



Anittel Group Limited

A.C.N: 009 805 298

Notice of 2014 Annual General Meeting & Explanatory Statement

Date of Meeting: Thursday, 18 December 2014
Time of Meeting: 11:00 a.m. AEDT
Registration from: 10:45 a.m. AEDT
Place of Meeting: Level 10, 132 Arthur Street, North Sydney, NSW, 2060

**This is an important document. It should be read in its entirety.
If you are in doubt as to the course you should follow, consult your
financial or other professional adviser.**



ANITTEL GROUP LIMITED NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2014 Annual General Meeting of Anittel Group Limited ACN 009 805 298 will be held at the registered office of Anittel Group Limited, Level 10, 132 Arthur Street, North Sydney, NSW, 2060 on Thursday, 18 December 2014 at 11:00 a.m. AEDT.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary.

1. Agenda for the Meeting

1.1 Financial statements and reports

The Meeting will consider the financial statements and reports of the Company including the income statement, balance sheet, statement of changes in equity, cash flow statement, the notes to the financial statements, the Directors' declaration and the reports of the Directors and Auditors for the financial year ended 30 June 2014.

While no resolution is required in relation to this item, Shareholders will be given the opportunity to ask questions and make comments on the Company's financial statements and reports.

The Company's auditor, PricewaterhouseCoopers, will be present at the Meeting and Shareholders will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

The Anittel Group Limited 2014 Annual Report can be viewed online at the Company's website www.anittel.com.au on the "Financial Reports" page under the "Investors" section.

1.2 Resolution 1 - Adoption of Remuneration Report

To consider and if thought fit, pass the following resolution as a non-binding resolution:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2014 included in the Directors' Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act, be adopted by the Company."

Voting Exclusion Statement: In accordance with the Corporations Act the Company will disregard any votes cast in relation to this resolution by or on behalf of the Key Management Personnel, which includes the Directors and executives in the consolidated group whose remuneration is included in the Remuneration Report and their closely related parties (Excluded Persons). However, the Company need not disregard a vote if:

- it is cast by an Excluded Person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



1.3 Resolution 2 – Re-election of Campbell Corfe as a Director

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“That, Campbell Corfe, being a Director of the Company, retires pursuant to article 13.2 of the Company’s constitution, and having offered himself for re-election and being eligible, is re-elected as a Director of the Company.”

1.4 Resolution 3 – Approve the sale of Anittel’s Sale Business

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolution 4 and 5, for the purposes of ASX Listing Rule 11.2 and for all other purposes, Shareholders approve the Company disposing of the Assets pursuant to the Agreement between the Company and Inbox Group Limited on the terms and conditions set out in the Agreement and summarised in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person (or any associate of such a person) who might obtain a benefit except a benefit solely in their capacity as holders of ordinary securities if the Resolution is passed. However, the Company will not disregard a vote if:

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

1.5 Resolution 4 - Approval of Equal Capital Reduction

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolution 3 and 5, for the purposes of section 256B and section 256C(1) of the Corporations Act, and for all other purposes, approval is given for the Company to reduce the share capital of the Company by returning to Eligible Shareholders up to 6,153,846 fully paid ordinary shares in Inbox Group Limited on a pro rata basis on and subject to the terms and conditions set out in the Explanatory Statement.”

1.6 Resolution 5 - Change of Company Name

To consider and if thought fit, pass the following resolution as a special resolution:

“That, subject to the passing of Resolutions 3 and 4, for the purposes of section 157(1) of the Corporations Act and all other purposes, approval is given that the name of the Company be changed from Anittel Group Limited to Axxis Technology Group Limited.”



1.7 Resolution 6 – Approval of additional capacity to issue shares under ASX Listing Rule 7.1A

To consider and if thought fit, pass the following resolution as a special resolution:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who may participate in the 10% Placement Facility issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if:

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

1.8 Resolution 7 – Consolidation of Capital

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of Resolutions 3, 4 and 5, the share capital of the Company be consolidated through the conversion of every 100 Shares into 1 Share, and that any resulting fractions of Shares be rounded down to the nearest whole number of Shares."

2. Determination of voting entitlement

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7:00 p.m. AEDT on Tuesday, 16 December 2014.

3. Votes

Unless a poll is demanded in advance of voting on a resolution, voting on each resolution will initially be by way of a show of hands. On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a representative, shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, shall have one vote for each share held by him, her or it.

4. Proxies

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company at Level 10, 132 Arthur Street North Sydney NSW 2060 or by facsimile on 1300 88 67 83 by 11:00 a.m. AEDT on Tuesday 16 December 2014.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Resolutions by marking either “For”, “Against” or “Abstain” on the form of proxy for that item of business.

Subject to the voting restrictions set out in the Voting Exclusion Statements, the Chairperson will vote undirected proxies on, and in favour of all Resolutions.

If the proxy is the Chairman, the Chairman can vote undirected proxies on the Resolution to adopt the Remuneration Report provided that proxy form expressly authorises the Chairman to vote undirected proxies even though the Resolution is connected with the remuneration of the key management personnel.

A form of proxy accompanies this Notice of Meeting.

5. Questions and Comments by Shareholders at the Meeting

A reasonable opportunity will be given to Shareholders to ask questions and/or make comments on the management of the Company at the Meeting.

A reasonable opportunity will be given for Shareholders to ask questions of the Company’s external auditor, PricewaterhouseCoopers. These questions should be relevant to:

- a) the conduct of the audit;
- b) the preparation and contents of the audit report;
- c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- d) the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to PricewaterhouseCoopers if the question is relevant to the content of the audit report or the conduct of its audit of the Company’s financial report for the year ended 30 June 2014. Relevant written questions for PricewaterhouseCoopers must be received by the Company no later than 11:00 a.m. AEDT on 11 December 2014. A representative of PricewaterhouseCoopers will provide answers to the questions at the Meeting.

A handwritten signature in black ink, appearing to read "J. Stedwell".

Justyn Stedwell

Company Secretary

On behalf of the Board of Directors
Anittel Group Limited



EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. Transaction background

As announced to ASX on 5 November 2014, Anittel Group Limited and Anittel Services Pty Ltd ("**the Vendor**") entered into an Agreement with Inabox ("**the Agreement**") to sell the business assets and the benefit of several contracts and employees of the Vendor ("**Assets**"). Those Assets comprise, but are not limited to:

- A. the Anittel Sale Business (which includes the IT Business Unit and the HCS Business); and
- B. all the issued share capital in Anittel Pty Ltd.

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

At Completion Anittel will retain:

- A. all cash which is in any account in the name of Anittel or any of its related bodies corporate;
- B. all shares held in any of the Dormant Subsidiaries and Anittel Services; and
- C. all Excluded Liabilities.

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

In addition to the Assumed Liabilities, Anittel Services will retain all liability in respect of any employment entitlements for each:

- A. Employee who does not accept the offer of employment; and
- B. Excluded Employee.

On Completion, Inabox will gain effective control over the Assets. The Anittel Sale Business will operate within the Inabox structure under the same brand and with substantially the same management. Anittel's Chairman and CEO, Peter Kazacos, will consult to the new entity and focus on integration and future growth opportunities.



1.1 About Inabox

Inabox operates as a non-carrier telecommunications aggregator, providing its customers with telecommunications products including fixed line, hosted voice, mobile, cloud and data services. As part of this service, the group provides back office services including billing, provisioning, product development, training and support, and customer service using the brand selected by its service providers. Inabox has expanded its activities to provide enablement services to large corporates.

Inabox's principal business activity has been to supply wholesale telecommunications services to resellers, who in turn resupply their primarily business end-customers.

Inabox also operates an additional business capability which it describes as "enablement". This operates as a separate segment under the Company's Telcoinabox brand, leveraging the group's existing skills and relationships for larger consumer businesses.

Inabox is an ASX listed company; its shares currently trade under the ASX code IAB.

1.2 Structure of Transaction

The Company will receive the following consideration for the sale of the Assets to Inabox:

- 6,153,846 newly issued fully paid ordinary shares in Inabox at Completion ("**Inabox Shares**"), which will be distributed to Anittel Shareholders on the Anittel Share register as at the Record Date ("**Eligible Shareholders**") by way of a pro-rata in specie share distribution.
- \$500,000 in cash at Completion as adjusted in accordance with the Agreement ("**Completion Payment**"); and
- Up to \$1.5 million in cash payable on or before 25 October 2015, subject to the Anittel Sale Business achieving certain performance conditions ("**Performance Consideration**") between 1 January 2015 to 30 June 2015. The Performance Consideration will be based on several agreed measures relating to the performance of the two Anittel business units, the IT Business Unit and the HCS Business, in the period from Completion (1 January 2015) to 30 June 2015. Full details of the Performance Consideration Conditions are set out in Appendix A.

