-	15,258	5,544	-	181,413
Michael Clarke	190,000	-	-	18,050	26,255	-	234,305
	1,679,129	-	-	152,290	103,656	32,228	1,967,303

* Remuneration from date of appointment as KMP for Garry Wayling on 1 May 2015 and Vincent Pesquet on 1 January 2015

** Remuneration is disclosed to date of cessation as KMP for Garry Dinnie and Paul Line on 1 May 2015

*** Remuneration is disclosed to date of cessation as KMP for Anthony Crossley on 31 March 2015

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

Name	Fixed remuneration 2016	Fixed remuneration 2015	At risk - STI 2016	At risk - STI 2015	At risk - LTI 2016	At risk - LTI 2015
Non-Executive Directors:						
David Rampa	100%	100%	-	-	-	-
Garry Wayling	100%	100%	-	-	-	-
Tom Stianos	100%	-	-	-	-	-
Garry Dinnie	-	88%	-	-	-	12%
Siimon Reynolds	100%	93%	-	-	-	7%
Executive Directors:						
Damian Kay	93%	98%	7%	-	-	2%
Paul Line	-	97%	-	-	-	3%
Other Key Management Personnel:						
Angus Fotheringham	91%	100%	9%	-	-	-
Laura Jacob	93%	100%	7%	-	-	-
Vincent Pesquet	93%	100%	7%	-	-	-
Deb Zimmer	93%	-	7%	-	-	-
Chris Ford	93%	-	7%	-	-	-
Anthony Crossley	-	100%	-	-	-	-
Michael Clarke	100%	100%	-	-	-	-

Service agreements

The group enters into employment agreements with each KMP. The agreements are continuous i.e. not of a fixed duration, and includes notice periods ranging from four to eight weeks on the part of the employee and the group.

The employment agreements contain substantially the same terms which include usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the group’s intellectual property rights and other proprietary information and non-compete clauses.

Share-based compensation

Issue of shares

There were no shares issued to directors or other KMP as part of compensation during the year ended 30 June 2016.

Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested in directors and other KMP as part of compensation during the year ended 30 June 2016.

Additional disclosures relating to KMP

Shareholding
The number of shares in the company held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposal/ Other	Balance at the end of the year
Ordinary shares					
David Rampa	10,000	-	-	-	10,000
Damian Kay	2,720,173	-	20,000	-	2,740,173
Garry Wayling	-	-	23,453	-	23,453
Siimon Reynolds*	17,000	-	-	(17,000)	-
Michael Clarke*	807,132	-	-	(807,132)	-
Laura Jacob	2,084	-	-	-	2,084
	3,556,389	-	43,453	(824,132)	2,775,710

* Disposals/other represent shares held at resignation date, not necessarily physical disposal of shareholding.

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Damian Kay	83,333	-	-	-	83,333
Siimon Reynolds*	83,333	-	-	(83,333)	-
	166,666	-	-	(83,333)	83,333

* Disposals/other represent options held at resignation date, not necessarily physical expired or forfeited.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Damian Kay	83,333	-	83,333
	83,333	-	83,333

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
10 January 2013	30 November 2018	$0.96	1,041,666
24 May 2013	23 May 2018	$1.20	166,666
			1,208,332

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

Shares issued on the exercise of options
There were no ordinary shares of Inabox Group Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

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

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

Indemnity and insurance of auditor
To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during the financial year ended 30 June 2016 and up to the date of this report.

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

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

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

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Ernst & Young
There are no officers of the company who have been audit partners of Ernst & Young for the past three years.

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

David Rampa	Damian Kay
Chairman	Managing Director and Chief Executive Officer

25 August 2016
Sydney

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Inabox Group Limited

As lead auditor for the audit of Inabox Group Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Inabox Group Limited and the entities it controlled during the financial year.

Ernst & Young

Lisa Nijssen-Smith
Partner
25 August 2016

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Liability limited by a scheme approved under Professional Standards Legislation

	Note	Consolidated 2016 $'000	2015 $'000
Revenue	5	88,005	64,328
Other income		193	279
Expenses			
Network expenses and related costs		(35,918)	(31,013)
Equipment cost and freight		(16,900)	(9,589)
Employee benefits expense		(23,554)	(16,845)
Depreciation and amortisation expense	6	(3,250)	(2,051)
Other expenses	6	(6,476)	(5,283)
Finance costs	6	(703)	(352)
Profit/(loss) before income tax (expense)/benefit		1,397	(526)
Income tax (expense)/benefit	7	(538)	175
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Inabox Group Limited		859	(351)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Inabox Group Limited		859	(351)
		Cents	**Cents**
Basic earnings per share	37	4.28	(2.07)
Diluted earnings per share	37	4.26	(2.07)

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

Inabox Group Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	8	2,849	3,271
Trade and other receivables	9	10,952	8,581
Inventories		78	80
Other	10	1,607	2,305
		15,486	14,237
Assets classified as held for sale	11	4,085	-
Total current assets		19,571	14,237
Non-current assets			
Receivables		-	50
Property, plant and equipment	12	2,067	4,091
Intangibles	13	13,976	15,874
Deferred tax	14	665	650
Other	15	40	179
Total non-current assets		16,748	20,844
Total assets		36,319	35,081
Liabilities			
Current liabilities			
Trade and other payables	16	9,799	10,150
Borrowings	17	6,897	3,254
Income tax		277	940
Employee benefits		1,889	1,901
Provisions	18	290	205
Deferred revenue	19	1,406	2,551
Total current liabilities		20,558	19,001
Non-current liabilities			
Other payables		-	118
Borrowings	20	3,642	4,857
Employee benefits		690	579
Provisions	21	70	70
Other non-current liabilities	22	330	249
Total non-current liabilities		4,732	5,873
Total liabilities		25,290	24,874
Net assets		11,029	10,207
Equity			
Issued capital	23	11,522	11,522
Reserves	24	(2,329)	(2,292)
Retained profits		1,836	977
Total equity		11,029	10,207

Refer to note 33 for the finalisation of prior period business combinations which has resulted in comparatives being adjusted.

