



Anittel Group Limited

ABN 98 009 805 298

Annual Report - 30 June 2012

Anittel Group Limited
Corporate directory
30 June 2012

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

The past financial year has been one of significant progress for Anittel. This progress is manifest in three main elements.

1. Financial Results

Around the start of the 2012 financial year a new Board and Executive team was put in place following significant losses in the business in the prior year. While losses continued in July and August 2011 the new team were able to achieve more favourable monthly results for the ensuing 10 months of the year so that a positive adjusted EBITDA profit of \$754,000 was achieved for the year. Cash balances improved significantly to a year end closing position of \$3.9 million (up from \$2.6 million in prior year). The net loss after tax result was \$7.8 million and includes a goodwill impairment charge of \$7.5 million taken against the IT products and services business unit and an income tax benefit of \$1 million. The net loss result excluding impairment and income tax benefit was \$1.3 million which emphasises that the financial turnaround, while addressed, still has a significant way to go.

Revenues over the year of \$56.6 million (down 5% on the prior year) are reflective of some difficult economic conditions in key markets whilst the focus within the business remained on cost control and process integration/improvement. Pleasingly, our recurring revenues grew by \$2 million* to the level of 35%* of overall revenues (30%* in the prior year). This reflects strong demand for our hosted ('Cloud') offerings along with our communications products.

2. Process, Systems and Controls

The Group has made significant progress during the financial year internally by improving key processes, systems and controls. Subsequent to the acquisitions made in 2010 and 2011, substantial efforts were required to integrate and streamline functions within the business. These initiatives and improvements have contributed to the lowering of operating expenses by 8.5%* over the financial year.

3. Opportunity

The Group has continued to develop and expand its hosted ('Cloud') offerings in line with the rapidly developing market trend to Cloud based ICT. This has resulted in near doubling* of revenues from these offerings. In particular, we have experienced significant interest in our hosted Cisco telephony offering. Clearly the market is embracing solutions that are cost effective, easily managed and that contribute to business agility. This enabled the Group to win two significant contracts, namely Joblink Plus (refer ASX announcement on 2 July 2012) and the Tasmanian Government (refer ASX announcement on 28 August 2012). These contract wins, along with a number of other current opportunities, have demonstrated our capability of competing and winning against major market players, including Telstra.

I would like to thank all Anittel staff for their outstanding efforts over the past year to enable the Group to be well placed to deliver on its potential as an integrated IT and Communications business.

Additionally, I thank our clients for their continued support and our shareholders for the continued belief in Anittel's future.



Peter Kazacos
Executive Chairman and Managing Director
26 September 2012

* These financial items and metrics have not been directly extracted from the audited financial statements.

Anittel Group Limited
Directors' report
30 June 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Anittel Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

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

Peter Kazacos - Executive Chairman
Campbell Corfe
Michael O'Sullivan
John Walters (appointed on 18 July 2011)
Ilkka Tales (resigned on 19 July 2011)
Carlos Perez (resigned on 19 July 2011)

Principal activities

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

- being an IT and telecommunications solutions and service provider offering voice, data, mobility, PBX, and IT services to Australian businesses; and
- being a supplier of telecommunications and information technology goods and services.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$7,790,000 (30 June 2011: \$19,899,000).

The loss is primarily related to a goodwill impairment charge of \$7,500,000 (2011: \$16,056,000) resulting from a review of the carrying value of goodwill of the IT products and services business unit.

Adjusted earnings before interest, tax, depreciation, amortisation and impairment ('Adjusted EBITDA') was \$754,000 which is an improvement over 30 June 2011 where Adjusted EBITDA was a loss of \$1,738,000, adjusted for goodwill impairment.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider Adjusted EBITDA to reflect the core earnings of the consolidated entity. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Anittel and Adjusted EBITDA.

	2012	2011
	\$'000	\$'000
Loss after income tax benefit for the year attributable to the owners of Anittel Group Limited	(7,790)	(19,899)
Interest revenue	(75)	(20)
Finance costs	892	959
Depreciation and amortisation	1,237	1,302
Income tax benefit	(1,010)	(136)
Normal EBITDA	(6,746)	(17,794)
Adjustment for impairment of goodwill	7,500	16,056
Adjusted EBITDA	<u>754</u>	<u>(1,738)</u>

Significant changes in the state of affairs

On 1 August 2011, the consolidated entity made a small acquisition in Townsville to further expand the footprint of the consolidated entity's existing Townsville operation. The consolidated entity acquired the net assets of Navyshire Pty Limited (trading as Future Townsville) for a total consideration of \$50,000.

On 27 February 2012, the Commonwealth Bank of Australia ('CBA') offered the consolidated entity a \$1,500,000 business line of credit which the consolidated entity accepted. This facility replaces the previous receivables finance facility, provided by CBA, but which has not been utilised.

On 24 May 2012, Peter and Vicki Kazacos converted \$2,000,000 of convertible loans previously provided by Peter and Vicki Kazacos to the consolidated entity. This resulted in 278,027,778 ordinary shares being issued to Peter and Vicki Kazacos, at an average conversion price of 0.72 cents per share, and increased their shareholding from 21.63% to 29.88%.

In June 2012, the consolidated entity entered into a 3 year agreement with JobLink Plus to provide integrated voice, video, data and application services to more than 300 users across 37 regional NSW locations. The service provided to JobLink Plus utilises the consolidated entity's national private carrier network and hosted infrastructure systems and reflects the focus that the consolidated entity is placing on growing its numerous cloud based services.

In May 2012, the Board of Directors approved the purchase of equipment to upgrade the consolidated entity's cloud infrastructure and carrier network to support the continuing growth of the consolidated entity's cloud based services.

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

Matters subsequent to the end of the financial year

The consolidated entity has signed an agreement to provide the Tasmanian Government with the consolidated entity's Hosted Cisco Unified Communications service. Subject to successful completion of testing and finalisation of service level agreements, the initial contract term is 5 years with a further 3 x 3 year options to renew the agreement. The value of the contract during the initial 5 year term is a minimum sales value of approximately \$7 million and a potential maximum sales value of \$17 million.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to execute its strategy of developing and expanding its hosted ('Cloud') offerings in line with the rapidly developing market trend to Cloud based ICT. Key focus areas will include the continued integration of IT and communications business, continuing to grow recurring service revenues and optimising internal processes and systems. The consolidated entity is committed to maintaining a positive Adjusted EBIDTA for the financial year ending June 2013.

Environmental regulation

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

Information on directors

Name:	Peter Kazacos
Title:	Executive Director, Chairman and Managing Director
Qualifications:	Bachelor of Electrical Engineering and Bachelor of Science (Applied Mathematics and Computer Science) from the University of NSW
Experience and expertise:	Peter has over 37 years' experience in the IT industry. He founded KAZ Technology in 1988, guided it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Limited, building it into one of Australia's leading IT&C service providers operating outside the major metropolitan areas, leading to its acquisition in 2010 by the consolidated entity, representing a major strategic milestone in the transformation and convergence of the IT&T industry. Prior to founding KAZ and Anittel Limited, Peter held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Peter has been inducted into the Hall of Fame at both the IT&T Awards and ARN IT Industry Awards and is the recipient of the prestigious CSIRO Tony Benson Award for Individual Achievement in ICT.
Other current directorships:	Chairman of Advanced Surgical Design & Manufacture Limited.
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Remuneration Committee and member of the Audit Committee
Interests in shares:	660,809,028 ordinary shares
Interests in options:	850,000 options over ordinary shares
Name:	Campbell Corfe
Title:	Non-Executive Director
Qualifications:	CA (Australia), CPA (America)
Experience and expertise:	Campbell was a partner in the global accounting firm, KMG Main Hurdman (now known as KPMG following a merger with Peat Marwick). He was with the firm for 20 years in various postings including Australia, USA, Europe and Asia. Prior to the merger, he was the partner in charge of global operations based in New York, responsible for all accounting and consulting services provided to the firm's multinational clients. He left KPMG to become the Chief Operating Officer for the Ohio, USA-based, Hercules Engines for 2 years. Hercules was a successful 'management buyout' of an old-line manufacturing business dealing with the US Army. Campbell then returned to Australia and worked with a number of companies in the finance and insurance sector, including Amlink, Suncorp and Colonial State Bank. He was also Executive Chairman of 5th Finger Pty Limited, a mobile marketing company which was sold to ninemsn in 2007; he then co-founded a related company, 5th International ('5i'), and was the Chairman and Chief Executive during its formative years in San Francisco, California. 5i has since been sold to an American marketing group.
Other current directorships:	ASX Listed entities: Nil, Other directorships: Youi Insurance - Chairman
Former directorships (in the last 3 years):	None
Special responsibilities:	Chair of the Audit Committee and Chair of the Remuneration Committee
Interests in shares:	68,500,000 ordinary shares
Interests in options:	4,081,382 options over ordinary shares

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Name: Michael O'Sullivan
Title: Executive Director (from 18 July 2011, previously Non-Executive Director)
Qualifications: BComm. LLB from the University of NSW
Experience and expertise: Michael has experience in a variety of commercial management roles with leading organisations. Michael joined KAZ Group in 1991 and was the Commercial Director until the acquisition of KAZ by Telstra. During this period when the company grew from 40 staff to over 4,000 staff, Michael was responsible for finance, legal and HR and was instrumental in the IPO of KAZ in 2000 and the subsequent acquisitions. During this period Michael was a director of all KAZ Group companies including Australian Administration Services ('AAS'). Since leaving KAZ, Michael has consulted to and has been a director of a number of technology companies.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 37,263,800 ordinary shares
Interests in options: 19,000,000 options over ordinary shares

Name: John Walters (appointed on 18 July 2011)
Title: Non-Executive Director
Qualifications: Master of Business Administration from the Australian Graduate School of Management and Bachelor of Arts from the University of NSW
Experience and expertise: John has been working in the Australian IT Channel for the past 14 years in senior executive roles within both large and small distributors. John is currently the Managing Director of Nextgen Distribution, an enterprise, datacentre centric technology distributor. Prior to setting up Nextgen Distribution, John has had executive leadership roles at Ingram Micro, Tech Pacific, the Westcon Group and Lan Systems. John's accomplishments and industry standing have been acknowledged with the award of Sales Director of the year at the Australian Human Capital Awards in 2005 and he was inducted into the ARN IT Industry 'Hall of Fame' in 2008.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Member of the Remuneration Committee
Interests in shares: 3,780,000 ordinary shares
Interests in options: None

Name: Ilkka Tales (resigned on 19 July 2011)
Title: Former Executive Director
Qualifications: Bachelor of Business degree, majoring in Accounting with a sub major in Law
Experience and expertise: Ilkka has over 19 years global and regional telecommunications experience having worked for telecommunications operators, a handset manufacturer, service providers and software vendors. Ilkka resigned from Anittel Group Limited during the financial year.