Based on Inabox's closing share price as at 6 November 2014 (\$1.28), the minimum total consideration for the transaction is \$8.38 million and the potential maximum total consideration is \$9.88 million if the full performance based consideration is achieved. This equates to an effective price per Anittel share in the range of 0.33 cents (minimum) to 0.39 cents (maximum) or a premium to Anittel's share price as at 6 November 2014 (0.3 cents) in the range of 9.06% to 28.59%.

Adjustments

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

If the Projected Net Working Capital is greater than 0, the Completion Payment will be increased by the amount the Projected Net Working Capital is greater than 0. If the Projected Net Working Capital is less than 0, the Completion Payment will be reduced by the amount the Projected Net Working Capital is less than 0.

Following Completion, the Vendor and Inabox will calculate the actual Net Working Capital of the Anittel Sale Business as at 31 December 2014 ("**Actual Net Working Capital**")



If the Actual Net Working Capital is greater than the Projected Net Working Capital, Inabox is to pay to the Vendor the difference between the Actual Net Working Capital and the Projected Net Working Capital. If the Actual Net Working Capital is less than the Projected Net Working Capital, the Vendor is to pay to Inabox the difference between the Actual Net Working Capital and the Projected Net Working Capital.

1.3 Timing of Transaction

The proposed timetable for the Transaction is set out below:

Execution of Agreement	4 November 2014
Lodgement and Dispatch of Notice of Annual General Meeting	17 November 2014
Annual General Meeting	18 December 2014
Ex date for Capital Reduction – the date on which Shares commence trading without the entitlement to participate in the in-specie distribution of Inabox Shares.	23 December 2014
Record Date for Capital Reduction	29 December 2014
Indicative Completion Date of Agreement	1 January 2015
Indicative Issue Date of Inabox Shares	1 January 2015
Calculation of Performance Consideration	15 October 2015
Payment of Performance Consideration (subject to terms of Agreement)	25 October 2015

With the exception of the date for execution of the Agreement, the above dates are indicative only and may change without notice.

1.4 Consequences of the Transaction not proceeding

The Transaction is dependent on the Resolutions proposed being passed and the Resolutions proposed are interdependent on each other being passed as follows:

- Resolution 3 is dependent on resolutions 4 and 5 being passed;
- Resolution 4 is dependent on resolutions 3 and 5 being passed;
- Resolution 5 is dependent on resolutions 3 and 4 being passed;

Accordingly, if any of Resolutions 3, 4, or 5 are not passed then all Resolutions 3, 4 and 5 will fail and the Transaction will not proceed.

Please see the relevant section of this Explanatory Statement on the relevant Resolution for additional information on the Resolutions' interdependency and the consequences if they are not passed.



In the event that Shareholder approval for the Transaction is not obtained, or the Transaction does not proceed for any reason, the Agreement will be terminated and the Company will continue to operate and seek to improve the performance of the Anittel Sale Business.

The Company will continue to be reliant on debt finance funding from Shareholder loans. There is a risk that finance may not continue to be available to the Company, which would have a negative impact on the Company's ability to continue to operate as a going concern.

1.5 Material Terms under the Agreement

Conditions Precedent

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

- (a) for the purposes of ASX Listing Rule 11.1.2 (if required) and sections 157(1) and 256C(1) of the Corporations Act and for all other purposes, the Vendor receiving the approval of the Vendor's shareholders for each of the resolutions sought at the Vendor's Annual General Meeting, including the Capital Reduction.
- (b) the Vendor receiving all necessary waivers from the ASX in respect of the Transaction and/or the resolutions sought at the Vendor's Annual General Meeting.
- (c) that no convertible note issued by the Vendor has been converted to equity at any time after 1 July 2014;
- (d) evidence reasonably satisfactory to Inabox and the Vendor that the Tasmanian Government Contract has been agreed to be assigned to Inabox or its nominee (including the ability to receive funds from the Tasmanian Government) on terms reasonably acceptable to Inabox and the Vendor;
- (e) evidence reasonably satisfactory to Inabox and the Vendor that the Cisco Agreements have been agreed to be assigned or novated to Inabox or its nominee or consent of each counter party of the Cisco Agreements to change of control being obtained in writing, on terms reasonably acceptable to Inabox and the Vendor;
- (f) evidence reasonably satisfactory to Inabox and the Vendor that the Reseller Agreements have been agreed to be assigned to Inabox or change of control consent for the benefit of Inabox has been provided as the case may be;
- (g) evidence reasonably satisfactory to Inabox and the Vendor that assignment of the following items to Inabox has occurred:
 - (i) leases of the following premises from the Vendor to Inabox or its nominee (including assignment of any cash deposits and arrangements being reached in respect of other securities to the satisfaction of Inabox):
 - (A) Adelaide, South Australia;
 - (B) North Sydney, New South Wales;
 - (C) Lavington, New South Wales; and
 - (D) Orange, New South Wales;



- (ii) the Team Leasing Master Rental Agreement from the Vendor to Inabox or its nominee;
 - (iii) the Aurora Energy Agreement from the Vendor to Inabox or its nominee;
 - (iv) the Lanier Equipment Agreement from the Vendor to Inabox of its nominee;
- (h) subject to paragraph (i) below, written consent for the Change of Control of Anittel PL in respect of the:
 - (i) CBA Master Rental Agreement being provided by the CBA in writing on terms acceptable to Inabox;
 - (ii) CBA Facility Agreement being provided by the CBA in writing on terms acceptable to Inabox;
 - (iii) Cisco Master Lease Agreement being provided by Cisco in writing on terms acceptable to Inabox; and
 - (iv) leases of the premises located at:
 - (A) Launceston, Tasmania; and
 - (B) Balcatta, Western Australia.
- (i) The terms of any consent to Change of Control contemplated by clause 1.1(h)(h) are satisfactory to the Vendor, including but not limited to the terms of such assignment providing for:
 - (i) the Vendor to be expressly released from any obligation to perform and observe all covenants, terms and conditions of the agreements referred to in clause (h) after the Change of Control; and
 - (ii) any guarantor under any such agreement to be released from any obligation as guarantor.
- (j) the shareholders of Inabox approving the transactions contemplated by the Agreement including any approval required under item 7 of section 611 of the Corporations Act;
- (k) the Vendor providing evidence reasonably acceptable to Inabox that the sale transition arrangements with BigAir (as set out in the BigAir Share Sale Agreement between the Vendor and BigAir) are finalised or do not affect the transaction contemplated by the Agreement;
- (l) Inabox having instructed the Vendor and the Vendor procuring Anittel Pty Ltd to make offers of employment to all Employees in accordance with the provisions of the Agreement;
- (m) at least 80% of all Employees having accepted the offers of employment made by Anittel Pty Ltd in accordance with the Agreement;
- (n) no Material Adverse Change in respect of the Vendor having occurred between the date of the Agreement and Completion;
- (o) no Material Adverse Change in respect of Inabox having occurred between the date of the Agreement and Completion;



- (p) any Encumbrances over the Assets, whether registered or not, are released or discharged to the extent necessary to permit the Assets to be transferred to Inabox free of Encumbrances (other than the Permitted Encumbrances);
- (q) the Vendor having obtained all necessary licenses for the Commercial Software;
- (r) Anittel changing its name (and procures the change of name of any of its subsidiaries) to a name not containing the word 'Anittel', or any words or name that is substantially identical to, or deceptively similar to, or likely to be mistaken for or confused with the name 'Anittel';
- (s) the Vendor obtaining all regulatory approvals required to complete the Transaction and the Capital Reduction;
- (t) Inabox having obtained all regulatory approvals required to complete the Transaction;
- (u) the Anittel Sale Business having a minimum of 7,500 active licenses in respect of the HCS platform at Completion;
- (v) the parties having agreed the Business Plan;
- (w) the projected Net Working Capital of the Anittel Sale Business at 31 December 2014 is not higher than \$250,000 or is not less than -\$250,000;
- (x) if Anittel Pty Ltd has any liability under the Telstra Mobile Contract, that liability having been transferred to a third party on terms reasonably acceptable to Inabox;
- (y) more than 80% of the Employees working in:
 - (i) each geographical area in respect of each particular leased premises; and
 - (ii) the Cloud/HCS Business unit,having accepted the offer of employment made to them by Anittel Pty Ltd under the Agreement;
- (z) the Record Date List being available to the Vendor and such Record Date List being provided to Inabox; and
- (aa) the parties having agreed on the worked example of the balance sheet of the Anittel Sale Business calculated as at 30 September 2014 as an example of how the net working capital formula detailed in the Agreement is to be applied to calculate the Net Working Capital of the Anittel Sale Business in accordance with the Agreement.