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

Inabox Group Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital $'000	Capital reserve $'000	Share-based payments reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	5,694	(2,366)	42	1,328	4,698
Loss after income tax benefit for the year	-	-	-	(351)	(351)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(351)	(351)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 23)	5,828	-	-	-	5,828
Share-based payments	-	-	32	-	32
Balance at 30 June 2015	11,522	(2,366)	74	977	10,207

Consolidated	Issued capital $'000	Capital reserve $'000	Share-based payments reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2015	11,522	(2,366)	74	977	10,207
Profit after income tax expense for the year	-	-	-	859	859
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	859	859
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	(37)	-	(37)
Balance at 30 June 2016	11,522	(2,366)	37	1,836	11,029

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

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		93,341	68,321
Payments to suppliers and employees (inclusive of GST)		(91,045)	(64,840)
Interest received		49	70
Other revenue		193	95
Interest and other finance costs paid		(703)	(221)
Income taxes paid		(1,216)	(263)
Net cash from operating activities	36	619	3,162
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired		-	(730)
Payments for property, plant and equipment		(1,891)	(1,389)
Payments for intangibles		(2,570)	(1,039)
Payments for security deposits		-	(111)
Proceeds from disposal of property, plant and equipment		557	-
Proceeds from disposal of intangibles		291	-
Proceeds from release of security deposits		122	-
Net cash used in investing activities		(3,491)	(3,269)
Cash flows from financing activities			
Share issue transaction costs		-	(445)
Proceeds from borrowings		4,629	1,101
Repayment of borrowings		(2,179)	(935)
Net cash from/(used in) financing activities		2,450	(279)
Net decrease in cash and cash equivalents		(422)	(386)
Cash and cash equivalents at the beginning of the financial year		3,271	3,657
Cash and cash equivalents at the end of the financial year	8	2,849	3,271

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

Note 1. General information

The financial statements cover Inabox Group Limited as a group consisting of Inabox Group Limited (the 'company' or 'parent entity') and its subsidiaries (referred to in these financial statements as the 'group'). The financial statements are presented in Australian dollars, which is Inabox Group Limited's functional and presentation currency.

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

Level 10, 9 Hunter Street
Sydney NSW 2000
Tel: 1300 7 TELCO

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted
The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

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

Going concern
For the financial year the group made a profit after tax of $859,000 (2015: loss after tax of $351,000) and had net cash inflow from operating activities of $619,000 (2015: $3,162,000). As at 30 June 2016, the group had net current liability of $987,000 (2015: $4,764,000).

As disclosed in note 20, the group has undrawn credit lines totalling $6,960,000 (2015: $10,990,000). Cash flow forecasts based on projected activity and business volumes indicate that the group will be able to pay its creditors as and when due for at least 12 months from the date of approval of the financial statements, and no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2016. Accordingly, these financial statements have been prepared on a going concern basis.

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Inabox Group Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended.

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

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

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

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

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is Inabox Group Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Communications revenue
The group principally obtains revenue from providing the following telecommunication services: fixed wire, mobile, data services and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue for fixed wire, mobile, cloud services and data services is recognised as services are performed. Revenue from services provided, but unbilled, are accrued at end of each period and unearned revenue (revenue billed in advance) for services to be provided in future periods is deferred as a liability.

Note 2. Significant accounting policies (continued)

Enablement revenue: build
Customers that require significant system and process development and customisation in order to meet their business requirements are charged interim enablement fees during the build/customisation process. These fees are calculated by reference to agreed recovery rates for staff costs and other direct expenses actually spent in the period.

Revenue from the provision of these services is recognised by reference to stage of completion. Stage of completion is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Enablement revenue: network-based
Network-based enablement activities include the installation of dedicated hardware interconnect and routing, specific-purpose servers, links for hosted applications and related infrastructure.

Revenue from the provision of these services is recognised by reference to stage of completion. Stage of completion is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Enablement Revenue: Service in Operation
The group charges a management fee to its enablement customers based on the number of services the customer has in operation. The revenue is recognised in line with the contractual terms which prescribes a monthly charge based on the number of services in operation during the month.

Commission income
Mobile carriers may pay a commission on signing a new retail customer for a defined period, generally 24 months and it is usually to fund a new handset for the customer. Commission received by the group is brought to account on a monthly basis over the life of the contract. Commission received but yet to be earned is shown as deferred commission income.

The group may be required to refund a proportion of the commission should the service be actually or constructively terminated before the end of the contract period, typically calculated pro rata on the number of months remaining on the contract.

The group also pays commission to its Retail Service Providers ('RSPs') on essentially the same contract period and refund terms. Commissions are expensed over the same period. Commissions paid in advance are shown as deferred commission expense. Commissions paid are refundable by RSPs in the event that the service is actually or constructively terminated before the end of the contract period, typically calculated pro rata on the number of months remaining on the contract.

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

IT services revenue
Revenue for installation, maintenance, hardware and software is recognised by reference to the stage of completion of contract or contracts in progress at the reporting date or at the time of completion of the contract and billing to the customer. Where customers are billed in advanced, the amounts are deferred until the service has been rendered.