Other current directorships: Not applicable as no longer a director
Former directorships (in the last 3 years): Not applicable as no longer a director
Special responsibilities: Not applicable as no longer a director
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

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Name: Carlos Perez (resigned on 19 July 2011)
Title: Former Executive Director
Qualifications: Degree in Finance and Economics and an MBA from Indiana University in the US
Experience and expertise: Carlos has over 16 years' experience in the telecommunications industry. Carlos resigned from Anittel Group Limited during the financial year.
Other current directorships: Not applicable as no longer a director
Former directorships (in the last 3 years): Not applicable as no longer a director
Special responsibilities: Not applicable as no longer a director
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

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

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

Company secretary

Justyn Stedwell has completed a Bachelor of Business and Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and a Graduate Certificate of Applied Finance with Kaplan Professional. Justyn has over 5 years' experience as a Company Secretary of ASX listed companies. He is also the Company Secretary of ASX listed Consegna Group Limited, Motopia Limited and Imugene Limited.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter Kazacos	14	14	3	3	4	4
Campbell Corfe	14	14	3	3	4	4
Michael O'Sullivan	14	14	-	-	-	-
John Walters	14	14	1	1	-	-

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

Remuneration report (audited)

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

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

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

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

A Principles used to determine the nature and amount of remuneration

Remuneration philosophy

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

- Provide reward packages that are attractive to high calibre executives who understand the current start up nature of the company; and
- Link executive rewards to shareholder value.

Remuneration committee

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

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

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

Remuneration structure

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

Non-executive directors remuneration

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

The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

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

Executive directors remuneration

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

The executive remuneration and reward framework has three components:

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

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

Fixed remuneration

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

Remuneration and company performance

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

KPI's may include financial and/or operational performance targets. In determining incentive based payments and bonuses the Remuneration Committee consider EBITDA as a KPI. Bonuses were paid to some key management personnel ('KMP') during the financial year as set out on the table on page 9 of this report. The improvement in the performance of the company and the achievement of a positive EBITDA for the financial year was a key consideration for the Remuneration Committee in determining discretionary bonus payments to KMP.

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

Use of remuneration consultants

During the financial year ended 30 June 2012, the company engaged a Remuneration Consultant, Godfrey Remuneration Group ('the Consultant'), to review its existing long term incentive ('LTI') remuneration policies and provide recommendations on how to improve LTI programs of the company and the consolidated entity. The Consultant provided no other advice to the company and was paid a fee of \$7,480.

The Board is satisfied that the recommendations made by the Consultant were free from undue influence by any members of KMP who may obtain financial benefit from the implementation of recommendations. In deciding whether or not to implement recommendations those who may obtain financial benefit from the recommendations will be excluded from discussions relating to and from voting on its implementation.

Voting and comments made at the company's 2011 Annual General Meeting ('AGM')

100% of eligible votes received by the company at the November 2011 AGM were in favour of the adoption of the remuneration report for the year ended 30 June 2011.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Anittel Group Limited are set out in the following tables.

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

- Chris Calamos – Finance Director
- Justyn Stedwell – Company Secretary
- Tim Brewer - Operations Director
- Steven Crocket - Chief Technology Officer (became a key management personnel on 1 July 2011)

Anittel Group Limited
Directors' report
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2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Bonus \$	Termination payments \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
<i>Non-Executive Directors:</i>							
Campbell Corfe	64,000	-	-	-	-	-	64,000
John Walters ⁽¹⁾	50,000	-	-	-	-	-	50,000
<i>Executive Directors:</i>							
Peter Kazacos ⁽⁵⁾ Michael	150,000	-	-	-	-	-	150,000
O'Sullivan ⁽²⁾	178,846	20,000	-	15,067	-	9,120	223,033
Carlos Perez ⁽³⁾	12,115	-	113,783	1,090	-	-	126,988
<i>Other Key Management Personnel:</i>							
Chris Calamos	187,077	10,000	-	15,514	-	6,960	219,551
Justyn Stedwell	41,000	-	-	3,150	-	-	44,150
Tim Brewer	163,298	7,500	-	14,188	-	6,960	191,946
Steven Crocket ⁽⁴⁾	197,600	10,000	-	15,642	-	6,960	230,202
	<u>1,043,936</u>	<u>47,500</u>	<u>113,783</u>	<u>64,651</u>	<u>-</u>	<u>30,000</u>	<u>1,299,870</u>

⁽¹⁾ Appointed as Non-Executive Director on 18 July 2011

⁽²⁾ Appointed as Executive Director on 18 July 2011 (previously a Non-Executive Director). Remuneration includes both salary and fees as Non-Executive Director and Executive Director.

⁽³⁾ Resigned as Executive Director on 19 July 2011

⁽⁴⁾ Became a key management personnel on 1 July 2011

⁽⁵⁾ Peter Kazacos is paid as a consultant through a company, KPower Pty Limited

Ilkka Tales resigned on 19 July 2011 and received no remuneration for the period from 1 July 2011 to 19 July 2011.

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2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Bonus \$	Termination payments \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
<i>Non-Executive Directors:</i>							
Campbell Corfe Michael	51,158	-	-	-	-	-	51,158
O'Sullivan ⁽¹⁾ Steven	18,349	-	-	1,651	-	-	20,000
McAllister ⁽²⁾	20,830	-	-	-	-	-	20,830
Alan Chalmers ⁽³⁾	28,846	-	12,500	3,721	-	-	45,067
<i>Executive Directors:</i>							
Peter Kazacos	119,265	-	-	-	-	-	119,265
Ilkka Tales ⁽⁴⁾	374,743	-	226,853	15,199	-	-	616,795
Carlos Perez ⁽⁵⁾ Matthew	313,750	-	-	15,192	-	-	328,942
Costello ⁽⁶⁾	65,116	-	-	2,485	-	-	67,601
<i>Other Key Management Personnel:</i>							
Malcolm Lewis ⁽¹¹⁾	161,003	-	-	14,241	-	-	175,244
Chris Calamos ⁽⁷⁾	10,961	-	-	987	-	-	11,948
Justyn Stedwell	41,000	-	-	3,150	-	-	44,150
Tim Brewer ⁽⁸⁾	140,000	-	-	12,600	-	-	152,600
Ralph Stonell ⁽⁹⁾	124,134	-	105,016	11,884	-	-	241,034
Veronica Duff ⁽¹⁰⁾	9,153	-	29,458	824	-	-	39,435
	<u>1,478,308</u>	<u>-</u>	<u>373,827</u>	<u>81,934</u>	<u>-</u>	<u>-</u>	<u>1,934,069</u>

⁽¹⁾ Appointed as Non-Executive Director on 21 March 2011 and Executive Director on 18 July 2011

⁽²⁾ Resigned as Non-Executive Director on 25 November 2010

⁽³⁾ Resigned as Non-Executive Director on 28 January 2011

⁽⁴⁾ Resigned as Chief Executive Officer on 7 March 2011 and resigned as Executive Director on 19 July 2011.

⁽⁵⁾ Resigned as Executive Director on 19 July 2011 with termination payment of \$113,783 paid, which was accrued in the accounts for the financial year ended 30 June 2011.

⁽⁶⁾ Resigned as Executive Director and Corporate Strategy on 25 November 2010

⁽⁷⁾ Appointed as Finance Director on 6 June 2011

⁽⁸⁾ Promoted to Operations Director on 3 June 2011. The above remuneration is for the entire year.