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

Break Fee

The Agreement provides that Anittel will pay Inabox's documented external costs in relation to the Transaction to a maximum of \$500,000 if any of the following occurs:

- (a) Anittel commits a material breach of the Agreement that is incapable of remedy and Inabox is not in material breach of the Agreement:



- (i) as at the date of the alleged material breach of Anittel; or
 - (ii) as at the date of serving its notice of termination; or
- (b) Anittel is unable to obtain the approval of Shareholders to the Resolutions sought at the Vendor's Annual General Meeting;
- (c) If any convertible note issued by Anittel has been converted to equity at any time after 1 July 2014; or
- (d) Anittel does not change its name in accordance with the Agreement.

Warranties

Both the Vendor and Inabox have made numerous customary warranties to the other in relation to the Agreement.

1.6 Kazacos Loans

Peter Kazacos and Vicki Kazacos (**P&V Kazacos**) have loaned funds to Anittel under various loan agreements (**the Loans**). P&V Kazacos have entered into an agreement with Anittel to forgive the debt and all accrued interest owed to them by Anittel under the Loans, which forgiveness is conditional upon Completion of the Transaction.

Prior to Completion, P&V Kazacos will enter into an agreement with Anittel by which they agree to fund various ordinary expenses of Anittel, by way of a convertible note facility.

2. Resolution 1: Adoption of Remuneration Report

In accordance with Section 300A(1) of the Corporations Act the Remuneration Report is included in the Directors Report for the financial year ended 30 June 2014.

The Remuneration Report sets out details of the remuneration received by the Directors and key Company executives, in addition to describing Board policy in respect of remuneration.

Resolution 1 seeks Shareholder approval of the adoption of the Remuneration Report by the Company.

The outcome of this Resolution is not binding on the Company or the Board. However, sections 250U to 250Y of Corporations Act require a 'two strikes and re-election' process in relation to the shareholder vote on the Remuneration Report and provide that:

- A 'first strike' will occur if this Remuneration Report Resolution receives a 'no' vote of 25% or more. If this occurs, the Company's subsequent remuneration report will contain an explanation of the Board's proposed action in response to the 'no' vote or an explanation of why no action has been taken by the Board.
- A 'second strike' will occur if the Resolution to adopt the Remuneration Report at the 2015 Company Annual General Meeting also receives a 'no' vote of 25% or more. If this occurs, shareholders will vote at that Annual General Meeting to determine whether the Directors will need to stand for re-election at a separate, subsequent meeting (the 'spill resolution'). If the spill resolution passes with 50% or more of eligible votes cast, the spill meeting must take place within 90 days.



The Company has not received a 'first strike'.

The Remuneration Report is set out in the Company's 2014 Annual Report. The Anittel Group Limited 2014 Annual Report can be viewed online at the Company's website, www.anittel.com.au.

3. Resolution 2: Re-election of Campbell Corfe as a Director

In accordance with article 13.2 of the Company's Constitution, Campbell Corfe, a Director of the Company retires by rotation at this Annual General Meeting and offers himself for re-election as a Director.

Details of Campbell Corfe's qualifications, experience and special responsibilities are set out in the Company's 2014 Annual Report.

4. Resolution 3 – Approve the sale of the Assets

4.1 ASX Listing Rule 11.2

The Company is seeking Shareholder approval for the purposes of ASX Listing Rule 11.2 and all other necessary regulatory requirements for the disposal of the Assets. ASX Listing Rule 11.2 provides that a listed entity cannot dispose of its "main undertaking" without Shareholder approval by way of an ordinary resolution. The Assets represent the Company's "main undertaking" so it is a requirement under ASX Listing Rules that the Company gain Shareholder approval, by ordinary resolution, for the sale.

4.2 Independent Expert Report

To assist Shareholders in making a decision, the Company has engaged Nexia to prepare an independent report in respect of the proposed sale of the Assets ("**Independent Expert Report**"). A copy of the Independent Expert Report is attached to this Notice as Appendix B.

The Independent Expert Report has been prepared so that Shareholders may fully consider the Transaction and if appropriate, approve the Transaction at a general meeting, in accordance with ASX Listing Rule 11.2.

Nexia has confirmed that it considers the purchase price offered by Inabox to be reasonable to Shareholders and that overall, the advantages of the Transaction significantly outweigh the disadvantages. For the reasons set out in the Independent Expert Report, Nexia has recommended the Transaction to Anittel directors.

Shareholders should read the Independent Expert Report in full before deciding on how to vote on the Resolutions and if in any doubt should contact their professional advisor.

4.3 Inabox Prospectus

Inabox has lodged a Prospectus with ASIC in relation to the proposed issue of Inabox Shares to Anittel. The Prospectus is a transaction specific Prospectus. The Inabox Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering.

The purpose of the Inabox Prospectus is to offer the Inabox Shares to effect the purchase of the Assets envisaged by the Agreement and facilitate secondary trading of the Inabox Shares by Eligible Shareholders following the distribution of the Inabox shares to Eligible Shareholders.



The Inabox Prospectus can be viewed at any ASIC office.

4.4 Advantages and disadvantages of the sale of the Assets to Inabox

The Directors have identified the following advantages and disadvantages of the Transaction:

4.4.1 Advantages

- a) The consideration to be received returns value to Shareholders from the sale of the Assets without the need for Shareholders to dispose of Company securities.
- b) Enables Eligible Shareholders to retain a direct and ongoing interest in another business through a direct shareholding in Inabox which will provide the following benefits:
 - Enhanced sales, service and technical capabilities – with over 200 staff and a national footprint the combined group will be able to offer its clients end-to-end IT, cloud and communications solutions in 14 locations across metropolitan and regional Australia.
 - Complementary products, services and capabilities – the combination will provide opportunities for cross-sell and up-sell through Inabox’s existing [300] wholesale partners and Anittel’s [1,000+] clients (which include SMEs, corporations, not-for-profit organisations and Government departments).
 - New platform – Inabox is acquiring a fully deployed, enterprise grade Cisco Hosted Collaboration Solution (HCS). Anittel has made a considerable investment building this cloud based communications platform and over [8,000] endpoints have already been deployed for the Tasmanian Government. The HCS platform is expected to create significant opportunities for further growth of the combined business annuity revenue streams.
 - Scale and financial strength – the combined group will have the scale and financial strength to accelerate its growth. In the 2014 financial year Anittel’s revenue from continuing operations was \$34 million, which represents a 74% increase on Inabox’s 2014 financial year revenue of \$46 million.
 - Cost Synergies – Anittel has continued to rationalize its operating costs and since January 2014 Anittel has restructured its business, significantly reducing costs and refocusing on its core IT services and cloud businesses. Synergies reducing back office and corporate overheads are expected after integration.

4.4.2 Disadvantages

- a) Following the sale, the Company will not have any active business operations. The Company will have no source of operating revenue to offset operating expenses until another operating business is acquired or undertaken.
- b) There is a risk that the Company may not be able to locate and acquire a suitable new business in a reasonable timeframe.
- c) Performance Consideration targets may not be met, and as a result \$1.5 million in Performance Consideration, which is dependent on the IT Business and the HCS Business achieving certain targets, may be reduced, or not be paid at all.



4.5 Inabox's intention relating to the Anittel Sale Business

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

However, Inabox may implement a number of actions after completion of the Agreement, with the intention of increasing profitability of the combined businesses, including but not limited to:

- a) appointing a new chief executive officer for the Anittel business, with a focus on increasing revenue, particularly from the managed IT and managed services components of the Anittel business;
- b) expanding the availability and value of HCS (presently deployed in Tasmania) by investing in systems and hardware to extend its capabilities to mainland Australia; and
- c) facilitating the expanded deployment of HCS to Anittel's existing clients in Tasmania.

4.6 Profit or Loss

The following information has been extracted without adjustments from the 2014 financial year audited Annual Reports of each of the Company and Inabox, released in September 2014.

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

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



4.7 Anittel business unit Profit or Loss

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

	IT & Services \$m	HCS & Cloud \$m	Total \$m
Revenue	34.3	1.8	36.1
Cost of Sales	(19.2)	(0.2)	(19.4)
Gross Profit	15.1	1.6	16.7
General Expenses	(11.2)	(2.2)	(13.4)
Other Costs	(3.4)	(0.3)	(3.7)
EBITDA	0.5	(1.0)	(0.5)
Adjustment for Board costs	0.8	0.1	0.9
Normalised EBITDA	1.3	(0.9)	0.4

The table above is summarised from Anittel's management accounts for the year ended 30 June 2014. Profit / (Loss) before taxation is stated before charging interest due on shareholder loans and corporate overheads allocated to discontinued operations.