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

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

Note 2. Significant accounting policies (continued)

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Inabox Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime with effect from 9 May 2013. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

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

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

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Significant accounting policies (continued)

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

Leasehold improvements	five years
Motor vehicles	three years
Computer and office equipment	three to five years
Hosted unified communications hardware	five to eight years

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

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

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

Leases

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

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

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

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

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

Intangible assets

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

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

Patents, trademarks and brands
Patents, trademarks and brands acquired in a business combination and patents and trademarks costs are not amortised, on the basis of indefinite useful lives, which are reassessed every year. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Note 2. Significant accounting policies (continued)

Customer contracts and relationships
Customer contracts and relationships acquired are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between five and ten years.

Software and capitalised development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the group is able to use or sell the asset; the group has sufficient resources; and intent to complete the internal development and their costs can be measured reliably. These capitalised costs and other software costs, purchased from third parties, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between two and ten years.

Hosted Unified Communications software
Hosted Unified Communications intangible acquired in a business combination is initially recognised at fair value. Additional development costs are capitalised where the additional costs are expected to contribute to future financial benefits through revenue generation. Costs capitalised relate directly to attributable payroll and payroll related costs of employees' time spent on the project. Amortisation shall begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation of the asset will be on a straight-line basis over the period of its expected benefit, being its finite life of eight years.

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

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

Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

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

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

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

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

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

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

Earnings per share

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

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

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

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

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

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

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

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group expects to adopt this standard from 1 July 2018, the impact of its adoption is currently being assessed by the group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018, the impact of its adoption is currently being assessed by the group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019, the impact of its adoption is currently being assessed by the group.

Note 3. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Capitalised development costs
The group capitalises development costs for projects in accordance with the group's capitalisation policy. Capitalisation of costs is based on management's assessment of future economic benefits, identifiability and control (power to obtain benefits from the asset). Management assesses that the technological and economic feasibility of the project as well as the eligibility of incurred expenses is met before capitalisation of development costs which incorporates a number of key estimates and assumptions.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Determination of fair values of certain intangibles such as customer contracts and relationships requires significant judgement. After capitalisation, the group monitors whether the recognition requirements continue to be met and whether there are any indicators that intangibles may be impaired.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Assets held for sale
On 30 June 2016 the group agreed to sell part of the Direct cash generating unit (CGU). The determination of the value of the goodwill and the customer contracts attributable to the part of the CGU being sold have been determined using value-in-use calculations. These calculations require the use of assumptions including estimated discount rates based in the current cost of capital and the growth rates of the estimated future cash flows.

Note 4. Operating segments

Identification of reportable operating segments
The group's operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The group is organised into three operating segments as follows:

Direct	Providing IT products and services, telecommunication services and cloud based services to Australian businesses
Indirect	Providing end to end white labelled wholesale solutions to Retail Service Providers who predominantly service the small to medium sized business segment
Enablement	Providing customers who have a mass market customer base the ability to offer telecommunications products to their consumer customer base

The CODM is provided with information on a net contribution level. The group has refined the calculation of net contribution to reflect revenue less direct costs less allocation of specific segment expenses. The prior year balance of net contribution has been reclassified to reflect how the balances are monitored by the CODM.

The CODM does not review segment assets and liabilities.

Operating segment information

Consolidated - 2016	Direct $'000	Indirect $'000	Enablement $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	33,459	48,826	5,671	-	87,956
Other revenue	-	-	-	49	49
Total revenue	33,459	48,826	5,671	49	88,005
Net contribution	6,574	9,116	2,348	-	18,038
Interest revenue					49
Other income					193
Other employee benefits expense					(6,729)
Depreciation and amortisation expense					(3,250)
Other expenses					(6,201)
Finance costs					(703)
Profit before income tax expense					1,397
Income tax expense					(538)
Profit after income tax expense					859

Note 4. Operating segments (continued)

Consolidated - 2015	Direct $'000	Indirect $'000	Enablement $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	17,300	44,980	1,978	-	64,258
Other revenue	-	-	-	70	70
Total revenue	17,300	44,980	1,978	70	64,328
Net contribution	2,324	9,144	1,423	-	12,891
Interest revenue					70
Other income					279
Other employee benefits expense					(6,977)
Depreciation and amortisation expense					(2,051)
Other expense					(4,386)
Finance costs					(352)
Loss before income tax benefit					(526)
Income tax benefit					175
Loss after income tax benefit					(351)

Note 5. Revenue

	Consolidated 2016 $'000	Consolidated 2015 $'000
Sales revenue		
Communications revenue	48,048	44,829
Enablement revenue	5,671	1,978
Commissions	64	83
Other sales revenue	111	126
IT products and services revenue	34,062	17,242
	87,956	64,258
Other revenue		
Interest	49	70
Revenue	88,005	64,328

Note 6. Expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	55	43
Motor vehicles	15	15
Computer and office equipment	601	419
Hosted unified communications equipment	588	373
Total depreciation	1,259	850
Amortisation		
Customer contracts and relationships	714	388
Software and capitalised development	1,089	712
Hosted unified communications intangible	188	101
Total amortisation	1,991	1,201
Total depreciation and amortisation	3,250	2,051
Other expense comprise of the following expenses:		
Rental expense relating to operating leases - minimum lease payments	1,323	1,037
Net foreign exchange loss	25	20
One-off acquisition costs	-	440
Audit and tax fees	480	230
IT and network expenses	941	604
Legal and professional fees	643	409
Impairment of goodwill	36	-
Impairment of receivables	124	12
Restructuring costs	-	224
Other expenses	2,904	2,307
Total other expenses	6,476	5,283
Finance costs		
Interest and finance charges paid/payable	703	352
Superannuation expense		
Defined contribution superannuation expense	1,648	1,195
Share-based payments expense		
Share-based payments expense	(37)	32