⁽⁹⁾ Resigned as Chief Financial Officer on 7 January 2011

⁽¹⁰⁾ Ceased employment Financial Controller on 23 July 2010

⁽¹¹⁾ No longer a key management personnel from 1 July 2011

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011
<i>Non-Executive Directors:</i>						
Campbell Corfe	100%	100%	- %	- %	- %	- %
John Walters	100%	- %	- %	- %	- %	- %
Michael O'Sullivan	- %	100%	- %	- %	- %	- %
Steven McAllister	- %	100%	- %	- %	- %	- %
Alan Chalmers	- %	100%	- %	- %	- %	- %
<i>Executive Directors:</i>						
Peter Kazacos	100%	100%	- %	- %	- %	- %
Michael O'Sullivan	87%	- %	9%	- %	4%	- %
Carlos Perez	100%	100%	- %	- %	- %	- %
Ilkka Tales	- %	100%	- %	- %	- %	- %
Matthew Costello	- %	100%	- %	- %	- %	- %
<i>Other Key Management Personnel:</i>						
Malcolm Lewis	- %	100%	- %	- %	- %	- %
Chris Calamos	93%	100%	4%	- %	3%	- %
Justyn Stedwell	100%	100%	- %	- %	- %	- %
Tim Brewer	92%	100%	4%	- %	4%	- %
Steven Crocket	93%	- %	4%	- %	3%	- %
Ralph Stonell	- %	100%	- %	- %	- %	- %
Veronica Duff	- %	100%	- %	- %	- %	- %

C Service agreements

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

Name:	Peter Kazacos
Title:	Executive Director, Chairman and Managing Director
Agreement commenced:	7 March 2012
Term of agreement:	Expires 7 March 2013
Details:	Peter's role as the Managing Director was renewed for another 12 months from 7 March 2012, continuation beyond that to be approved by the Board. His appointment may be terminated at any time by Anittel's shareholders, acting by majority vote.
Name:	Michael O'Sullivan
Title:	Executive Director
Agreement commenced:	21 March 2011 (updated on 18 July 2011)
Term of agreement:	Ongoing
Details:	Employment can be terminated by either party giving 3 months written notice. Michael may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

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Name: Chris Calamos
Title: Finance Director (but not a statutory director)
Agreement commenced: 6 June 2011
Term of agreement: Ongoing
Details: Chris' employment may be terminated by either party giving 3 months written notice. As a senior executive, he will be entitled to six months payment of his base salary if the company terminates his employment and decides to pay him in lieu of notice. He may be entitled to a discretionary cash bonus in accordance with the company's senior executive bonus scheme.

Name: Tim Brewer
Title: Operations Director (but not a statutory director)
Agreement commenced: 3 June 2011
Term of agreement: Ongoing
Details: Tim's employment may be terminated by either party giving 4 weeks' written notice. He may be entitled to a cash bonus in accordance with the company's senior executive bonus scheme.

Name: Steve Crockett
Title: Chief Operating Officer
Agreement commenced: 1 July 2011
Term of agreement: Ongoing
Details: Steve's employment may be terminated by either party giving 4 weeks' written notice. He may be entitled to a cash bonus in accordance with the company's senior executive bonus scheme.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
16 November 2011	30 June 2012	31 December 2014	\$0.007	\$0.0022
16 November 2011	30 June 2013	31 December 2014	\$0.007	\$0.0022
16 November 2011	30 June 2014	31 December 2014	\$0.007	\$0.0022
15 December 2011	15 December 2012	15 December 2014	\$0.007	\$0.0022
15 December 2011	15 December 2013	15 December 2014	\$0.007	\$0.0022
15 December 2011	15 December 2014	15 December 2014	\$0.007	\$0.0022
30 December 2011	1 July 2012	31 December 2014	\$0.007	\$0.0022
30 December 2011	1 July 2013	31 December 2014	\$0.007	\$0.0022
30 December 2011	1 July 2014	31 December 2014	\$0.007	\$0.0022

Options granted carry no dividend or voting rights.

Anittel Group Limited
Directors' report
30 June 2012

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012 are set out below:

Name	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Michael O'Sullivan	19,000,000	-	-	-
Chris Calamos	14,497,500	-	-	-
Tim Brewer	14,497,500	-	-	-
Steven Crocket	14,497,500	-	-	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2012 are set out below:

Name	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	%
Michael O'Sullivan	41,800	-	-	4
Chris Calamos	31,895	-	-	3
Tim Brewer	31,895	-	-	4
Steven Crocket	31,895	-	-	3

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

	2008	2009	2010	2011	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue	4,569	5,308	21,500	59,573	56,596
EBITDA (adjusted for impairment)	(7,235)	(1,902)	(976)	(1,738)	754
EBIT (adjusted for impairment)	(7,887)	(2,053)	(1,311)	(3,040)	(483)
Loss after income tax	(8,562)	(8,027)	(1,444)	(19,899)	(7,790)

This concludes the remuneration report, which has been audited.

Anittel Group Limited
Directors' report
30 June 2012

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
22 June 2009	24 June 2014	\$0.010	111,750,000
30 April 2010	31 March 2015	\$0.050	750,000
30 April 2010	31 March 2015	\$0.030	750,000
16 November 2011	31 December 2014	\$0.007	28,995,000
15 December 2011	15 December 2014	\$0.007	19,000,000
30 December 2011	31 December 2014	\$0.007	14,497,500
			<u>175,742,500</u>

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

Shares issued on the exercise of options

There were no shares of Anittel Group Limited issued on the exercise of options during the year ended 30 June 2012.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 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 28 to the financial statements do not compromise the external auditor's independence for the following reasons:

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

Officers of the company who are former audit partners of PricewaterhouseCoopers

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors



Peter Kazacos
Executive Director and Chairman

26 September 2012
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of Anittel Group Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Manoj Santiago'.

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
26 September 2012

Anittel Group Limited
Corporate Governance Statement
30 June 2012

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

The Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ('the Council's') 'Principles of Good Corporate Governance and Best Practice Recommendations' ('the Recommendations').

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

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

Principle 1 - Lay solid foundations for management and oversight

Functions of the Board and Management

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

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

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

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

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

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

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

Evaluating the Performance of Senior Executives

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

On an annual basis, the Board conducts a performance review of the Managing Director ('MD') and other key management personnel ('KMP'). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. Feedback on the performance of each KMP is provided and a plan is established to encourage, improve and monitor future performance. A performance review of KMP was conducted during the 2012 financial year in accordance with this process.

Principle 2 - Structure the Board to add value

Structure of the Board

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

The Board assesses whether a director is independent in accordance with the Council's independence guidelines. The Board consists of one independent director, John Walters and therefore does not comprise of a majority of independent directors. The Board has reviewed its composition and considers that relationships which define directors as non-independent have been, and continue to be, of benefit to the company. It is not considered that the relationship of non-independent directors affects their capacity to bring independent judgement to bear on Board decisions. The Board does intend to increase the number of independent directors on the Board in the future.

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

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

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

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

Board Performance

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

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

When evaluating the performance of individual directors, the Chairman will provide each director with confidential feedback on his or her performance. This feedback will be used to develop a plan and a basis for future performance assessment for each director. An independent director will provide confidential feedback to the Chairman on his own performance. The Board does not endorse the reappointment of a director who is not satisfactorily performing the role. Directors whose performance is unsatisfactory may be asked to retire. A performance review in accordance with the processes disclosed did not occur during the 2012 financial year.

Independent professional advice

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

Commitments

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

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

Principle 3 – Promote ethical and responsible decision making

Corporate Code of Conduct

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

Directors & Officers Code of Conduct, & Employee Code of Conduct

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

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

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

Share Trading Policy

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

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

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

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

Anittel Group Limited
Corporate Governance Statement
30 June 2012

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

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

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

No director, officer or employee may deal in Company shares at any time for short term gain, including buying and selling Company shares in a 3 month period, without the written approval of the Chairman or in the case of the Chairman, the Board of Directors.

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

Reporting Unethical or Illegal Practices

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

Diversity

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

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

The participation of women in the company and consolidated entity at 30 June 2012 was as follows:

- | | |
|--|-----|
| • Women employees in the consolidated entity | 17% |
| • Women in senior management positions | 0% |
| • Women on the board | 0% |

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

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

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

For details on the number of Audit Committee meetings held during the year and the attendees at those meeting's, refer to the Directors' Report.

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

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

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

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

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

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

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

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

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

Principle 6: Respect the rights of Shareholders

Shareholder Communication

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

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

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

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

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

Principle 7: Recognise and manage risk

Risk Management

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

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

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

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

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

Managing Director & Finance Director Certifications

The Managing Director and the Finance Director have provided a written statement to the Board that:

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

Principle 8: Remunerate fairly and responsibly

Remuneration

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

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

For details of the amount of remuneration, and all monetary and non-monetary components, for each of the five highest-paid executives during the year and for all directors, refer to the Directors' report.

Remuneration Committee

The Board has established a Remuneration Committee. Campbell Corfe, Peter Kazacos and John Walters are the members of the Remuneration Committee. John Walters was appointed to the Remuneration Committee on 15 March 2012. Campbell Corfe and Peter Kazacos served on the Remuneration Committee for the entire 2012 financial year.

Campbell Corfe chairs the Remuneration Committee and is not an independent director. The Board sees Mr. Corfe as the most appropriate person to chair the Remuneration Committee given that he is a non-executive director and taking into consideration his extensive experience, qualifications and skillset.

Anittel Group Limited
Corporate Governance Statement
30 June 2012

The Remuneration Committee does not consist of a majority of independent directors. Given the current size of the Company and the nature of its operations the Board considers that the presence of one or more non-executive director/s and one executive director on the Remuneration Committee is sufficient until additional independent directors are appointed to the Board.

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

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

For details on the number of Remuneration Committee meetings held during the year and the attendees at those meeting's, refer to the Directors' Report.

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

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General information

The financial report covers Anittel Group Limited as a consolidated entity consisting of Anittel Group Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Anittel Group Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Level 10
132 Arthur Street
North Sydney NSW 2060

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 September 2012. The directors have the power to amend and reissue the financial report.