4.8 The effect of the sale of the Assets and Capital Reduction on the Company

Anittel Group Limited (ASX: AYG)

Pro Forma Statement of Financial Position at 30 June 2014

	JUN 2014 Actual (Audited)	IAB Sale Adjustments	Post Completion & Other Adjustments	JUN 2014 (Pro-forma after IAB Sale & Adjustments)
	\$m	\$m	\$m	\$m
CURRENT ASSETS				
Cash and cash equivalents	7.8	(4.5)	(2.0)	1.2
Trade and other receivables	3.3	(3.3)	0.0	0.0
Inventories	0.4	(0.4)	0.0	0.0
Other	0.2	(0.2)	0.0	0.0
TOTAL CURRENT ASSETS =	11.6	(8.4)	(2.0)	1.2
NON CURRENT ASSETS				
Receivables	0.2	(0.2)	0.0	0.0
Property, plant and equipment	2.5	(2.5)	0.0	0.0
Intangibles	6.1	(6.1)	0.0	0.0
TOTAL NON CURRENT ASSETS	8.7	(8.7)	0.0	0.0
TOTAL ASSETS =	20.4	(17.1)	(2.0)	1.2
CURRENT LIABILITIES				



Trade and other payables	5.3	(4.6)	0.0	0.7
Borrowings	1.0	(1.0)	0.0	0.0
Provisions	0.9	(0.9)	0.0	0.0
Revenue received in advance	1.7	(1.7)	0.0	0.0
TOTAL CURRENT LIABILITIES	8.9	(8.2)	0.0	0.7
NON CURRENT LIABILITIES				
Borrowings	13.2	(3.6)	(9.6)	0.0
Provisions	0.3	(0.3)	0.0	0.0
TOT NON CURRENT LIABILITIES	13.4	(3.8)	(9.6)	0.0
TOTAL LIABILITIES =	22.4	(12.1)	(9.6)	0.7
NET ASSETS/(LIABILITIES) =	(2.0)	(5.1)	7.6	0.5
Equity				
Share Capital	57.4	(8.0)	0.0	49.4
Retained Earnings	(64.6)	2.9	7.6	(54.1)
Other reserves	5.2	0.0	0.0	5.2
TOTAL EQUITY =	(2.0)	(5.1)	7.6	0.5

Notes on the Statement of Financial Position:

- (i) Source: Anittel Annual Report - 30 June 2014.
- (ii) The value of individual assets and liabilities will change over the normal course of business between 30 June 2014 and Completion.

IAB Sale Adjustments

- (iii) Assets and Liabilities sold to Inabox Group Limited (ASX: IAB) excludes the balance sheet of the parent company, being cash balances, cash consideration payments from IAB, shareholder loans from related parties and accrued costs for ongoing expenses up to June 15.
- (iv) Cash movement up to the completion date have been calculated based on actual cashflows to 30th September and forecasted cashflows to 31st December 2014.
- (v) Consideration shares of circa \$8.0M which reduces AYG share capital.

Post Completion & Other Adjustments

- (vi) Cash and cash equivalents & Non-Current Borrowings - On 31st July 2014, \$4.0M was repaid to Peter and Vicki Kazacos (not part of sale agreement but noted due to materiality).
- (vii) Cash and cash equivalents - \$2.0M cash consideration payable by IAB made up of \$0.5M to be paid on completion and \$1.5M based on performance considerations payable by September 2015.
- (viii) Non-Current Borrowings - \$5.6M debt forgiveness of related party loans & accrued interest.

4.9 Future of the Company after the sale of assets



Following Completion, the Company will not have an operating business and intends to investigate acquisition and investment opportunities to improve Shareholder value. It is anticipated that the ASX will allow the Company's Shares to continue to trade for up to 6 months post Completion, in order to allow the Company to find another business to acquire during the 6-month period. If a suitable acquisition is not identified in 6 months, it is anticipated that ASX will suspend trading in the Company's Shares.

ASX may determine at its discretion that if the Company acquires a business or assets, the Company may be required to comply with Chapters 1 and 2 of the ASX Listing Rules.

4.10 Plans for the Company if the Business sale does not proceed

In the event that Shareholder approval for the Transaction is not obtained, or the Transaction does not proceed for any reason, the Agreement will be terminated and the Company will continue to operate and seek to improve the performance of the Anittel Sale Business.

The Company will continue to be reliant on debt finance funding from Shareholder loans. There is a risk that finance may not continue to be available to the Company, which would have a negative impact on the Company's ability to continue to operate as a going concern.

Resolution 3 is dependent on resolutions 4 and 5 being passed. Accordingly, if any of Resolutions 3, 4 and 5 are not passed all Resolutions 3, 4 and 5 will fail and the Transaction will not proceed.

4.11 Effect on control of the Company

The sale of the Assets will have no immediate impact on control of the Company as no Anittel Shares are being issued and accordingly the ownership structure of the Company will remain the same upon Completion.

However, the Company will consider the acquisition of new assets post Completion. The acquisition of new assets (if this occurs) will most likely impact the ownership structure of the Company and impact the control of the Company.

4.12 Directors Recommendation

After considering all relevant factors, the Directors unanimously recommend that Shareholders vote in favour of Resolution 3 for the following reasons:

- after a full and proper assessment of all available information they believe that the proposed sale of the Assets is in the best interests of the Shareholders and the Company;
- in the opinion of the Directors, the advantages of the sale of the Assets outweigh its disadvantages; and
- the Directors are satisfied they have achieved the appropriate terms for the sale of the Assets.



5. Resolution 4 – Approval of Capital Reduction

5.1 Introduction

As set out in section 1.2, the consideration payable to the Company for the sale of the Assets under the Agreement includes the issue of Inabox Shares.

Under the terms of the Agreement, subject to Shareholder approval, the Company is to reduce its share capital by undertaking a Capital Reduction.

On Completion, the Capital Reduction will be effected under the terms of the Agreement as follows:

- (a) Inabox will issue the Inabox Shares directly to the Vendor; and
- (b) Immediately following the issue of the Inabox Shares, the Vendor irrevocably directs Inabox to transfer the Inabox Shares to the Eligible Shareholders.

Shareholders are being asked to consider and, if thought fit, to pass an ordinary resolution authorising the Capital Reduction.

The in-specie distribution of Inabox Shares will be pro-rata, based on the number of Shares held by Eligible Shareholders on the Record Date, by way of an equal Capital Reduction under sections 256B and 256C of the Corporations Act.

Fraction entitlements to Inabox shares resulting from the Capital Reduction will be rounded down to the nearest whole number of Inabox shares. Based on the current number of Anittel Shares on issue, each Eligible Shareholder will receive 1 Inabox share for each 416.066 Anittel Shares held on the Record Date. Under the Capital Reduction, Shareholders will not be required to pay any consideration for the Inabox shares.

The terms of the Capital Reduction are the same for each Shareholder. The date for determining which Shareholders are entitled to participate in the return of capital is the Record Date.

The Board recommends that each Shareholder seek their own tax advice in relation to the Capital Reduction.

A pro-forma statement of financial position showing the effect of the sale of the Assets and Capital Reduction on the Company is set out in section 4.8 of this Explanatory Statement.

Resolution 4 is dependent on resolutions 3 and 5 being passed. Accordingly, if any of Resolutions 3, 4 and 5 are not passed, all Resolutions 3, 4 and 5 will fail and the Transaction will not proceed.

5.2 Reasons for the Capital Reduction

The primary reason the Directors have proposed the in-specie distribution of Inabox shares following completion of the Transaction is to ensure that the benefit of the sale of the Assets goes directly to Shareholders. The Board believes by doing this, Shareholders are able to retain a direct interest in their investment in the Company's assets through the acquisition of Inabox Shares.

5.3 Timetable

Set out below is the indicative timetable for the Capital Reduction. These dates are indicative only and are subject to change at the Board's discretion (subject to the ASX Listing Rules and the Corporations Act). Any changes to the timetable will be notified by a Company ASX announcement.

Dispatch of Notice of Annual General Meeting to approve Capital Reduction	17 November 2014
Annual General Meeting to approve Capital Reduction	18 December 2014
Ex date for Capital Reduction – the date on which Shares commence trading without the entitlement to participate in the in-specie distribution of Inabox Shares.	23 December 2014
Record Date for Capital Reduction	29 December 2014
Indicative Issue Date	1 January 2015

5.4 Requirements under section 256B and section 256C of the Corporations Act

The in specie distribution of the Inabox Shares to Eligible Shareholders by way of a capital reduction is an equal reduction of capital under the Corporations Act.