Note 7. Income tax expense/(benefit)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax expense/(benefit)		
Current tax	553	111
Deferred tax - origination and reversal of temporary differences	(15)	(286)
Aggregate income tax expense/(benefit)	538	(175)
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 14)	(15)	(286)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	1,397	(526)
Tax at the statutory tax rate of 30%	419	(158)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductable expenses	38	89
Under/(over) provision from prior year	-	(83)
Amortisation of customer contracts	81	-
Other	-	(23)
Income tax expense/(benefit)	538	(175)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts credited directly to equity		
Deferred tax assets (note 14)	-	(119)

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash on hand and at bank	2,849	3,271

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	10,661	8,225
Less: Provision for impairment of receivables	(136)	(12)
	10,525	8,213
Other receivables	427	368
	10,952	8,581

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

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
0 to 3 months overdue	86	-
3 to 6 months overdue	50	12
	136	12

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Opening balance	12	-
Additional provisions recognised	126	12
Receivables written off during the year as uncollectable	34	-
Unused amounts reversed	(36)	-
Closing balance	136	12

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $996,000 as at 30 June 2016 ($957,000 as at 30 June 2015).

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

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
0 to 6 months overdue	996	957

Note 10. Current assets - other

	Consolidated 2016 $'000	Consolidated 2015 $'000
Prepayments	762	348
Deferred commission expenses	33	904
Security deposits	619	741
Loan to service providers	193	312
	1,607	2,305

Note 11. Current assets - assets classified as held for sale

	Consolidated 2016 $'000	Consolidated 2015 $'000
Hosted unified communications hardware	2,022	-
Hosted unified communications - intangible assets	2,063	-
	4,085	-

On 30 June 2016, the group agreed to sell certain HCS business assets as noted above and an additional $315,000 of anticipated assets to Telstra for a cash consideration of $4,500,000. The cash consideration will be received by 30 June 2017 following the completion of the transition of services from the group HCS platform to Telstra's platform. As a result, all HCS assets which will be transferred to Telstra have been recognised as Held for Sale assets following the board decision in May 2016 to proceed with the sale. In accordance with Note 3, and an impairment loss of $36,000 has been recognised in the Direct CGU in relation to the assets held for sale and is recognised as a loss on the statement of profit or loss under other expenses. Management expects to incur $100,000 of costs in relation to this transaction.

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Leasehold improvements - at cost	230	230
Less: Accumulated depreciation	(158)	(103)
	72	127
Motor vehicles under lease	78	26
Less: Accumulated depreciation	(30)	(15)
	48	11
Computer and office equipment - at cost	2,923	2,928
Less: Accumulated depreciation	(1,026)	(1,161)
	1,897	1,767
Hosted unified communications hardware - at cost	116	2,559
Less: Accumulated depreciation	(66)	(373)
	50	2,186
	2,067	4,091

Note 12. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Leasehold improvements $'000	Motor vehicles $'000	Computer and office equipment $'000	Hosted unified comm-unications hardware $'000	Total $'000
Balance at 1 July 2014	9	-	564	-	573
Additions	-	-	1,291	299	1,590
Additions through business combinations (note 33)	161	26	331	2,260	2,778
Depreciation expense	(43)	(15)	(419)	(373)	(850)
Balance at 30 June 2015	127	11	1,767	2,186	4,091
Additions	-	52	1,417	422	1,891
Classified as held for sale (note 11)	-	-	(57)	(1,965)	(2,022)
Disposals	-	-	(552)	(5)	(557)
Write off of assets	-	-	(77)	-	(77)
Depreciation expense	(55)	(15)	(601)	(588)	(1,259)
Balance at 30 June 2016	72	48	1,897	50	2,067

Property, plant and equipment secured under finance leases
Refer to note 30 for further information on property, plant and equipment secured under finance leases.

Note 13. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Goodwill - at cost*	8,667	8,950
Patents, trademarks and brands - at cost	377	377
Customer contracts and relationships - at cost	3,871	3,228
Less: Accumulated amortisation	(1,359)	(653)
	2,512	2,575
Software and capitalised development - at cost	4,337	4,505
Less: Accumulated amortisation	(1,917)	(1,454)
	2,420	3,051
Hosted Unified Communications software - at cost	-	1,022
Less: Accumulated amortisation	-	(101)
	-	921
	13,976	15,874

Note 13. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill* $'000	Patents, trademarks and brands $'000	Customer contracts and relationships $'000	Software and capitalised development $'000	Hosted unified communications software $'000	Total $'000
Balance at 1 July 2014	1,686	142	1,597	911	-	4,336
Additions	-	-	-	1,081	22	1,103
Additions through business combinations (note 33)	7,264	235	1,366	1,771	1,000	11,636
Amortisation expense	-	-	(388)	(712)	(101)	(1,201)
Balance at 30 June 2015	8,950	377	2,575	3,051	921	15,874
Additions	-	-	689	1,881	-	2,570
Classified as held for sale (note 11)	(283)	-	(38)	(1,045)	(733)	(2,099)
Disposals	-	-	-	(291)	-	(291)
Write off of assets	-	-	-	(87)	-	(87)
Amortisation expense	-	-	(714)	(1,089)	(188)	(1,991)
Balance at 30 June 2016	8,667	377	2,512	2,420	-	13,976

* Refer to note 33 for the finalisation of prior period business combinations which has resulted in comparatives being adjusted.

Goodwill acquired through business combinations has been allocated to the following cash-generating units ('CGUs'):

	Consolidated 2016 $'000	Consolidated 2015 $'000
Direct	6,839	7,122
Indirect	1,828	1,828
	8,667	8,950

Patents, trademarks and brands have been allocated to the following CGUs:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Direct	235	235
Indirect	142	142
	377	377

The recoverable amount of the consolidated entity's indefinite life intangible assets have been determined by a value-in-use calculation using a discounted cash flow model with key assumptions provided below.