Anittel Group Limited
Statement of comprehensive income
For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$'000	\$'000
Revenue	4	56,596	59,573
Expenses			
Cost of sales		(33,821)	(37,247)
Occupancy		(1,369)	(1,462)
Administration		(19,754)	(20,828)
Impairment of goodwill		(7,500)	(16,056)
Other expenses		(2,060)	(3,056)
Finance costs	5	(892)	(959)
Loss before income tax benefit		(8,800)	(20,035)
Income tax benefit	6	1,010	136
Loss after income tax benefit for the year attributable to the owners of Anittel Group Limited	24	(7,790)	(19,899)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Anittel Group Limited		<u>(7,790)</u>	<u>(19,899)</u>
		Cents	Cents
Basic earnings per share	37	(0.398)	(1.449)
Diluted earnings per share	37	(0.398)	(1.449)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Anittel Group Limited
Statement of financial position
As at 30 June 2012

		Consolidated	
	Note	2012	2011
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	3,885	2,629
Trade and other receivables	8	4,709	6,050
Inventories	9	153	395
Other	10	585	362
Total current assets		<u>9,332</u>	<u>9,436</u>
Non-current assets			
Receivables	11	206	243
Property, plant and equipment	12	1,110	931
Intangibles	13	15,259	23,153
Total non-current assets		<u>16,575</u>	<u>24,327</u>
Total assets		<u>25,907</u>	<u>33,763</u>
Liabilities			
Current liabilities			
Trade and other payables	14	6,279	7,628
Borrowings	15	240	154
Provisions	16	936	870
Revenue received in advance	17	2,338	2,367
Total current liabilities		<u>9,793</u>	<u>11,019</u>
Non-current liabilities			
Borrowings	18	8,754	9,645
Deferred tax	19	-	1,032
Provisions	20	226	219
Total non-current liabilities		<u>8,980</u>	<u>10,896</u>
Total liabilities		<u>18,773</u>	<u>21,915</u>
Net assets		<u>7,134</u>	<u>11,848</u>
Equity			
Issued capital	21	56,058	53,012
Other equity	22	5,200	5,200
Reserves	23	30	-
Accumulated losses	24	(54,154)	(46,364)
Total equity		<u>7,134</u>	<u>11,848</u>

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

Anittel Group Limited
Statement of changes in equity
For the year ended 30 June 2012

	Issued capital \$'000	Convertible notes \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated						
Balance at 1 July 2010	49,852	5	5,200	-	(26,465)	28,592
Loss after income tax benefit for the year	-	-	-	-	(19,899)	(19,899)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(19,899)	(19,899)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (refer Note 21)	3,160	-	-	-	-	3,160
Repayment of convertible note	-	(5)	-	-	-	(5)
Balance at 30 June 2011	53,012	-	5,200	-	(46,364)	11,848
	Issued capital \$'000	Convertible notes \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated						
Balance at 1 July 2011	53,012	-	5,200	-	(46,364)	11,848
Loss after income tax benefit for the year	-	-	-	-	(7,790)	(7,790)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(7,790)	(7,790)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (refer Note 21)	1,046	-	-	-	-	1,046
Value of conversion rights on convertible note (refer Notes 18 and 21)	2,000	-	-	-	-	2,000
Share-based payments	-	-	-	30	-	30
Balance at 30 June 2012	56,058	-	5,200	30	(54,154)	7,134

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

Anittel Group Limited
Statement of cash flows
For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		63,167	66,776
Payments to suppliers and employees (inclusive of GST)		<u>(62,160)</u>	<u>(68,201)</u>
		1,007	(1,425)
Interest received		75	20
Other revenue		118	330
Interest and other finance costs paid		<u>(30)</u>	<u>(549)</u>
Net cash from/(used in) operating activities	35	<u>1,170</u>	<u>(1,624)</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	32	(33)	(280)
Payments for property, plant and equipment		(268)	(267)
Payments for intangibles		(73)	(60)
Proceeds from sale of property, plant and equipment		19	-
Proceeds from release of security deposits		<u>81</u>	<u>53</u>
Net cash used in investing activities		<u>(274)</u>	<u>(554)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	825	3,254
Transaction costs on shares issued		(97)	(119)
Loan from related parties		-	2,273
Repayment of borrowings		-	(619)
Repayment of leases		<u>(368)</u>	<u>(389)</u>
Net cash from financing activities		<u>360</u>	<u>4,400</u>
Net increase in cash and cash equivalents		1,256	2,222
Cash and cash equivalents at the beginning of the financial year		<u>2,629</u>	<u>407</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>3,885</u></u>	<u><u>2,629</u></u>

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures

The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

Note 1. Significant accounting policies (continued)

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

AASB 1048 Interpretation of Standards (revised)

The consolidated entity has applied AASB 1048 (revised) for the year ended 30 June 2012. The revised standard identifies the Australian Interpretations and classifies them into two groups: those that correspond to an International Accounting Standards Board ('IASB') Interpretation (Table 1 – international equivalent), and those that do not (Table 2 – domestic interpretations). The standard has been updated to remove old or superseded interpretations and add new interpretations.

Going concern

As at 30 June 2012, the consolidated entity had a net asset position of \$7,134,000 (2011: \$11,848,000) and cash and cash equivalents of \$3,885,000 (2011: \$2,629,000). The decrease in net asset from the prior year predominately is the result of an impairment charge to goodwill of \$7,500,000 recorded at 30 June 2012 partially offset by a conversion of shareholder loan to equity during the year. The consolidated entity also had a negative net current asset position of \$461,000 (2011: \$1,583,000), which is an improvement of \$1,122,000 from 30 June 2011.

During the financial year ended 30 June 2012, the consolidated entity raised \$1,142,000 through a placement of 163 million shares and also issued a further 278 million shares by the conversion of two million dollars of convertible notes held by Peter and Vicki Kazacos.

The consolidated entity also secured a \$1,500,000 line of credit facility from the Commonwealth Bank of Australia which remained undrawn at the year end. It also secured an extension on its related party loan of \$8,365,000 to 31 December 2013. The consolidated entity had positive net operating cash inflows of \$1,170,000 (2011: net operating cash outflows of \$1,624,000). The consolidated entity expects that net cash inflows from operating activities in conjunction with the line of credit will be sufficient to cover the net current asset deficiency.

The consolidated entity has successfully expanded its revenue stream from cloud and hosted offerings, evidenced by the winning of two significant contracts, namely Joblink Plus in June 2012 and the Tasmanian Government in August 2012.

Moreover, the directors have proactively sought to address the deficiency in net current assets and improved cash performance via the following initiatives:

- (a) Continued focus on debtors invoice collections, keeping inventory levels at a minimum; and
- (b) Continued focus on cost containment in all areas of business.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-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.

Note 1. Significant accounting policies (continued)

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anittel Group Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries and special purpose entities for the year then ended. Anittel Group Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

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

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

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

Operating segments

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

Note 1. Significant accounting policies (continued)

Revenue recognition

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

Sale of goods

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

Rendering of services

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

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

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

Interest

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

Other revenue

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

Note 1. Significant accounting policies (continued)

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in 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 entity's which intend to settle simultaneously.

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

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

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.

Note 1. Significant accounting policies (continued)

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Inventories

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

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

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

Loans and receivables

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

Impairment of financial assets

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

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

Note 1. Significant accounting policies (continued)

Property, plant and equipment

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

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

Leasehold improvements	5 years
Plant and equipment	4-5 years
Motor vehicles	3 years
Computer equipment	3 years
Office equipment	4 years

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

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

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

Leases

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. 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 intangibles 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

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

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

Customer contracts and relationships

Customer contracts and relationships acquired are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Identifiable intangible assets recognised are amortised on a straight-line basis over their expected benefit, being their finite lives of:

Customer contracts and relationships	10 years
Software	5-10 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 to sell 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 amount represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Revenue received in advance

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

Note 1. Significant accounting policies (continued)

Borrowings

Loans and borrowings

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

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

Convertible notes

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

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

Finance costs

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

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

Provisions

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

Note 1. Significant accounting policies (continued)

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Equity-settled awards by the parent to employees of subsidiaries are recognised in the parent's individual financial statements as an increase in investment in the subsidiary with a corresponding credit to equity and not as a charge to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

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.

Note 1. Significant accounting policies (continued)

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

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

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

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.

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

Business combinations

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Comparative information

Certain balances in the statement of financial position have been reclassified to agree to current year presentation of balances. The reclassification has had no effect on net assets or equity.

Rounding of amounts

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

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

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

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

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

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also change the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months and will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability and increase disclosures of the consolidated entity.

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

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a significant impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; AASB 132 'Financial Instruments: Presentation' Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a significant impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Note 13 provides the details of these assumptions and potential impact of changes to assumptions. There was a goodwill impairment of \$7,500,000 for the year (2011: \$16,056,000).

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

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

IT products and services now include the procurement of both IT & Telecommunication products. This is in line with the integration of our business with the procurement team responsible for the purchase of IT & Telecommunication products for our customers, and also the advancement in technology which facilitates the convergence of IT & Telecommunication products.

All corporate expenses for the consolidated entity have been allocated to both of the operating segments in proportion to revenue, headcount and volume of transactions.

Comparatives

The comparative balances have been restated to align with the structure of the business which is reflected in the new definition of the operating segments above.