Section 256B of the Corporations Act provides that the Company may only reduce its share capital if the reduction:

- a) is fair and reasonable to the Shareholders as a whole;
- b) does not materially prejudice the Company's ability to pay its creditors; and
- c) is approved by Shareholders under section 256C of the Corporations Act.

Under section 256C of the Corporations Act, an equal reduction must be approved by an ordinary resolution passed at a general meeting of the Company. Accordingly, for the resolution to be approved, a majority of votes by those present in person or by proxy must be cast validly in favour of the resolution.

For the reasons set out in this Explanatory Statement:-

- a) The Directors consider that the Capital Reduction is fair and reasonable to Shareholders as a whole because it applies to all Shareholders equally. Further, the Directors consider that the return per share is a reasonable return to Shareholders;
- b) The Directors consider that the Capital Reduction does not materially prejudice the Company's ability to pay its creditors; and



- c) Resolution 4 requires approval of Shareholders in accordance with section 256C of the Corporations Act. This Notice notifies Shareholders of the Meeting at which approval of Resolution 4 is being sought.

5.5 The effect of the Capital Reduction on Shareholders

The Inabox Shares will be distributed to Eligible Shareholders on a pro-rata basis, with fractional entitlements to be rounded down to the nearest whole share.

Eligible Shareholders will not be required to pay any additional consideration for the Inabox Shares as the Company would make an appropriate capital reduction to reflect the distribution of Inabox Shares. The terms of the Capital Reduction are the same for each Eligible Shareholder.

As at the date of this Notice of Meeting, the Company has 2,560,406,871 Shares on issue. No additional Shares will be issued as a result of the in-specie distribution of Inabox Shares. The ratio for distribution of the Inabox Shares will be 1 Inabox Share for every 416.066 Shares held by Shareholders on the Record Date. The number of Shares held by Shareholders will not change, and Shareholders will retain their current percentage shareholding interest in the Company following the Capital Reduction. The rights attaching to Shares will not be altered by the Capital Reduction.

5.6 Access to further information about Inabox

Information in relation to Inabox has been set out in previous sections of the Explanatory Statement.

The Information on Inabox contained in this Explanatory Statement has been prepared based on a review of publicly available information and should not be considered comprehensive. Information in this Explanatory Memorandum concerning Inabox has not been independently verified by the Company. None of the Company, the Board nor any member of Anittel or their respective officers or employees make any representation of warranty (express or implied) as to the accuracy or completeness of this information.

Inabox is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require Inabox to:

- a) prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a director's statement and report and an audit review or report;
- b) immediately notify ASX of any information concerning Inabox of which it is, or becomes, aware of which a reasonable person would expect to have a material effect on the price or value of securities in Inabox, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged with ASIC in relation to Inabox may be obtained from or inspected at an office of ASIC.

As a company listed on ASX, Inabox is subject to the ASX Listing Rules, which require (subject to certain exceptions) immediate disclosure to the market of any information concerning Inabox of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. This Explanatory Statement should be read in conjunction with the publicly available information in relation to Inabox, which has been notified to ASX. Shareholders should therefore have regard to the other publicly available information in relation to Inabox before making a decision on how to vote on the Resolutions.

5.7 Inabox shareholders bound by Inabox Constitution

If Shareholders approve Resolutions 3, 4 and 5 and the Transaction and Capital Reduction completes, all Shareholders (including those who did not vote or did not vote in favour of any of Resolutions 3, 4 and/or 5) will become shareholders of Inabox and will become bound by the Inabox Constitution.

5.8 Rights attaching to Inabox shares

The rights attaching to ownership of Inabox shares in general (including the Inabox Shares) are:

- a) described in the Inabox Constitution; and
- b) regulated by the Corporations Act, the Listing Rules and the general law.

The Inabox Constitution is typical of those for Australian public companies and complies with ASX requirements. A copy of the Inabox Constitution is available on the Inabox website www.inaboxgroup.com.au.

The following is a summary of the key provisions in the Inabox Constitution and the principal rights of Inabox shareholders as set out in the Inabox Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the Inabox shareholders.

5.8.1 Alteration of rights attaching to Inabox shares

The rights and restrictions attaching to Inabox shares (and any other class of share on issue in Inabox, unless provided by the terms of issue of that class of share) can only be varied with the consent in writing of members with at least three-quarters of the votes attaching to Inabox shares, or with the sanction of a special resolution passed at a separate meeting of the holders of shares.

5.8.2 Further issuance of Inabox shares or options over Inabox shares

The Inabox Board may (subject to the Corporations Act, the Listing Rules and any special rights attaching to any class of Inabox shares or granted to any holder of Inabox shares) issue shares or another class of shares in Inabox, or options over shares or another class of shares, to any person at any time, on such terms as the Board may determine to be appropriate.

5.8.3 Inabox share transfers

Inabox shares may be transferred in any manner required or permitted by the ASX Listing Rules or the ASTC Settlement Rules and by any instrument in writing in any usual or common form or in any other form that the Inabox Board approves. The Inabox Board may only refuse to register a transfer of Inabox shares (or other securities in Inabox) as permitted by the ASX Listing Rules or the ASTC Settlement Rules.

5.8.4 Unmarketable parcels of Inabox shares

Subject to the Listing Rules and the ASTC Settlement Rules, Inabox may sell the Inabox shares of Inabox shareholders that hold less than a marketable parcel of Inabox shares. Inabox may only do this once in any 12 month period, however, and an Inabox shareholder will be entitled to elect that his or her Inabox shares will not be sold.



5.8.5 *Inabox share certificates*

Subject to the requirements of the ASX Listing Rules and the Corporations Act, Inabox need not issue certificates for the Inabox shares.

5.8.6 *Meeting procedures*

Each Inabox shareholder and Inabox director is entitled to receive notice of general meetings of Inabox. Any notice served on an Inabox shareholder by electronic means is deemed to have been served when the electronic message is sent. Three Inabox shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting (except the election of a Chairman and an adjournment), unless the quorum required is present at the start of the meeting.

5.8.7 *Voting rights*

Subject to restrictions on voting from time to time affecting Inabox shares and any restrictions imposed by the Corporations Act or ASX Listing Rules, Inabox shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each share held.

5.8.8 *Directors*

Inabox must have at least three directors, and may have up to ten directors (unless the Inabox Shareholders resolve otherwise). Subject to not exceeding that maximum number, the Inabox Board may appoint one or more directors, but any directors so appointed (other than the Managing Director) must retire at the next annual general meeting (although that director may stand for election at that meeting).

At each annual general meeting, one third of the directors (or if the number in office is not a multiple of three, then the number nearest to one third), as well as any director who has held office for three years or more, must retire from office, but is eligible for re-election at that meeting. The Managing Director is not subject to these retirement requirements.

5.8.9 *Indemnities and insurance*

Inabox is required to indemnify (to the extent permitted by law) each current or former director, secretary or an executive officer of Inabox against liabilities incurred by them in that capacity, as well as against any legal costs incurred in defending or resisting proceedings in which that person becomes involved because of that capacity. Inabox may pay the premium on an insurance policy that insures such a person against liability incurred by that person in that capacity.

5.8.10 *Dividends*

Where the Inabox Board determine that a dividend is payable, it will be paid on all Inabox ordinary shares. The Inabox Board has the power to decide whether to pay Inabox Shareholders an interim dividend on account of the next forthcoming dividend.

The Inabox Board may establish and maintain one or more dividend reinvestment plans, to which Inabox Shareholders may elect to take up with some or all their shares subject to the rules of the plan.



5.9 Tax consequences

The Company believes the taxation implications to Shareholders as a result of the Capital Reduction will be a reduction in the cost base of their Shares in the Company equal to the value of the Inabox Shares distributed to them. Should the value of the Inabox Shares distributed exceed this cost base, then an assessable capital gain may result based on the number of Inabox shares being distributed and the value at which Shares have traded on ASX.

Shareholders should consult their own professional advisors to confirm these implications as they may vary depending on individual circumstances and taxation positions. The Company has not sought any class ruling from the ATO as to the tax implications of the return of capital to Shareholders. For specific taxation advice, Shareholders should consult their own taxation adviser so that their particular circumstances are taken into consideration.

5.10 Advantages and Disadvantages of the Capital Reduction

The principal advantages and disadvantages to Shareholders of the Capital Reduction are as follows:

5.10.1 Advantages

- a) Returns value to Shareholders from Company assets
- b) Returns value to Shareholders without the need for Shareholders to dispose of Company securities.
- c) Enables Shareholders to retain a direct and ongoing interest in another business through a direct shareholding in Inabox.