Note 13. Non-current assets - intangibles (continued)

Key assumptions used for impairment assessment

The following key assumptions were used in the discounted cash flow model for the 'Direct' CGU:
(a) Cash flows were projected based on actual operating results and the 5 year business plan. Cash flow beyond year 2 was projected at a growth rate of 2% (2015: 5%). A 2% growth rate is considered reasonable based on the increase in the IT services revenue and a static product revenue;
(b) 13%(2015: 16%) post-tax discount rate;
(c) Overheads were forecast based on current levels adjusted for inflationary increases; and
(d) 2% (2015: 3%) long term growth rate.

The following key assumptions were used in the discounted cash flow model for the 'Indirect' CGU:
(a) 4% (2015: 1.5%) A 4% growth rate is considered reasonable based on the increase in enablement services offered and the introduction of new products to the indirect communication portfolio;
(b) 13% (2015: 16%) post-tax discount rate;
(c) Overheads were forecast based on current levels adjusted for inflationary increases; and
(d) 4% (2015: 3%) long term growth rate.

Sensitivity analysis
As disclosed in note 3, management have made judgements and estimates in respect of impairment testing of goodwill and other indefinite life intangibles. Should these judgements and estimates not occur the resulting carrying amount may decrease.

For all CGUs, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

Note 14. Non-current assets - deferred tax

	Consolidated	
	2016 $'000	2015 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses and provisions	994	1,101
Tangible and intangible assets	(644)	(779)
	350	322
Amounts recognised in equity:		
Cost of capital raising	315	328
Deferred tax asset*	665	650
Movements:		
Opening balance	650	172
Credited to profit or loss (note 7)	15	286
Credited to equity (note 7)	-	119
Additions through business combinations (note 33)	-	73
Closing balance	665	650

*Refer to note 33 for the finalisation of prior period business combinations which has resulted in comparatives being adjusted.

Note 15. Non-current assets - other

	Consolidated	
	2016	2015
	$'000	$'000
Deferred commission expenses	-	96
Loan to service providers*	40	83
	40	179

* Interest is charged at market rates and the loans are repaid over two years.

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	$'000	$'000
Trade payables	6,680	7,530
Due to service providers	591	366
Accrued expenses	2,355	1,790
Other payables	173	464
	9,799	10,150

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated	
	2016	2015
	$'000	$'000
Amex facility	1,491	1,436
Credit card facility	37	192
Lease liability	5,369	1,626
	6,897	3,254

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - provisions

	Consolidated	
	2016	2015
	$'000	$'000
Legal claims*	-	205
Pricing provision	290	-
	290	205

*Refer to note 33 for the finalisation of prior period business combinations which has resulted in comparatives being adjusted.

Legal claims
The provision represents a claim by an employee of the group. This claim has been settled during the financial year.

Note 18. Current liabilities - provisions (continued)

Pricing provision
The provision represents the estimated costs in relation to fixed Lines services payable to our wholesale provider pending a decision by the Australian Competition and Consumer Commission ('ACCC') within the next twelve months

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Legal claims $'000	Pricing provision $'000
Carrying amount at the start of the year	205	-
Additional provisions recognised	-	290
Payments	(87)	-
Unused amounts reversed	(118)	-
Carrying amount at the end of the year	-	290

Note 19. Current liabilities - deferred revenue

	Consolidated	
	2016 $'000	2015 $'000
Deferred revenue	1,406	2,551

Note 20. Non-current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	2,240	1,000
Unamortised borrowing costs	(51)	(79)
Lease liability	1,453	3,936
	3,642	4,857

Refer to note 26 for further information on financial instruments.

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

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	2,240	1,000
Lease liability	6,822	5,562
	9,062	6,562

Note 20. Non-current liabilities - borrowings (continued)

The group has a number of facilities as follows:

Bank overdraft and loans
The group has the following banking facilities with Commonwealth Bank of Australia ('CBA'):
- Overdraft facility of $1,000,000; and
- Loan facility of $3,000,000 to be used for business acquisitions* .

The bank facilities are guaranteed and secured by the group using first ranking charge over all present and subsequently acquired property.

*The business acquisition facility of $3,000,000 is repayable within three years from the date of draw-down, the first draw-down was made on 26 May 2015. Any remaining facility that is undrawn will represent available funds with an indefinite term that is subject to annual review.

Amex facility
The group has a corporate credit card with American Express ('Amex') for $1,500,000.

Credit card facility
The group has a CBA corporate charge card with a limit of $500,000.

Lease facilities
The group has the following leasing arrangements:
- Equipment leasing facility with Cisco Capital (Australia) Pty Ltd for $2,830,000; and
- Equipment leasing facility with CBA for $7,000,000;

The lease liabilities are effectively secured against the leased assets which are recognised in the statement of financial position and which would revert to the lessor in the event of default.

The lease period generally varies between two to five years which is determined based on the estimated useful life of the leased equipment.

Supplier credit
The group has the following supplier credit facility:
- Facility with GE Commercial Corporation Australia Pty Ltd for $2,750,000.