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Note 3. Operating segments (continued)

Operating segment information

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
2012				
Revenue				
Sales to external customers	11,798	44,605	-	56,403
Total sales revenue	11,798	44,605	-	56,403
Other revenue	15	178	-	193
Total revenue	11,813	44,783	-	56,596
Adjusted EBITDA	295	459	-	754
Depreciation and amortisation				(1,237)
Impairment of assets				(7,500)
Interest revenue				75
Finance costs				(892)
Loss before income tax				(8,800)
benefit				1,010
Income tax benefit				
Loss after income tax				(7,790)
benefit				
Assets				
Segment assets	9,017	16,890	-	25,907
Total assets				25,907
<i>Total assets includes:</i>				
Acquisition of non-current assets	404	644	-	1,048
Liabilities				
Segment liabilities	3,823	14,950	-	18,773
Total liabilities				18,773

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Note 3. Operating segments (continued)

	Telecommu- nications services \$'000	IT products and services \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
2011				
Revenue				
Sales to external customers	9,883	49,340	-	59,223
Total sales revenue	9,883	49,340	-	59,223
Other revenue	45	305	-	350
Total revenue	9,928	49,645	-	59,573
Adjusted EBITDA	261	(1,999)	-	(1,738)
Depreciation and amortisation				(1,302)
Impairment of assets				(16,056)
Interest revenue				20
Finance costs				(959)
Loss before income tax				
benefit				(20,035)
Income tax benefit				136
Loss after income tax				
benefit				(19,899)
Assets				
Segment assets	9,541	24,222	-	33,763
Total assets				33,763
<i>Total assets includes:</i>				
Acquisition of non-current assets	295	660	-	955
Liabilities				
Segment liabilities	3,822	18,093	-	21,915
Total liabilities				21,915

Note 4. Revenue

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	30,109	33,061
Rendering of services	26,294	26,162
	<u>56,403</u>	<u>59,223</u>
<i>Other revenue</i>		
Interest	75	20
Other revenue	118	330
	<u>193</u>	<u>350</u>
Revenue	<u>56,596</u>	<u>59,573</u>

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Note 5. Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	12	38
Plant and equipment	10	9
Motor vehicles under lease	80	97
Computer equipment	262	312
Office equipment	168	231
	<u>532</u>	<u>687</u>
Total depreciation		
<i>Amortisation</i>		
Software	283	161
Customer contracts and relationships	422	454
	<u>705</u>	<u>615</u>
Total amortisation		
	<u>1,237</u>	<u>1,302</u>
Total depreciation and amortisation		
<i>Impairment</i>		
Goodwill	7,500	16,056
	<u>7,500</u>	<u>16,056</u>
<i>Finance costs</i>		
Bank fees and charges	30	243
Other loans	834	659
Finance charges payable under finance leases	28	57
	<u>892</u>	<u>959</u>
Finance costs expensed		
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,085	1,185
	<u>1,085</u>	<u>1,185</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,257	1,274
	<u>1,257</u>	<u>1,274</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	16,997	18,420
	<u>16,997</u>	<u>18,420</u>

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Note 6. Income tax benefit

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Income tax benefit</i>		
Current tax	22	(1,168)
Deferred tax - origination and reversal of temporary differences	(1,032)	1,032
	<u>(1,010)</u>	<u>(136)</u>
Aggregate income tax benefit	<u>(1,010)</u>	<u>(136)</u>
Deferred tax included in income tax benefit comprises:		
Increase/(decrease) in deferred tax liabilities (note 19)	(1,032)	1,032
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(8,800)	(20,035)
Tax at the statutory tax rate of 30%	(2,640)	(6,011)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	(3)
Impairment of goodwill	2,250	4,817
Other timing differences not recognised	(139)	(379)
Other non-deductible expenses	20	8
	(509)	(1,568)
Current year tax losses not recognised	574	1,497
Adjustment of current tax of prior periods	22	-
Prior year tax benefit from acquisition accounting recognised	(1,032)	-
Share and convertible note issue expenses deductible over 5 years, previously recognised as equity	(65)	(65)
	<u>(1,010)</u>	<u>(136)</u>
Income tax benefit	<u>(1,010)</u>	<u>(136)</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	31,411	25,967
Potential tax benefit @ 30%	<u>9,423</u>	<u>7,790</u>

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

An exercise is being completed to determine the availability of the losses able to be utilised.

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Note 6. Income tax benefit (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Intellectual property	1,121	1,121
Provisions and accruals	958	819
	<u>1,121</u>	<u>1,121</u>
Total deferred tax assets not recognised	<u>2,079</u>	<u>1,940</u>

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

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash on hand	3	3
Cash at bank	3,882	2,626
	<u>3,885</u>	<u>2,629</u>

Note 8. Current assets - trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade receivables	4,492	5,468
Less: Provision for impairment of receivables	(20)	(48)
	<u>4,472</u>	<u>5,420</u>
Other receivables	237	630
	<u>4,709</u>	<u>6,050</u>

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Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables

The consolidated entity has recognised a net movement of \$28,000 (2011: \$349,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2012.

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

	Consolidated	
	2012	2011
	\$'000	\$'000
0 to 3 months overdue	-	2
3 to 6 months overdue	-	3
Over 6 months overdue	20	43
	<u>20</u>	<u>43</u>
	<u>20</u>	<u>48</u>

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	48	397
Additional provisions recognised	32	95
Provision expensed as non-recoverable	(60)	(216)
Unused amounts reversed	-	(228)
	<u>20</u>	<u>48</u>
Closing balance	<u>20</u>	<u>48</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$190,000 as at 30 June 2012 (\$2,856,000 as at 30 June 2011).

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

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

	Consolidated	
	2012	2011
	\$'000	\$'000
0 to 3 months overdue	180	2,038
3 to 6 months overdue	10	574
Over 6 months overdue	-	244
	<u>190</u>	<u>2,856</u>
	<u>190</u>	<u>2,856</u>

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

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

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Note 9. Current assets - inventories

	Consolidated	
	2012	2011
	\$'000	\$'000
Stock on hand - at cost	228	395
Less: Provision for impairment	(75)	-
	<u>153</u>	<u>395</u>

Note 10. Current assets - other

	Consolidated	
	2012	2011
	\$'000	\$'000
Prepayments and other current asset	<u>585</u>	<u>362</u>

Note 11. Non-current assets - receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Security deposits	<u>206</u>	<u>243</u>

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Leasehold improvements - at cost	122	52
Less: Accumulated depreciation	(22)	(40)
	<u>100</u>	<u>12</u>
Plant and equipment - at cost	130	208
Less: Accumulated depreciation	(130)	(198)
	<u>-</u>	<u>10</u>
Motor vehicles under lease	280	492
Less: Accumulated depreciation	(220)	(334)
	<u>60</u>	<u>158</u>
Computer equipment - at cost	1,542	938
Less: Accumulated depreciation	(822)	(560)
	<u>720</u>	<u>378</u>
Office equipment - at cost	716	691
Less: Accumulated depreciation	(486)	(318)
	<u>230</u>	<u>373</u>
	<u>1,110</u>	<u>931</u>

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30 June 2012

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:

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles under lease \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Consolidated						
Balance at 1 July 2010	35	27	268	491	688	1,509
Additions	19	-	-	221	55	295
Disposals	(5)	-	(9)	(30)	(142)	(186)
Transfers in/(out)	1	(8)	(4)	8	3	-
Depreciation expense	(38)	(9)	(97)	(312)	(231)	(687)
Balance at 30 June 2011	12	10	158	378	373	931
Additions	100	-	-	587	50	737
Disposals	-	-	(18)	-	(25)	(43)
Transfers in/(out)	-	-	-	17	-	17
Depreciation expense	(12)	(10)	(80)	(262)	(168)	(532)
Balance at 30 June 2012	100	-	60	720	230	1,110

Property, plant and equipment secured under finance leases

Refer to note 29 for further information on property, plant and equipment secured under finance leases.

Note 13. Non-current assets - intangibles

	Consolidated	
	2012	2011
	\$'000	\$'000
Goodwill - at cost	40,608	40,608
Less: Impairment	(29,871)	(22,371)
	10,737	18,237
Software - at cost	1,903	1,385
Less: Accumulated amortisation	(732)	(170)
	1,171	1,215
Customer contracts and relationships - at cost	4,227	4,155
Less: Accumulated amortisation	(876)	(454)
	3,351	3,701
	15,259	23,153

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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:

	Goodwill \$'000	Software \$'000	Customer contracts \$'000	Total \$'000
Consolidated				
Balance at 1 July 2010	37,791	643	-	38,434
Additions	17	382	-	399
Additions through business combinations (note 32)	-	-	261	261
Disposals	-	(211)	-	(211)
Recognition of deferred tax liability	1,167	5	-	1,172
Impairment of assets	(16,056)	-	-	(16,056)
Write off of assets	(231)	-	-	(231)
Transfers in/(out)	(4,451)	557	3,894	-
Amortisation expense	-	(161)	(454)	(615)
Balance at 30 June 2011	18,237	1,215	3,701	23,153
Additions	-	239	-	239
Additions through business combinations (note 32)	-	-	72	72
Impairment of assets	(7,500)	-	-	(7,500)
Amortisation expense	-	(283)	(422)	(705)
Balance at 30 June 2012	<u>10,737</u>	<u>1,171</u>	<u>3,351</u>	<u>15,259</u>

Impairment tests for goodwill

Description of the cash generating units and other relevant information

Goodwill acquired through business combinations have been allocated to two individual cash generating units ('CGUs') according to operating segment.

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Telecommunications services	6,942	6,942
IT products and services	<u>3,795</u>	<u>11,295</u>
	<u>10,737</u>	<u>18,237</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by senior management covering a one-year period and projected cash flows for a further four years. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

Key assumptions used for value in use calculations

Telecommunication services

- The post-tax discount rate applied to the cash flow projections is 13.5% (2011: 13.5%).
- The long-term growth rate used to extrapolate the cash flows beyond the five-year period is 2.5% (2011: 2.5%).
- The average gross margin, which does not include labour costs, is 39.4% (2011: 39.2%).

IT products and services

- The post-tax discount rate applied to the cash flow projections is 13.5% (2011: 13.5%).
- The long-term growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2011: 3%).
- The average gross margin, which does not include labour costs, is 41.9% (2011: 40.9%)

Assumptions

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The discount rates reflect management's estimate of the time value of money using the various drivers consistent with industry benchmarks and the specific situation of the business with regards to debt, and market risk.

The growth rate estimates were derived from management forecasts for the year ended 30 June 2013 which reflect the opportunities available to the business. The model then ramps down to market growth rates of 2.5% and 3% for the 5 year period and a terminal value.

