March 1, 2011

ASX Announcement

Appendix 4D – Half Year Results

The Management and Board of Anittel Group Limited (ASX:AYG) present the Appendix 4D for the half year ended December 31, 2010. The period has been challenging from several perspectives with the major impact on performance being the drop in product sales in Tasmania as previously announced. The board and management have taken significant steps to address the issues facing the business with the results of these measures positively impacting post Dec 31st results.

From a 1st Half perspective, the main points are;

- EBITDA loss of $937,438 of which $500,000 is attributed to the December redundancies
- NPAT loss of $13,466,208 resulting from a Goodwill impairment of $10,856,324 relating to the under performance of the IT Services division and the impact of the product sales drop. The board notes that this write down brings the Goodwill component of the balance sheet into line with the original contracted costs of the various acquisitions made in April and should minimise the requirement for future adjustments.
- Strong performance in the communications division and the continued growth (seasonally adjusted) of our recurring revenue streams.

Subsequent to the close of the 1st half period, the board notes the following;

- The company reduced headcount in December by 10% resulting in annualised savings of $2.4m
- The company entered into an agreement with the CBA for a receivables finance facility of up to $5,000,000 providing significant scope for continued growth and allowing for the closure of the current NAB facility.
- The company secured a short-term loan from Peter and Vicki Kazacos for $1.25m which will be used to repay debt of $1mn.

As a result of the first half issues, the board and management are in the process of regearing the business to capitalise on its organic growth strategies. The December restructure has provided a strong platform for a significant turn around in performance for the second half. The circumstances that have resulted in the losses to date are limited in scope and the recurring revenue business units comprise an increasing percentage of total sales. As this transition continues, revenues will be less susceptible to regional or seasonal fluctuations and margins will continue to improve and this underlying trend gives the board confidence in the strength of the business and its future.

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