Note 20. Non-current liabilities - borrowings (continued)

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Total facilities		
Bank overdraft	1,000	1,500
Bank loans	3,000	3,200
Amex facility	1,500	1,500
Credit card facility	500	400
Lease liability	9,830	9,830
Supplier credit facility	2,750	2,750
	18,580	19,180
Used at the reporting date		
Bank overdraft	-	-
Bank loans	2,240	1,000
Amex facility	1,498	1,436
Credit card facility	37	192
Lease liability	6,822	5,562
Supplier credit facility	1,023	-
	11,620	8,190
Unused at the reporting date		
Bank overdraft	1,000	1,500
Bank loans	760	2,200
Amex facility	2	64
Credit card facility	463	208
Lease liability	3,008	4,268
Supplier credit facility	1,727	2,750
	6,960	10,990

Note 21. Non-current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Lease make good	70	70

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the group at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Lease make good $'000
Carrying amount at the start of the year	70
Carrying amount at the end of the year	70

Note 22. Non-current liabilities - other non-current liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Service provider security deposit	330	189
Deferred revenue	-	60
	330	249

Note 23. Equity - issued capital

	Consolidated 2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	20,070,530	20,070,530	11,522	11,522

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2014	13,916,684	5,694
Issue of shares - equity consideration acquisition of Anittel Pty Ltd	1 January 2015	6,153,846	6,154
Share issue transaction costs, net of tax		-	(326)
Balance	30 June 2015	20,070,530	11,522
Balance	30 June 2016	20,070,530	11,522

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

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

Share buy-back
There was no on-market buy-back of Inabox Group Limited shares.

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents, amounting to $7,690,000 as at 30 June 2016 (2015: $4,840,000).

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 23. Equity - issued capital (continued)

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 24. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Capital reserve	(2,366)	(2,366)
Share-based payment reserve	37	74
	(2,329)	(2,292)

Capital reserve
The reserve is used to recognise contributions from or to Telcoinabox Pty Limited and its controlled subsidiaries by shareholders.

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

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

Consolidated	Capital reserve $'000	Share-based payment reserve $'000	Total $'000
Balance at 1 July 2014	(2,366)	42	(2,324)
Share-based payments	-	32	32
Balance at 30 June 2015	(2,366)	74	(2,292)
Share-based payments	-	(37)	(37)
Balance at 30 June 2016	(2,366)	37	(2,329)

Note 25. Equity - dividends

Dividends
On 25th August 2016, the directors declared a fully franked dividend for the year ended 30 June 2016 of 1.7 cents per ordinary share with a payment date of 28 October 2016 to eligible shareholders on the register as at 30 September 2016. This equates to a total distribution of $341,000 based on the number of ordinary shares on issue as at 30 June 2016. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2016 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated	
	2016 $'000	2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,795	1,580

Note 25. Equity - dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 26. Financial instruments

Financial risk management objectives

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

The Board have overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee, established by the Board, is responsible for managing risk and oversees how management monitors compliance with the group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The Audit and Risk Committee reports directly to the Board on its activities.

Market risk

Foreign currency risk

The group is not exposed to any significant foreign currency risk.

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

The group's main interest rate risk arises from its borrowings and cash at bank balances.

As at the reporting date, the group had the following variable rate borrowings and cash balances:

	2016		2015	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	6.13%	2,240	6.56%	1,000
Cash at bank	1.05%	(2,849)	1.75%	(3,271)
Net exposure to cash flow interest rate risk		(609)		(2,271)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 (2015:50) basis points would have a favourable/adverse effect on profit before tax of $3,000 (2015: $11,000) per annum based on the net balance.

Credit risk

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

Note 26. Financial instruments (continued)

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

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

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

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 $'000	2015 $'000
Bank overdraft	1,000	1,500
Bank loans	760	2,200
Amex facility	2	64
Credit card facility	463	208
Lease liability	3,008	4,268
Supplier credit facility	1,727	2,750
	6,960	10,990

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have a fixed maturity of three years from the draw down date.

Note 26. Financial instruments (continued)

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

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,680	-	-	-	6,680
Due to service providers	-	591	330	-	-	921
Other payables	-	173	-	-	-	173
Amex facility	-	1,491	-	-	-	1,491
Credit card facility	-	37	-	-	-	37
Interest-bearing - variable						
Bank loans	6.13%	137	2,364	-	-	2,501
Interest-bearing - fixed rate						
Lease liability	7.59%	6,028	1,024	446	-	7,498
Total non-derivatives		15,137	3,718	446	-	19,301

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	7,530	-	-	-	7,530
Due to service providers	-	366	189	-	-	555
Other payables	-	464	118	-	-	582
Amex facility	-	1,436	-	-	-	1,436
Credit card facility	-	192	-	-	-	192
Interest-bearing - variable						
Bank loans	6.56%	66	66	1,049	-	1,181
Interest-bearing - fixed rate						
Lease liability	9.00%	1,944	1,834	2,492	-	6,270
Total non-derivatives		11,998	2,207	3,541	-	17,746

The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the liabilities could be called upon. The group does not expect these payments to eventuate.

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

Note 27. Fair value measurement

The carrying amounts of trade and other receivables, assets held for sale and other payables are assumed to approximate their fair value due to their short-term nature.

The carrying amount of the bank loans approximates its fair value.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The fair value of the lease liability is calculated to be $7,344,000 as at 30 June 2016 (2015: $6,141,000).

Note 28. Key management personnel disclosures

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

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	1,789,517	1,679,129
Post-employment benefits	129,302	152,290
Long-term benefits	51,347	103,656
Termination benefits	61,044	-
Share-based payments	-	32,228
	2,031,210	1,967,303

Note 29. Remuneration of auditors

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

	Consolidated	
	2016 $	2015 $
Audit services - Ernst & Young		
Audit or review of the financial statements	269,000	328,000
Other services - Ernst & Young		
Tax compliance and advisory	15,000	15,000
Other assurance services	10,000	5,500
	25,000	20,500
	294,000	348,500

Note 30. Commitments

	Consolidated 2016 $'000	2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,319	1,222
One to five years	2,604	3,073
More than five years	179	1,120
	4,102	5,415
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	6,028	1,944
One to five years	1,470	4,326
Total commitment	7,498	6,270
Less: Future finance charges	(676)	(708)
Net commitment recognised as liabilities	6,822	5,562
Representing:		
Lease liability - current (note 17)	5,369	1,626
Lease liability - non-current (note 20)	1,453	3,936
	6,822	5,562