Cash flows for financial years from 30 June 2012 onwards have not included the potential growth in revenue resulting from the appointment of a new Sales Director in June 2012, new business revenue for our hosted ('Cloud') offerings, the revenue from the Tasmanian contract which was signed after year end and also the cost savings initiatives to be implemented in the coming financial year.

Impairment charge

An impairment charge of \$7,500,000 (2011: \$16,056,000) was taken against the IT product and services business, which continues to be adversely impacted by economic and market conditions.

No impairment charge was required for the Telecommunication services as the consolidated entity has continued to grow and expand its data and cloud technology services.

Sensitivity to changes in assumptions

Telecommunication services

The recoverable amount of the Telecommunication services is estimated to be \$9,606,000 (2011: \$8,060,000). This exceeds the carrying amount of the CGU at 30 June 2012 by \$1,592,000 (2011: \$351,000). A reasonably possible change in any of the other key assumptions will not cause the carrying amount of the Telecommunication services CGU to exceed its recoverable amount.

IT products and services

The recoverable amount of the IT products and services CGU is estimated to be \$10,737,000 (2011: \$16,536,000). This exceeds the carrying amount of the CGU, following impairment, at 30 June 2012 by \$2,852,000 (2011: \$243,000). A reasonably possible change in any of the other key assumptions will not cause the carrying amount of the IT products and services CGU to exceed its recoverable amount.

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Note 14. Current liabilities - trade and other payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade payables	4,574	4,571
Accruals	1,086	1,593
Other payables	619	1,464
	<u>6,279</u>	<u>7,628</u>

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Lease liability	<u>240</u>	<u>154</u>

Refer to note 18 for further information on assets pledged as security and financing arrangements and note 26 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Employee benefits	881	870
Other	55	-
	<u>936</u>	<u>870</u>

Note 17. Current liabilities - revenue received in advance

	Consolidated	
	2012	2011
	\$'000	\$'000
Revenue received in advance	<u>2,338</u>	<u>2,367</u>

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Note 18. Non-current liabilities - borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Loan from director	6,936	6,448
Convertible notes payable	1,429	3,101
Lease liability	389	96
	<u>8,754</u>	<u>9,645</u>

Refer to note 26 for further information on financial instruments.

Convertible notes

The parent entity issued 1,250,000 11.78% convertible notes for \$1.25 million on 28 February 2011. The convertible note holders on 24 May 2012 converted 250,000 of the convertible notes leaving a balance of 1,000,000 convertible notes at 30 June 2012. The 250,000 convertible notes were converted into ordinary shares of the parent entity resulting in the issue of 27,777,778 shares at a price of \$0.009.

The parent entity issued 1,750,000 11.78% convertible notes for \$1.75 million on 31 March 2011. The convertible note holder on 24 May 2012 converted in full 1,750,000 convertible notes totalling \$1,750,000 resulting in the issue of 250,250,000 shares at a price of \$0.007.

Total secured liabilities

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Loan from director	6,936	6,448
Convertible notes payable	1,429	3,101
Lease liability	629	250
	<u>8,994</u>	<u>9,799</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the consolidated entity's assets.

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

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Notes to the financial statements
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Note 18. Non-current liabilities - borrowings (continued)

Financing arrangements

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Total facilities		
Bank overdraft	1,500	-
Debtor finance	-	5,000
	<u>1,500</u>	<u>5,000</u>
Used at the reporting date		
Bank overdraft	-	-
Debtor finance	-	-
	<u>-</u>	<u>-</u>
Unused at the reporting date		
Bank overdraft	1,500	-
Debtor finance	-	5,000
	<u>1,500</u>	<u>5,000</u>

Note 19. Non-current liabilities - deferred tax

	Consolidated	
	2012	2011
	\$'000	\$'000
Deferred tax liability	<u>-</u>	<u>1,032</u>
<i>Movements:</i>		
Opening balance	1,032	-
Charged/(credited) to profit or loss (note 6)	<u>(1,032)</u>	<u>1,032</u>
Closing balance	<u>-</u>	<u>1,032</u>

Note 20. Non-current liabilities - provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Employee benefits	<u>226</u>	<u>219</u>

Note 21. Equity - issued capital

	Consolidated		Consolidated	
	2012	2011	2012	2011
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>2,211,238,296</u>	<u>1,769,996,234</u>	<u>56,058</u>	<u>53,012</u>

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Note 21. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2010	1,309,445,513		49,852
Issue of shares on exercise of options	21 July 2010	1,000,000	\$0.013	13
Issue of shares on exercise of options	28 July 2010	12,500,000	\$0.010	125
Issue of shares on business acquisition	20 August 2010	1,111,112	\$0.018	20
Issue of shares on private placement	29 April 2011	197,000,000	\$0.007	1,379
Issue of shares on rights issue	7 June 2011	248,939,609	\$0.007	1,742
Transaction costs on shares issued				(119)
Balance	30 June 2011	1,769,996,234		53,012
Issue of ordinary shares	11 July 2011	156,214,284	\$0.007	1,094
Issue of ordinary shares	3 August 2011	7,000,000	\$0.007	49
Issue of ordinary shares on conversion of convertible note	24 May 2012	250,250,000	\$0.007	1,750
Issue of ordinary shares on conversion of convertible note	24 May 2012	27,777,778	\$0.009	250
Transaction costs on shares issued				(97)
Balance	30 June 2012	<u>2,211,238,296</u>		<u>56,058</u>

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.

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

Share buy-back

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

Options

There were 175,742,500 (2011: 116,654,401) options over ordinary shares at 30 June 2012.

Capital risk management

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

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

No dividends were paid for the financial year ended 30 June 2012 and 2011.

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

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

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Note 22. Equity - other equity

	Consolidated	
	2012	2011
	\$'000	\$'000
Other equity	5,200	5,200

Other equity

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

Note 23. Equity - reserves

	Consolidated	
	2012	2011
	\$'000	\$'000
Share-based payments reserve	30	-
	Share-based payments \$'000	Total \$'000
Consolidated		
Balance at 1 July 2010	-	-
Balance at 30 June 2011	-	-
Share-based payments	30	30
Balance at 30 June 2012	30	30

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.

Note 24. Equity - accumulated losses

	Consolidated	
	2012	2011
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(46,364)	(26,465)
Loss after income tax benefit for the year	(7,790)	(19,899)
Accumulated losses at the end of the financial year	(54,154)	(46,364)

Note 25. Equity - dividends

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

Note 26. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

An interest rate movement of +1%/-1% (100 basis points) (2011: +1%/-1%) would have a positive/adverse effect on profit or loss by \$38,000 (2011: \$26,000).

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

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

	2012		2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash at bank and in hand	4.14	<u>3,885</u>	4.75	<u>2,629</u>
Net exposure to cash flow interest rate risk		<u><u>3,885</u></u>		<u><u>2,629</u></u>

Note 26. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

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

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

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

Liquidity risk

The consolidated entity mitigates the liquidity risk by obtaining additional funding from capital raising and financial support from a substantial shareholder if required to enable the consolidated entity to meet its obligations as and when it falls due. The business will be relying on positive cash flow generated through its rendering of services and sale of goods in the future years.

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank overdraft	1,500	-
Debtor finance	-	5,000
	<u>1,500</u>	<u>5,000</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Note 26. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2012	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	4,574	-	-	-	4,574
Other payables	-	619	-	-	-	619
<i>Interest-bearing - fixed rate</i>						
Other loans	10.00	-	8,365	-	-	8,365
Lease liability	10.48	278	455	-	-	733
Total non-derivatives		<u>5,471</u>	<u>8,820</u>	<u>-</u>	<u>-</u>	<u>14,291</u>
Consolidated - 2011						
	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	4,571	-	-	-	4,571
Other payables	-	1,464	-	-	-	1,464
<i>Interest-bearing - fixed rate</i>						
Other loans	10.00	-	9,549	-	-	9,549
Lease liability	10.00	183	168	-	-	351
Total non-derivatives		<u>6,218</u>	<u>9,717</u>	<u>-</u>	<u>-</u>	<u>15,935</u>

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

Fair value of financial instruments

The consolidated entity does not have any asset that meet the definition of financial instruments. The financial instrument liabilities, which are disclosed in the above table, are all level one in the instrument hierarchy.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 27. Key management personnel disclosures

Directors

The following persons were directors of Anittel Group Limited during the financial year:

Peter Kazacos
 Campbell Corfe
 Michael O'Sullivan
 John Walters (appointed on 18 July 2011)
 Ilkka Tales (resigned on 19 July 2011)
 Carlos Perez (resigned on 19 July 2011)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Chris Calamos	Finance Director
Justyn Stedwell	Company Secretary
Tim Brewer	Operations Director
Steven Crocket	Chief Technology Officer (became a key management personnel on 1 July 2011)

Compensation

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

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	1,091,436	1,478,308
Post-employment benefits	64,651	81,934
Termination benefits	113,783	373,827
Share-based payments	30,000	-
	<u>1,299,870</u>	<u>1,934,069</u>

Note 27. Key management personnel disclosures (continued)

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2012					
<i>Ordinary shares</i>					
Peter Kazacos	382,781,250	-	278,027,778	-	660,809,028
Campbell Corfe **	68,500,000	-	-	-	68,500,000
Michael O'Sullivan	-	-	37,263,800	-	37,263,800
John Walters	-	-	3,780,000	-	3,780,000
Carlos Perez *	57,500,000	-	-	(57,500,000)	-
Malcolm Lewis *	11,160,000	-	-	(11,160,000)	-
Justyn Stedwell	765,000	-	-	-	765,000
Tim Brewer	31,726,891	-	-	-	31,726,891
Chris Calamos **	-	-	19,078,517	-	19,078,517
Steven Crocket ***	-	-	24,127,179	-	24,127,179
	<u>552,433,141</u>	<u>-</u>	<u>362,277,274</u>	<u>(68,660,000)</u>	<u>846,050,415</u>