5.10.2 Disadvantages

- a) The Directors believe that there are no disadvantages, particularly as all Shareholders as at the Record Date will participate on a pro-rata basis.

5.11 Effect on Options in the Company

ASX Listing Rule 7.22.3 provides that in a return of capital, the number of options must remain the same and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each ordinary security.

The Company currently has the following Options on issue:

Number of Options	Pre Distribution Exercise Price	Expiry Date
28,995,000	\$0.007	31/12/2014
2,000,000	\$0.007	30/11/2015
19,000,000	\$0.007	15/12/2014
750,000	\$0.05	31/03/2015
750,000	\$0.03	31/03/2015

In accordance with ASX Listing Rule 7.22.3 the exercise price of each Option on issue on the Record Date will be reduced by the same amount as the amount returned in relation to each Share.



5.12 Risk Factors

Each of the risks set out below could have a material adverse impact on Inabox's operating performance and profits and the market price of Inabox shares. It should be noted that this is not intended to be an exhaustive list of the risk factors to which Inabox is exposed.

The business activities of Inabox, and its acquisition of the Assets are subject to a number of risks, which could affect the performance of Inabox. Key risks are set out below:

- (a) Despite the retention strategies put in place by Anittel and Inabox, a significant number of staff or customers terminate their agreements with Anittel at any time after announcement of the Transaction, potentially causing a reduction in the earnings and revenue of Inabox post Completion.
- (b) Anittel entered into a contract for the associated use of hardware and deployment of posted communications system to the Tasmanian Government in 2012 for a five year contract term, with two options each of three years. The TGC will be a material contract for Inabox following the acquisition. The value of products and services provided under the TGC may not increase to the extent and within the timeframe envisaged, resulting in decreased profitability.
- (c) The revenue of the IT Business Unit has declined over recent years. There is a risk that the planned restructuring and growth strategies fail to arrest the decline and/or retain customers and key staff. This could have a negative impact on profitability.
- (d) Inabox and Anittel could face the risk of supply constraints, such as changes to product availability, pricing or supply terms, from carriers providing carriage service. Inabox's suppliers have the right to vary the terms of pricing for products supplied to Inabox or other terms of supply.
- (e) Inabox is reliant upon a number of key senior management staff including the CEO/Managing Director, Chief Operating Officer, Chief Information Officer, Chief Technology Officer, and Chief Financial Officer, Managing Director of Cloud, regional managers and HCS engineers. The loss of key staff could have an adverse impact on the performance of the Company.
- (f) Inabox carries out two types of bill runs each month, one type where end customers are invoiced, the other type to bill resellers for the wholesale cost of the products and services purchased. It is extremely important that Inabox is able to produce accurate invoices in a timely fashion at all times, including post acquisition. Any interruption which prevents Inabox from issuing bills to end customers could critically impact the ability of Inabox to continue operations. Such a delay would also damage the reputation of the Company.
- (g) Inabox is subject to credit risk and this could have a material adverse impact on earnings and cash flows
- (h) Any material damage or disruption to Inabox's network or IT systems will impair its ability to provide products and services and result in significant disruption to the Inabox's business and customers.
- (i) Inabox may be affected by changes to government policies and legislation, including those relating to telecommunications, privacy, franchising, data security and taxation. In particular, Inabox may be affected by regulatory changes to pricing of key products such as fixed wire or mobile telephony, which may advantage either Inabox or its competitors disproportionately. Inabox may also be affected by changes to industry regulation which impose new compliance obligations or prohibitions on either Inabox or its resellers, such as data retention obligations.



- (j) The sustainability of revenue and the level of profit margins from operations are dependent on a number of factors outside of Inabox's control. Industry margins are likely to continue to be put under pressure as competitors seek to gain market share and technology changes reduce the use of traditionally high margin services such as fixed line telephony. There is no assurance that the Inabox's or Anittel's past operating results are indicative of future revenue or profitability of the consolidated business.
- (k) Inabox and Anittel compete with other companies who may introduce new products and services which are unavailable to Inabox or cannot be introduced by Inabox at a competitive price. If these products and services are superior or perceived to be superior to Inabox's products and services, and if Inabox is unable to offer similar products and services at a competitive price, then this may impact adversely on Inabox's ability to compete in the market and keep customers.
- (l) To date, Inabox has not paid a dividend, and has not announced an intention to pay a dividend at a future date.
- (m) Inabox's continued ability to effectively implement the business plan may depend on its ability to raise additional funds. There can be no assurance that any such equity or debt funding, if required, will be available to Inabox on favourable terms or at all. If adequate funds are not available, Inabox may not be able to take advantage of opportunities and/or respond to competitive pressures.
- (n) Inabox is also subject to general investments risks including, but not limited to:
 - Changes in accounting standards
 - General Economic Conditions
 - Risk of shareholder dilution
 - Share price fluctuations
 - Taxation
 - Insurance
 - Litigation
 - Force Majeure Events

5.13 Directors Interest

The table below sets out the current interest of the Directors in the Company's Shares and the number of Inabox shares each Director will receive from the Capital Reduction.

Director	Number of Anittel Group shares	Number of Inabox shares
Peter Kazacos	881,078,704	2,117,641
Campbell Corfe	78,500,000	188,671
Michael O'Sullivan	Nil	Nil
John Walters	5,040,000	12,113

5.14 Directors' Recommendation

After considering all relevant factors, the Directors unanimously recommend the Shareholders vote in favour of Resolution 4.



6. Resolution 5 - Change of Company Name

6.1 General

Subject to the passing of Resolutions 3, 4 and 5, the Company intends to change its name to Axxis Technology Group Limited. It is a condition of the Agreement that the Company change its name from Anittel Group Limited upon or shortly following Completion.

Notwithstanding, if the Company name is changed, the Company intends to continue to use the ASX code AYG, subject to ASX approval.

Resolution 5 is dependent on resolutions 3 and 4 being passed. Accordingly, if any of Resolutions 3, 4 and 5 are not passed, all Resolutions 3, 4 and 5 will fail and the Transaction and change of Company name will not proceed.

6.2 Section 157(1) of the Corporations Act

In accordance with section 157(1) of the Corporations Act, the proposed change of company name requires the approval of Shareholders by special resolution. A special resolution is a resolution that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

The Company has reserved the proposed change of name with ASIC, immediately prior to the Meeting, to ensure the name is available should Shareholders approve this resolution. The change in Company name will take effect from the date that ASIC registers the change in the name. Subject to completion of the Transaction the name change is expected to occur on or around the date of completion.

6.3 Director's recommendation

All of the Directors recommend that shareholders vote in favour of Resolution 5.

7. Resolution 6 – Approval of additional capacity to issue shares under ASX Listing Rule 7.1A

7.1 ASX Listing Rule 7.1A

In 2012, the ASX introduced ASX Listing Rule 7.1A which enables certain 'eligible entities' to issue equity securities of up to 10% of their issued share capital through placements over a 12 month period commencing after the annual general meeting (Additional Placement Capacity). ASX Listing Rules require that Shareholders approve the Additional Placement Capacity by special resolution, at an annual general meeting before any equity securities are issued under the Additional Placement Capacity.

For the purposes of ASX Listing Rule 7.1A an 'eligible entity' is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an 'eligible entity'. The Additional Placement Capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. The Company has issued no equity securities in the previous 12 months under its 15% placement capacity under ASX Listing Rule 7.1, therefore, if the Additional Placement Capacity is approved, the Directors will be allowed to issue equity securities of up to 25% (10% pursuant to ASX Listing Rule 7.1A and 15% pursuant to ASX Listing Rule 7.1) of the Company's issued share capital. If the Additional Placement Capacity is not approved, the Directors will be allowed to issue equity securities of up to 15% of the Company's issued capital under ASX Listing Rule 7.1.

While the Company does not have current plans to undertake a capital raising (other than completing the placement of a proportion of the shortfall from the Company's non-renounceable rights issue) or issue



Shares for the acquisition of assets, the Company seeks shareholder approval by way of a special resolution to have the ability to issue equity securities under the Additional Placement Capacity should the need arise.

7.2 Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- b) plus the number of partly paid shares that became fully paid in the 12 months;
- c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- d) less the number of fully paid shares cancelled in the 12 months.
- e) Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

7.3 ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A the Company provides the following information.

Any securities issued under the Additional Placement Capacity will be in the same class as existing quoted securities of the Company.

The issue price for each security issued under the Additional Placement Capacity will not be less than 75% of the volume weighted average price for securities in that class over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed; or
- if the securities are not issued within 5 trading days of the date above, the date on which the securities are issued.