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

Finance lease commitments includes contracted amounts for various computer equipment, office equipment and motor vehicles with a written down value of $3,800,000 (2015: $4,124,000 secured under finance leases expiring within one to five years. Under the terms of the leases, the group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 31. Related party transactions

Parent entity
Inabox Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

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

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $'000	Parent 2015 $'000
Loss after income tax	(215)	(170)
Total comprehensive income	(215)	(170)

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	2,374	1,128
Total assets	13,306	12,259
Total current liabilities	47	16
Total liabilities	2,236	937
Equity		
Issued capital	11,522	11,522
Share-based payment reserve	37	74
Accumulated losses	(489)	(274)
Total equity	11,070	11,322

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Except for security provided for borrowing facilities as disclosed in note 20 and deed of cross guarantee disclosed in note 35, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 2, except for the following:
- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Business combinations

Anittel Pty Ltd (comparative period)
On 1 January 2015, the group acquired 100% of the shares in Anittel Pty Ltd ('Anittel') and certain assets and liabilities in relation to the Anittel business, from ASX listed entity Axxis Technology Group Ltd (formerly known as Anittel Group Limited) for total consideration transferred of $6,895,000. The goodwill of $7,264,000 represents the value of expected synergies and growth arising from the acquisition.

Note 33. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	211
Trade and other receivables	2,961
Inventories	122
Prepayments	193
Security deposits	160
Property, plant and equipment	2,778
Brands	235
Customer contracts	1,152
Computer software	1,381
Hosted unified communications software	1,000
Deferred tax asset	134
Trade and other payables	(3,479)
Employee benefits	(1,125)
Income received in advance	(1,275)
Lease liability	(4,817)
Net liabilities acquired	(369)
Goodwill	7,264
Acquisition-date fair value of the total consideration transferred	6,895
Representing:	
Cash paid or payable to vendor	741
Inabox Group Limited shares issued to vendor	6,154
	6,895

The comparative period business combination has now been finalised and this has resulted in increase in deferred tax assets by $66,000, increase in employee related provisions by $222,000 and increase in goodwill by $156,000. There was no impact on the comparative period statement of profit or loss and other comprehensive income or the opening retained earnings. The fair value table above and the comparatives at 30 June 2015 have been adjusted accordingly.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Telcoinabox Operations Pty Limited	Australia	100.00%	100.00%
Inabox Investments Pty Limited	Australia	100.00%	100.00%
iVox Pty Ltd	Australia	100.00%	100.00%
Anittel Pty Ltd	Australia	100.00%	100.00%
IGL Mobile Pty Ltd	Australia	100.00%	100.00%
Mobile Services Solutions Pty Ltd	Australia	100.00%	100.00%
Neural Networks Technology Services Pty Ltd	Australia	100.00%	100.00%
Anittel Communications Pty Ltd	Australia	100.00%	100.00%

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Inabox Group Limited
Telcoinabox Operations Pty Limited
Inabox Investments Pty Limited
Anittel Pty Ltd

By entering into the deed, the above entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Inabox Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2016 $'000	2015 $'000
Revenue	83,432	59,995
Other income	174	260
Network expenses and related costs	(33,874)	(29,005)
Equipment cost and freight	(16,900)	(9,589)
Employee benefits expense	(23,554)	(17,537)
Depreciation and amortisation expense	(2,909)	(1,651)
Other expenses	(6,173)	(4,428)
Finance costs	(664)	(339)
Loss before income tax benefit	(468)	(2,294)
Income tax benefit	175	464
Loss after income tax benefit	(293)	(1,830)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(293)	(1,830)

Equity - retained profits	2016 $'000	2015 $'000
Retained profits/(accumulated losses) at the beginning of the financial year	(1,476)	354
Loss after income tax benefit	(293)	(1,830)
Accumulated losses at the end of the financial year	(1,769)	(1,476)

Note 35. Deed of cross guarantee (continued)

Statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	2,281	3,018
Trade and other receivables	11,749	8,277
Inventories	76	78
Other	1,468	2,221
Assets classified as held for sale	4,085	-
	19,659	13,594
Non-current assets		
Receivables	-	50
Other financial assets	3,458	3,458
Property, plant and equipment	1,405	3,534
Intangibles	11,001	12,541
Deferred tax	972	889
Other	40	179
	16,876	20,651
Total assets	36,535	34,245
Current liabilities		
Trade and other payables	14,080	12,856
Borrowings	7,308	3,255
Income tax	277	464
Employee benefits	2,115	1,901
Provisions	290	222
Deferred revenue	1,406	2,551
	25,476	21,249
Non-current liabilities		
Other payables	-	118
Borrowings	2,832	4,349
Employee benefits	464	562
Provisions	70	70
Other non-current liabilities	269	143
	3,635	5,242
Total liabilities	29,111	26,491
Net assets	7,424	7,754
Equity		
Issued capital	11,522	11,522
Reserves	(2,329)	(2,292)
Accumulated losses	(1,769)	(1,476)
Total equity	7,424	7,754

Note 36. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) after income tax (expense)/benefit for the year	859	(351)
Adjustments for:		
Depreciation and amortisation	3,250	2,051
Impairment of goodwill	36	-
Write off of non-current assets	164	-
Share-based payments	(37)	32
Finance cost - non-cash	-	131
Other income - non cash	-	(184)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,321)	(1,616)
Decrease in inventories	2	51
Increase in deferred tax assets	(15)	(225)
Increase in prepayments	(414)	(38)
Decrease in other operating assets	1,129	767
Increase/(decrease) in trade and other payables	(350)	3,392
Decrease in provision for income tax	(663)	(151)
Decrease in deferred tax liabilities	-	(62)
Increase in employee benefits	99	530
Increase in other provisions	85	70
Decrease in other operating liabilities	(1,205)	(1,235)
Net cash from operating activities	619	3,162

Note 37. Earnings per share

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) after income tax attributable to the owners of Inabox Group Limited	859	(351)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	20,070,530	16,968,317
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	116,807	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	20,187,337	16,968,317

	Cents	Cents
Basic earnings per share	4.28	(2.07)
Diluted earnings per share	4.26	(2.07)

1,091,525 options over ordinary shares are excluded from the above calculations as they were anti-dilutive.