* Disposals/other represents no longer key management personnel not necessarily physical disposal

** Shareholding represents related party holding

*** Additions represents shareholding at date of appointment to key management personnel

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2011					
<i>Ordinary shares</i>					
Peter Kazacos	255,187,500	-	127,593,750	-	382,781,250
Campbell Corfe **	182,500,000	-	-	(114,000,000)	68,500,000
Carlos Perez **	45,000,000	-	12,500,000	-	57,500,000
Matthew Costello *	7,500,000	-	-	(7,500,000)	-
Malcolm Lewis	11,160,000	-	-	-	11,160,000
Veronica Duff	122,500	-	1,000,000	(1,122,500)	-
Justyn Stedwell	765,000	-	-	-	765,000
Tim Brewer ***	-	-	31,726,891	-	31,726,891
	<u>502,235,000</u>	<u>-</u>	<u>172,820,641</u>	<u>(122,622,500)</u>	<u>552,433,141</u>

* Disposals/other represents no longer key management personnel not necessarily physical disposal

** Shareholding represents related party holding

*** Additions represents shareholding at date of appointment to key management personnel

Note 27. Key management personnel disclosures (continued)

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2012					
<i>Options over ordinary shares</i>					
Peter Kazacos	850,000	-	-	-	850,000
Ilkka Tales *	25,000,000	-	-	(25,000,000)	-
Campbell Corfe	4,081,382	-	-	-	4,081,382
Michael O'Sullivan	-	19,000,000	-	-	19,000,000
Malcolm Lewis	1,000,000	-	-	(1,000,000)	-
Tim Brewer	-	14,497,500	-	-	14,497,500
Chris Calamos	-	14,497,500	-	-	14,497,500
Steven Crocket	-	14,497,500	-	-	14,497,500
	<u>30,931,382</u>	<u>62,492,500</u>	<u>-</u>	<u>(26,000,000)</u>	<u>67,423,882</u>

* Expired/forfeited/other represents no longer key management personnel

	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
2012			
<i>Options over ordinary shares</i>			
Peter Kazacos	850,000	-	850,000
Campbell Corfe	<u>4,081,382</u>	<u>-</u>	<u>4,081,382</u>
	<u>4,931,382</u>	<u>-</u>	<u>4,931,382</u>

Options relating to service have been disclosed in note 36 'Share-based payments'.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2011					
<i>Options over ordinary shares</i>					
Peter Kazacos	850,000	-	-	-	850,000
Ilkka Tales **	25,000,000	-	-	-	25,000,000
Carlos Perez	12,500,000	-	(12,500,000)	-	-
Matthew Costello * **	15,000,000	-	-	(15,000,000)	-
Campbell Corfe	9,081,382	-	-	(5,000,000)	4,081,382
Alan Chalmers *	1,500,000	-	-	(1,500,000)	-
Malcolm Lewis	1,000,000	-	-	-	1,000,000
Veronica Duff	1,000,000	-	(1,000,000)	-	-
	<u>65,931,382</u>	<u>-</u>	<u>(13,500,000)</u>	<u>(21,500,000)</u>	<u>30,931,382</u>

* Expired/forfeited/other represents no longer key management personnel

** Option holding represents related party holding

Note 27. Key management personnel disclosures (continued)

	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
2011			
<i>Options over ordinary shares</i>			
Peter Kazacos	850,000	-	850,000
Ilkka Tales	25,000,000	-	25,000,000
Campbell Corfe	4,081,382	-	4,081,382
Malcolm Lewis	1,000,000	-	1,000,000
	<u>30,931,382</u>	<u>-</u>	<u>30,931,382</u>

Related party transactions

Related party transactions are set out in note 30.

Note 28. Remuneration of auditors

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

	Consolidated	
	2012	2011
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	<u>160,811</u>	<u>253,650</u>
<i>Other services - PricewaterhouseCoopers</i>		
Accounting advice	<u>10,000</u>	<u>-</u>
	<u><u>170,811</u></u>	<u><u>253,650</u></u>

Note 29. Commitments

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,068	1,098
One to five years	1,308	1,737
	<u>2,376</u>	<u>2,835</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	278	183
One to five years	455	168
	<u>733</u>	<u>351</u>
Total commitment	(104)	(101)
Less: Future finance charges		
	<u>629</u>	<u>250</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 15)	240	154
Lease liability - non-current (note 18)	389	96
	<u>629</u>	<u>250</u>

Capital commitments includes contracted amounts for the refurbishment of the investment properties, purchase of plant and equipment and purchase of customer relationship management software.

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

Finance lease commitments includes contracted amounts for various computer equipment, office equipment and motor vehicles with a written down value of \$629,623 (2011: \$147,672) under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Remuneration commitments represents commitments arising from the service contracts of employees under non-cancellable employment contracts in existence at the reporting date but not recognised as a liability.

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 30. Related party transactions

Parent entity

Anittel Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2012	2011
	\$	\$
Sale of goods and services:		
Sale of goods and services to Roses Only, an entity in which Peter Kazacos is a director.	56,278	108,996
Sale of goods and services to Advanced Surgical Design & Manufacture Limited, an entity in which Peter Kazacos is a director.	65,665	-
Sale of goods and services to Kpower Café, an entity in which Peter Kazacos is a director.	599	-
Sale of goods and services to Law Corporation Pty Limited, an entity in which Peter Kazacos is a director.	2,205	-
Sale of goods and services to Nextgen Networks Pty Ltd, an entity in which John Walters is a director.	52,931	-
Payment for other expenses:		
Interest payable on director loan	487,940	589,769
Interest payable on convertible loan notes	328,226	100,614
Consulting fees paid to Matthew Costello, former director.	-	76,137
Legal fees paid to Law Corporation Pty Limited, an entity in which Peter Kazacos is a director.	37,582	42,246
Other expenses paid to Kpower Café, an entity in which Peter Kazacos is a director.	1,884	-
Service fees paid to Nextgen Networks Pty Ltd, an entity in which John Walters is a director.	155,921	-
Other transactions:		
Capital raising costs paid to Kaz Capital Pty Limited, an entity in which Peter Kazacos is a director.	56,553	119,055

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 30. Related party transactions (continued)

Receivable from and payable to related parties

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

	Consolidated	
	2012	2011
	\$	\$
Current receivables:		
Trade receivables from Roses Only, an entity in which Peter Kazacos is a director.	11,089	-
Trade receivables from Advanced Surgical Design & Manufacture Limited, an entity in which Peter Kazacos is a director.	6,547	-
Trade receivables from Law Corporation Pty Limited, an entity in which Peter Kazacos is a director.	522	-
Trade receivables from Nextgen Networks Pty Ltd, an entity in which John Walters is a director.	4,581	-

Loans to/from related parties

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

	Consolidated	
	2012	2011
	\$	\$
Non-current borrowings:		
Convertible note payable from director including interest	1,429,000	3,101,000
Loan from director including interest	6,936,000	6,448,000

As at 30 June 2012, the loan from director, as detailed above, is due and payable on 31 December 2013.

Terms and conditions

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

Note 31. Parent entity information

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

Statement of comprehensive income

	Parent	
	2012	2011
	\$'000	\$'000
Loss after income tax	<u>(8,196)</u>	<u>(21,976)</u>
Total comprehensive income	<u>(8,196)</u>	<u>(21,976)</u>

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 31. Parent entity information (continued)

Statement of financial position

	Parent	
	2012	2011
	\$'000	\$'000
Total current assets	<u>11,815</u>	<u>18,269</u>
Total assets	<u>12,173</u>	<u>18,627</u>
Total current liabilities	<u>681</u>	<u>681</u>
Total liabilities	<u>8,092</u>	<u>9,426</u>
Net assets	<u>4,081</u>	<u>9,201</u>
Equity		
Issued capital	92,044	88,998
Other equity	5,230	5,200
Accumulated losses	<u>(93,193)</u>	<u>(84,997)</u>
Total equity	<u>4,081</u>	<u>9,201</u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2012 and 30 June 2011.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2012 and 30 June 2011.

Significant accounting policies

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

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

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 32. Business combinations

Navyshire Pty Limited (trading as 'Future Townsville')

On 8 August 2011, Anittel Group Limited acquired the trading assets and liabilities of Navyshire Pty Limited trading as 'Future Townsville' for the total consideration of \$50,000. This is an information technology business. It was acquired to expand Anittel's regional presence. The values identified in relation to the acquisition of these assets and liabilities are provisional as at 30 June 2012.