The issue of equity securities under the Additional Placement Capacity may result in voting dilution of existing ordinary shareholders (as shown in Table 1). There is also the risk that:



- the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

Equity securities under the Additional Placement Capacity may be issued until the earlier of:

- 18 December 2015; and
- the date of approval by ordinary shareholders of a significant change to the Company's activities under ASX Listing Rule 11.1.2 or the date of approval by ordinary shareholders of a disposal of a major asset under ASX Listing Rule 11.2.

Any approval of the Additional Placement Capacity at this Meeting will cease to be valid in the event that ordinary shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

The Company may issue equity securities under the Additional Placement Capacity for the following purposes:

- non-cash consideration: for the acquisition of new assets and/or investments (in such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rules); or
- cash consideration: to raise funds for general working capital or the acquisition of new IT and Telecommunications assets.

The Company's allocation policy for issues under the Additional Placement Capacity is dependent on prevailing market conditions at the time of any proposed issue.

The identity of the allottees of the equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including rights issues or other issues in which existing shareholders may participate;
- the effect of the issue of the equity securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from the Company's advisors.

As the Company has no current plans to undertake a new capital raising or acquire new assets, the allottees under the Additional Placement Capacity have not yet been determined but if such an exercise was undertaken, allottees may include existing substantial shareholders and or new shareholders who are not related parties or associates of a related party of the Company.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2).

The table also shows:

- (a) two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (b) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 1

Variable ‘A’ in Listing Rule 7.1A.2		Dilution		
		\$0.0015 50% decrease in Issue Price	\$0.003 Issue Price	\$0.006 100% increase in Issue Price
Variable A - 2,560,406,871 Shares	10% Voting Dilution	256,040,687 Shares	256,040,687 Shares	256,040,687 Shares
	Funds Raised	\$384,061	\$768,122	\$1,536,244
50% increase in Variable A - 3,840,610,307 Shares	10% Voting Dilution	384,061,030 Shares	384,061,030 Shares	384,061,030 Shares
	Funds Raised	\$576,092	\$1,152,183	\$2,304,366
100% increase in Variable A - 5,120,813,742 Shares	10% Voting Dilution	512,081,374 Shares	512,081,374 Shares	512,081,374 Shares
	Funds Raised	\$768,122	\$1,536,244	\$3,072,488

Table 1 has been prepared based on the following assumptions:

- Variable A is calculated as at 6 November 2014.
- The Company issues the maximum number of equity securities available under the Additional Placement Capacity.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The table shows only the issue of equity securities under the Additional Placement Capacity and not under ASX Listing Rule 7.1.
- The issue of equity securities under the additional placement capacity includes only Shares.
- The issue price of \$0.003 was the price of Shares as traded on ASX at the time of preparing this Notice (6 November 2014).



The Company previously obtained approval for the Additional Placement Capacity at its 2012 and 2013 Annual General Meeting. The Company has not issued any Equity Securities (Shares or securities convertible into Shares) in the 12 months preceding the date of the Meeting.

A voting exclusion statement has been included in this Notice. However, as at the date of this Notice, the Company has not approached any particular existing shareholder to participate in the issue of equity securities under the Additional Placement Capacity. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8. Resolution 7 - Consolidation of Capital

8.1 General

The Company proposes to consolidate its share capital through the conversion of every 100 Shares to 1 Share. Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

The primary reason for the proposed consolidation is that the Company has a very large number of Shares on issue due to numerous equity-based capital raisings and capital transactions since its previous share consolidation in 2007, so the Company proposes to reduce this number by way of this share consolidation.

If the consolidation is approved and the Transaction proceeds, it is intended that the consolidation will take place within 1 month of completion of the Transaction. The consolidation timetable will be announced to ASX following completion of the Transaction.

Resolution 7 is dependent on resolutions 3, 4 and 5 being passed. Accordingly, if any of Resolutions 3, 4 and 5 are not passed the consolidation of capital will not proceed.

8.2 Effect on Shareholdings and proposed issues of capital

If the proposed Share consolidation is approved by Shareholders, the number of Shares on issue will be reduced from approximately 2,560,406,871 Shares to approximately 25,604,068 Shares.

As the consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject only to the rounding of fractions). It follows that the percentage interest of each shareholder in the Company will not materially change as a result of the proposed consolidation.

Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the share consolidation alone (and assuming that no other market movements or impacts occur). However, the price per Share can be expected to increase to reflect the reduced number of Shares on issue.

8.3 Effect on Options

The Company has unlisted Options on issue. In accordance with the Option terms and ASX Listing Rule 7.22, these Options will be consolidated on the same basis as the Shares. That is, every 100 Options will be consolidated into 1 Option, and their exercise price amended in inverse proportion to the consolidation ratio. Any fractional entitlements will be rounded up to the nearest whole number.



8.4 Holding Statements

From the date of the consolidation all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-consolidation basis. After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to shareholders. It is the responsibility of each shareholder to check the number of Shares and Options held prior to disposal.

8.5 Other information

Where the consolidation of a shareholder's holding results in a fraction of a Share, the fraction will be rounded down to the nearest whole number of Shares.

Other than as set out in this Notice and information previously disclosed to the shareholders of the Company, there is no other information that is known to the Board which may reasonably be expected to be material to the making of a decision by the shareholders whether or not to vote in favour of the Share consolidation.

8.6 Director's recommendation

All of the Directors recommend that shareholders vote in favour of Resolution 7

FURTHER INFORMATION

Justyn Stedwell
Company Secretary
Mobile: 0424 222 122
Email: justyn.stedwell@anittel.com.au

Anittel Group Ltd
Level 10, 132 Arthur Street
North Sydney NSW 2060
www.anittel.com.au
1300 10 11 12



GLOSSARY

Words importing the singular include the plural and vice versa.

In the Notice of Meeting and Explanatory Statement the following terms have the following meanings:

\$ means Australian Dollars.

AEDT means Australian Eastern Daylight Savings Time.

Agreement means the agreement to sell the Assets to Inabox dated 4 November 2014, more fully described in section 1 of the Explanatory Statement.

Anittel, AYG or Company means Anittel Group Limited (ACN 009 805 298).

Anittel Sale Business means the business comprising of the operating assets of Anittel to be acquired by Inabox under the Agreement including:

- the acquisition of all the relevant business assets of the parent entity, Anittel;
- the assumption of the trading liabilities relating to the operating assets, but

excluding the cash in Anittel at completion, Shareholder Loans and the Dormant Subsidiaries.

Anittel Services means Anittel Services Pty Ltd, a wholly owned subsidiary of Anittel.

Anittel Shareholder or Shareholder means a holder of Shares.

APL means Anittel Pty Ltd, a wholly owned subsidiary of Anittel

ASIC means the Australian Securities and Investments Commission.

Assets means the business assets and the benefit of several contracts and employees of the Vendor including the Anittel Sale Business and the issued share capital in APL.

ASX means ASX Limited.

ASX Listing Rules means the listing rules of ASX.

Aurora Energy Agreement means the agreement between the Vendor and Aurora Energy Pty Ltd undated, comprising the application for co-location services and dark fibre exchange access.

BigAir means BigAir Group Limited ABN 57 098 572 626 of Level 1, 59 Buckingham Street, Surry Hills, New South Wales 2010.

BigAir Share Sale Agreement means the share sale agreement between BigAir and the Vendor dated 19 December 2013.

Board means the board of directors of the Company.



Break Fee means the fee payable by the Vendor (subject to the terms of the Agreement) to Inabox for the total amount of fees paid by Inabox in respect of this transaction at a maximum amount of \$500,000 plus GST.

Business Plan means the business plan for the Anittel Sale Business to be agreed between the parties before Completion.

Capital Distribution, Distribution or In-specie Distribution means the proposed in specie share distribution of up to 6,153,846 ordinary shares in Inabox by way of an equal capital reduction.

Capital Reduction means a capital reduction for the purposes of the Corporations Act, pursuant to which, the Vendor shall make an in specie distribution of the Inabox Shares to the Eligible Shareholders on a pro-rata basis.

CBA means the Commonwealth Bank of Australia ABN 48 123 123 124.

CBA Facility Agreement means the loan facility agreement constituted by the letter of offer from CBA to directors of Anittel PL dated 26 September 2013 and CBA's terms and conditions for business finance.

CBA Master Rental Agreement means the master rental agreement dated 8 July 2013 between CBA (as the owner), Anittel Pty Ltd (as the customer, the render and a guarantor) and the Vendor, Anittel Services and the Dormant Subsidiaries (as guarantors).

Change of Control means in relation to a corporation:

- (a) the person who controls the corporation at the date that corporation first became a party to the Agreement subsequently ceases to have control of the corporation;
- (b) a person who does not control the corporation at the date that the corporation first became a party to the Agreement subsequently obtains control of the corporation; or
- (c) if the corporation is controlled by a group or consortium of persons, or if the group or consortium could control the corporation were they to act collectively, any material change in the composition of that group or consortium.