Note 38. Share-based payments

A share option plan was established by the group and approved by shareholders at a general meeting, whereby the group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

During the financial year no options were granted (2015: Nil).

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/01/2013	30/11/2018	$0.96	1,041,666	-	-	-	1,041,666
24/05/2013	23/05/2018	$1.20	333,332	-	-	(166,666)	166,666
			1,374,998	-	-	(166,666)	1,208,332
Weighted average exercise price			$1.02	$0.00	$0.00	$1.20	$0.99

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/01/2013	30/11/2018	$0.96	1,041,666	-	-	-	1,041,666
24/05/2013	23/05/2018	$1.20	333,332	-	-	-	333,332
			1,374,998	-	-	-	1,374,998
Weighted average exercise price			$1.02	$0.00	$0.00	$0.00	$1.02

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2016 Number	2015 Number
10/01/2013	30/11/2018	347,222	347,222
24/05/2013	23/05/2018	166,666	333,332
		513,888	680,554

The weighted average share price during the financial year was $1.08 (2015: $0.96).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.3 years (2015: 3.3 years).

Note 39. Events after the reporting period

Apart from the dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35 to the financial statements.

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

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

On behalf of the directors

David Rampa	Damian Kay
Chairman	Managing Director and Chief Executive Officer

25 August 2016
Sydney

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Independent auditor's report to the members of Inabox Group Limited

Report on the financial report

We have audited the accompanying financial report of Inabox Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Inabox Group Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Inabox Group Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
25 August 2016

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Directors	David Rampa - Independent Chairman and Non-Executive Director Damian Kay - Managing Director and Chief Executive Officer Garry Wayling - Independent Non-Executive Director Tom Stianos - Independent Non-Executive Director
Company secretary	Angus Fotheringham
Registered office	Level 10, 9 Hunter Street Sydney NSW 2000 Tel: 1300 7 TELCO
Principal place of business	Level 10, 9 Hunter Street Sydney NSW 2000 Tel: 1300 7 TELCO
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Tel: (02) 9290 9600 enquiries@boardroomlimited.com.au
Auditor	Ernst & Young 200 George Street Sydney NSW 2000
Solicitors	Hall & Wilcox Level 30, Bourke Place 600 Bourke Street Melbourne VIC 3000
Stock exchange listing	Inabox Group Limited shares are listed on the Australian Securities Exchange (ASX code: IAB)
Website	www.inaboxgroup.com.au
Corporate Governance Statement	The corporate governance statement which is approved at the same time as the Annual Report can be found at http://inaboxgroup.com.au/corporate-governance-policy/

The shareholder information set out below was applicable as at 15 August 2016.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	160	-
1,001 to 5,000	218	-
5,001 to 10,000	44	-
10,001 to 100,000	51	2
100,001 and over	19	1
	492	3
Holding less than a marketable parcel	76	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	3,223,346	16.06
DIUT NOMINEES PTY LTD (DUNCAN INVESTMENTS UNIT A/C)	2,651,260	13.21
KIUT NOMINEES PTY LTD (KAY INVESTMENTS UNIT A/C)	2,651,260	13.21
GIUT NOMINEES PTY LTD (GOULD INVESTMENTS UNIT A/C)	2,451,260	12.21
MR PETER KAZACOS & MS VICKI KAZACOS	2,117,641	10.55
M2 GROUP LTD	1,666,667	8.30
MRS AMANDA ORPHANIDES	412,461	2.06
MR MICHAEL JOHN CLARKE	405,132	2.02
DR MICHAEL ORPHANIDES (WIZARD SHARES A/C)	312,610	1.56
MAST FINANCIAL PTY LTD (A TO Z INVESTMENT A/C)	270,000	1.35
UBS NOMINEES PTY LTD	229,685	1.14
COLESROW PTY LIMITED (THE COLESROW A/C)	172,862	0.86
CORFE ASSOCIATES PTY LTD (CORFE ASSOCS SUPER FUND A/C)	164,637	0.82
THE IRISH BUFFETT PTY LTD	159,359	0.79
ROUND ETERNAL INVESTMENTS PTY LTD (VISION SPLENDID A/C)	150,000	0.75
MR PAUL LINE	127,014	0.63
MR KIM BEE TAN & MRS VERNA SUAT WAH TAN (PERFECT PAIR SUPER FUND A/C)	117,803	0.59
FORTY FIFTH DECBARB PTY LTD (ME RYAN SUPER FUND A/C)	109,000	0.54
KNARF INVESTMENTS PTY LTD (TERRIGAL A/C)	107,867	0.54
MADDAK PTY LTD (MADDAK FAMILY A/C)	96,790	0.48
	17,596,654	87.67

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	1,208,332	3

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	3,223,346	16.06
DIUT NOMINEES PTY LTD (DUNCAN INVESTMENTS UNIT A/C)	2,651,260	13.21
KIUT NOMINEES PTY LTD (KAY INVESTMENTS UNIT A/C)	2,651,260	13.21
GIUT NOMINEES PTY LTD (GOULD INVESTMENTS UNIT A/C)	2,451,260	12.21
MR PETER KAZACOS & MS VICKI KAZACOS	2,117,641	10.55
M2 GROUP LTD	1,666,667	8.30

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

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

There are no other classes of equity securities.