The consolidated entity has combined the assets and liabilities of Navyshire Pty Limited seamlessly with the rest of the consolidated entity to achieve synergies. It is impracticable to identify the revenue and profit attributed to the assets and liabilities acquired from Navyshire Pty Limited since acquisition. Therefore the revenue and profit attributed to the assets and liabilities of Navyshire Pty Limited since acquisition have not been disclosed. The same applied to the revenue and profit attributed to the assets and liabilities of Navyshire Pty Limited had the acquisition occurred in the beginning of the financial year.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Customer contracts	-	72
Deferred revenue	(22)	(22)
Net assets/(liabilities) acquired	(22)	50
Goodwill		-
Acquisition-date fair value of the total consideration transferred		50
Representing:		
Cash paid or payable to vendor		50
	Consolidated 2012 \$'000	2011 \$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	50	-
Net cash used	50	-

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 32. Business combinations (continued)

D2K Townsville acquisition of customer base (comparative period)

On 27 August 2010, Anittel Group Limited acquired the customer base of D2K's Townsville operation. The total consideration of the acquisition was \$90,000 cash and 1,111,112 Anittel Group Limited shares. At the date of acquisition, the consolidated entity was involved in the supply of IT and telephony goods and services. As a result of the combination, it has increased its Townsville operation.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Customer contracts	71	71
Net assets acquired	71	71
Goodwill		-
Acquisition-date fair value of the total consideration transferred		71
Representing:		
Cash paid or payable to vendor		51
Anittel Group Limited shares issued to vendor		20
		71
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	71
Less: shares issued by parent entity as part of consideration	-	(20)
Net cash used	-	51

Note 32. Business combinations (continued)

Netrics (comparative period)

On 9 September 2010, Anittel Group Limited acquired the customer base of IT company Netrics. The total consideration of the acquisition was \$130,000 cash. At the date of acquisition, the consolidated entity was involved in the supply of IT and telephony goods and services. As a result of the combination, it has increased its Albury operation.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Customer contracts	130	130
Net assets acquired	130	130
Goodwill		-
Acquisition-date fair value of the total consideration transferred		130
Representing:		
Cash paid or payable to vendor		130
	Consolidated 2012 \$'000	2011 \$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	130
Net cash used	-	130

IT West (comparative period)

On 1 April 2011, Anittel Group Limited acquired the customer base of IT West. The total consideration of the acquisition was \$60,000 cash. At the date of acquisition, the consolidated entity was involved in the supply of IT and telephony goods and services. As a result of the combination, it has increased its regional NSW operation.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Customer contracts	60	60
Net assets acquired	60	60
Goodwill		-
Acquisition-date fair value of the total consideration transferred		60
Representing:		
Cash paid or payable to vendor		60

Note 32. Business combinations (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	60
Net cash used	-	60

Note 33. Subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2012	2011
		%	%
Mobi Leasing Pty Ltd	Australia	100.00	100.00
OneNetwork Pty Ltd	Australia	100.00	100.00
Sholl Communications (Aust) Pty Ltd	Australia	100.00	100.00
Anittel Services Pty Limited	Australia	100.00	100.00
Anittel Communications Pty Limited	Australia	100.00	100.00
Anittel Limited	Australia	100.00	100.00
Accord Technologies (WA) Pty Ltd	Australia	100.00	100.00
Axxis Technologies Pty Ltd	Australia	100.00	100.00

Note 34. Events after the reporting period

The consolidated entity has signed an agreement to provide the Tasmanian Government with the consolidated entity's Hosted Cisco Unified Communications service. Subject to successful completion of testing and finalisation of service level agreements, the initial contract term is 5 years with a further 3 x 3 year options to renew the agreement. The value of the contract during the initial 5 year term is a minimum sales value of approximately \$7 million and a potential maximum sales value of \$17 million.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 35. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2012	2011
	\$'000	\$'000
Loss after income tax benefit for the year	(7,790)	(19,899)
Adjustments for:		
Depreciation and amortisation	1,237	1,302
Impairment of goodwill	7,500	16,056
Net loss on disposal of non-current assets	24	-
Share-based payments	30	-
Finance costs - non-cash	862	410
Other non-current adjustments	-	628
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,203	1,631
Decrease in inventories	242	425
Increase in prepayments	(223)	(56)
Decrease in trade and other payables	(386)	(1,903)
Increase in provision for income tax	22	-
Increase/(decrease) in deferred tax liabilities	(1,032)	1,032
Increase/(decrease) in employee benefits	18	(47)
Increase/(decrease) in other provisions	38	(105)
Decrease in other operating liabilities	(575)	(1,098)
Net cash from/(used in) operating activities	<u>1,170</u>	<u>(1,624)</u>

Note 36. Non-cash investing and financing activities

	Consolidated	
	2012	2011
	\$'000	\$'000
Acquisition of plant, equipment and software by means of finance leases	<u>634</u>	<u>-</u>

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 37. Earnings per share

	Consolidated	
	2012	2011
	\$'000	\$'000
Loss after income tax attributable to the owners of Anittel Group Limited	<u>(7,790)</u>	<u>(19,899)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,957,177,472</u>	<u>1,373,296,338</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,957,177,472</u>	<u>1,373,296,338</u>
	Cents	Cents
Basic earnings per share	(0.398)	(1.449)
Diluted earnings per share	(0.398)	(1.449)

Note 38. Share-based payments

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

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

2012

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
06/02/09	31/12/11	\$0.013	3,000,000	-	-	(3,000,000)	-
30/04/10	31/03/15	\$0.030	750,000	-	-	-	750,000
30/04/10	31/03/15	\$0.050	750,000	-	-	-	750,000
16/11/11	31/12/14	\$0.007	-	28,995,000	-	-	28,995,000
15/12/11	15/12/14	\$0.007	-	19,000,000	-	-	19,000,000
30/12/11	31/12/14	\$0.007	-	14,497,500	-	-	14,497,500
			<u>4,500,000</u>	<u>62,492,500</u>	<u>-</u>	<u>(3,000,000)</u>	<u>63,992,500</u>

Weighted average exercise price \$0.007

Anittel Group Limited
Notes to the financial statements
30 June 2012

Note 38. Share-based payments (continued)

2011

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
06/02/09	31/12/11	\$0.013	4,000,000	-	(1,000,000)	-	3,000,000
30/04/10	31/03/15	\$0.030	750,000	-	-	-	750,000
30/04/10	31/03/15	\$0.050	750,000	-	-	-	750,000
			<u>5,500,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>4,500,000</u>

Weighted average exercise price \$0.022

The following options had vested at the end of the financial year:

Grant date	Expiry date	2012 Number	2011 Number
06/02/09	31/12/11	-	3,000,000
30/04/10	31/03/15 *	750,000	750,000
30/04/10	31/03/15 **	<u>750,000</u>	<u>750,000</u>
		<u>1,500,000</u>	<u>4,500,000</u>

* These options expire on 31 March 2015 with an exercise price of \$0.030.

** These options expire on 31 March 2015 with an exercise price of \$0.050.

The options issued during the current and previous financial year vest when the share price reaches a certain level determined by the Board. Employee options can be exercised at any time with approval from a director.

The share price at the date of exercise of the 1,000,000 employee options, which were exercised on 21 July 2010, was \$0.013.

The weighted average remaining contractual life of options outstanding at the year end were 2.5 years (2011: 1.59 years).

Anittel Group Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Peter Kazacos
Executive Director and Chairman

26 September 2012
Sydney



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

Report on the financial report

We have audited the accompanying financial report of Anittel Group Limited (the company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Anittel Group (the consolidated entity). The consolidated entity comprises 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Anittel 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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Anittel Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style logo for PricewaterhouseCoopers, with the letters 'P', 'W', 'C' and the full name 'PRICEWATERHOUSECOOPERS' in a smaller font.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Manoj Santiago'.

Manoj Santiago
Partner

26 September 2012

Anittel Group Limited
Shareholder information
30 June 2012

The shareholder information set out below was applicable as at 31 August 2012.

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	148	-
1,001 to 5,000	114	-
5,001 to 10,000	133	-
10,001 to 100,000	430	-
100,001 and over	523	32
	<u>1,348</u>	<u>32</u>
Holding less than a marketable parcel	<u>764</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
MR PETER KAZACOS + MS VICKI KAZACOS	660,809,028	29.88
AUCKLAND TRUST COMPANY LIMITED <SECOND PACIFIC MASTER SF AC>	380,158,571	17.19
UBS NOMINEES PTY LTD	95,564,459	4.32
CORFE ASSOCIATES PTY LTD <CORFE ASSOCS SUPER FUND A/C>	68,500,000	3.10
MADDAK PTY LTD <MADDAK FAMILY A/C>	40,271,429	1.82
BT PORTFOLIO SERVICES LIMITED <MICHAEL O'SULLIVAN S/F A/C>	37,263,800	1.69
MR TIMOTHY DOUGLAS BREWER + MRS VICTORIA BREWER <T & V BREWER SUPER FUND A/C>	30,850,000	1.40
MR CHRISTOS NIKOLAKOPOULOS	29,350,000	1.33
MR CONSTANTINE KAZACOS	28,571,428	1.29
DR MICHAEL ORPHANIDES <WIZARD SHARES A/C>	24,808,326	1.12
BOSTEALINC PTY LTD <BOSTEA INVESTMENT A/C>	24,243,750	1.10
TEIDE PTY LTD <CUMBERLAND DISCRETIONARY A/C>	22,500,000	1.02
DIXSON TRUST PTY LIMITED	18,750,000	0.85
MR STEPHEN LOMBARDO + MS JOSEPHINE LOMBARDO	17,906,250	0.81
CROX DEVELOPMENT PTY LTD	17,172,479	0.78
ORPHANIDES INVESTMENTS PTY LTD <ORPHANIDES FAMILY SUPER A/C>	16,065,024	0.73
CLANDREA PTY LTD <ANDREW MILLIS S/F A/C>	15,000,000	0.68
TEXAS HOLDINGS PTY LTD	13,500,840	0.61
DABVALE PTY LIMITED	12,000,000	0.54
HILBOURN PTY LTD <HILBOURNE FAMILY A/C>	11,587,500	0.52
	<u>1,564,872,884</u>	<u>70.78</u>

Anittel Group Limited
Shareholder information
30 June 2012

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MR PETER KAZACOS + MS VICKI KAZACOS	660,809,028	29.88
AUCKLAND TRUST COMPANY LIMITED <SECOND PACIFIC MASTER SF AC>	380,158,571	17.19

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.