Cisco means Cisco Systems Australia Pty Limited ABN 52 050 332 940 of Level 9, 80 Pacific Highway, North Sydney, New South Wales 2060.

Cisco Addendum means the addendum to the Cisco Indirect Channel Partner Agreement between Cisco and a member of the Group dated 3 April 2013 and amendment No 1 dated on or around 17 October 2013.

Cisco Agreements means the Cisco Indirect Channel Partner Agreement, the Cisco Addendum and the Cisco Memorandum of Understanding.

Cisco Indirect Channel Partner Agreement means the indirect channel partner agreement dated on or around 2 November 2009.

Cisco Master Lease Agreement means the master lease agreement between Cisco and Anittel PL.

Cisco Memorandum of Understanding means the memorandum of understanding dated on or around 28 May 2013.



Commercial Software means the software specified in the Agreement.

Completion means the time when completion of the Agreement occurs.

Constitution means the constitution of the Company.

Corporations Act means Corporations Act 2001 (Cth).

Director means a current director of the Company.

Dormant Subsidiaries means the nine dormant subsidiaries of Anittel being Onenetwork Pty Ltd, Sholl Communications (Aust) Pty Ltd, Mobi Leasing Pty Ltd, Hostech Nominees Pty Ltd, Accord Technologies (WA) Pty Ltd, Axxis Technology Pty Ltd, Invizage Pty Ltd, Anittel (TAS) Pty Ltd and Cloud Only Distribution Pty Ltd.

Eligible Shareholder means a Shareholder on the Record Date.

Employees means all employees employed by Anittel Services on the date of the Agreement other than the Excluded Employees.

Employee Entitlements means the accrued employment benefits and entitlements in accordance with the relevant law.

Encumbrance includes:

- (a) a security interest (as defined in the PPSA);
- (b) any other right, interest or arrangement that secures, or which has the effect of securing, the payment of money or the performance of a debt, obligation or liability or which has the effect of giving a person a preferential interest or priority, including a mortgage, debenture, charge, lien, pledge, bill of sale, hypothecation, title retention arrangement, lease, hire purchase, trust, assignment or deposit by way of security, however described;
- (c) any right, interest, power or arrangement which has the effect of providing a person with a priority, preference or advantage over another person, including arising from any option, equity, preferential interest, adverse interest or third party claim or right of any kind;
- (d) a right that a person (other than the owner) has to remove something from an asset (known as profit á prendre), or to use or occupy the asset, including a lease or licence or a caveat, easement or restrictive or positive covenant affecting an asset, and any third party right or interest in any right arising as a consequence of the enforcement of a judgement, including a garnishee order or a writ of execution; and
- (e) any agreement to give, create, grant or register any of the above or allow any of the above to exist without regard to the form of the transaction or agreement.

Excluded Liabilities means:

- a) any loan provided by Peter Kazacos and/or Vicki Kazacos to Anittel or Anittel Pty Ltd;
- b) any liability in a Dormant Subsidiary which is not fairly recognised in the Accounts;
- c) any liability that relates to the business of the entity sold to BigAir; and
- d) any liability under the Telstra Mobile Contract.



Explanatory Statement means the explanatory statement to this Notice of Meeting.

HCS means the Company's Cisco Host Collaboration Unit.

Inabox means Inabox Group Limited (A.C.N: 161 873 187) and controlled subsidiaries.

Inabox Shares means 6,153,846 new ordinary Inabox shares.

Independent Expert Report means the Independent Expert Report prepared by Nexia and attached to this Notice as Appendix B.

IT Business Unit means the Company's business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the HCS.

Lanier Equipment Agreement means the agreement between the Vendor and Lanier (Australia) Pty Ltd dated 9 May 2012.

Material Adverse Change means:

- (a) a Purchaser Material Adverse Change; or
- (b) a Vendor Material Adverse Change,

as the context provides.

Meeting means the 2014 Annual General Meeting of the Shareholders of the Company to be held on 18 December 2014, to which the Notice of Meeting and Explanatory Statement relate.

Net Working Capital means the net working capital of the Anittel Sale Business calculated in accordance with the methodology and formula set out in the Agreement.

Notice of Meeting means this notice of meeting of the Company dated 14 November 2014.

Option means an option to acquire a Share

Performance Consideration means consideration of up to \$1.5 million calculated in accordance with Appendix A.

Permitted Encumbrances means:

- (a) all Encumbrances over or affecting the Vendor or Anittel Pty Ltd or their assets that relate to the Cisco Agreements and the Tasmanian Government Contract, or
- (b) any title retention interest or other legal or equitable proprietary title or interest retained or reserved in any asset arising in the ordinary course of the business of Anittel, including any hire purchase agreement, finance lease or bailment.

Purchaser Material Adverse Change means any fact that separately, or when aggregated with any other fact would be reasonably likely to result in a reduction of the annual amount of:

- (a) earnings before interest, tax depreciation and amortisation of Inabox of not less than \$260,000; or



(b) net assets of Inabox of not less than \$260,000.

Record Date means 29 December 2014, or such other date determined by the Company subject to the ASX Listing Rules and the Corporations Act.

Record Date List means a list of the Eligible Shareholders together with the number of Inabox Shares to be transferred to each Eligible Shareholder;

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Related Entity has the meaning given in section 9 of the Corporations Act.

Reseller Agreements means the reseller, partner or similar agreements relating to the Anittel Sale Business to which Anittel Pty Ltd or a Vendor Group Entity is a party, being agreements with Microsoft, Dell, Cisco, HP, Apple, IBM, Lenovo, Vmware, Citrix, EMC, APC, Symantec and Lexmark.

Resolution means a resolution referred to in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder Loans loans made to Anittel by Shareholders or associates of them

Tasmanian Government Contract or **TGC** means the undated Tasmanian government voice network contract between the Crown in Right of Tasmania represented by TMD (an administrative unit of Tasmanian Department of Premier and Cabinet), Tasmanian Department of Premier and Cabinet and the Vendor and any applicable schedules and annexures.

Team Leasing means Team Leasing Pty Limited ABN 12 130 240 443.

Team Leasing Master Lease Agreement means the master lease agreement between Team Leasing and the Vendor.

Telstra Mobile Contract means the customer relationship agreement entered into by Anittel with Telstra Corporation Limited ACN 051 775 556 or any of its related bodies corporate dated 11 March 2008 in respect of wholesale mobile services.

Transaction means the proposed sale of Anittel's Business Assets to Inabox in accordance with the terms of the Agreement.

Vendor Group Entity means:

- (a) Anittel Group Limited;
- (b) Anittel Services;
- (c) any Related Entity of the Vendor;
- (d) any Related Body Corporate of the Vendor;
- (e) the Dormant Subsidiaries; and
- (f) any person which controls or is controlled by the Vendor or Related Entity of the Vendor,



but excluding Anittel Pty Ltd.

Vendor Material Adverse Change means any fact that separately, or when aggregated with any other fact would be reasonably likely to result in a reduction of the annual amount of:

- (a) earnings before interest, tax depreciation and amortisation of the Vendor in connection with the Anittel Sale Business of not less than \$150,000; or
- (b) net assets of the Vendor in connection with the Business of not less than \$150,000.



Appendix A – Performance Consideration

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

The three measures relate to:

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

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

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

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

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

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

Item A – IT Performance Shortfall

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

$$((\$7,550,000 - 2\text{HGM}) \times 5 \times 2) - \text{EAS}$$

Where:

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

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

EAS is:

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

$$(\text{Active Services} - 15,000) \times \$200$$

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

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

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



Item B - IT Contracted Gross Margin Adjustment

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

$$(2\text{HFY}15 \text{ CGM} - 1\text{HFY}16\text{F CGM}) \times 5 \times 2$$

Calculation of the 1HFY16 forecast:

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

Item C - HCS Performance Shortfall

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

$$(\text{15,000} - \text{Active Services}) \times \$200$$

where

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

Item D - Categories of Costs

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



Appendix B

Independent Expert's Report prepared by Nexia.

ATION
PORT **FINANCIAL SERVICES** **SUCCESSION** LITIGATION S
G BUSINESS COMPLIANCE FORENSIC ACCO
SUPERANNUATION
ANCE SERVICES **TAXATION**
ION CONSULTING CORPORATION
ON **AUDIT & ASSURANCE SER**
G **AUDIT & INTERNAT**



the next solution

ANITTEL LIMITED
DISPOSAL OF MAIN BUSINESS UNDERTAKING
TO INABOX GROUP

Independent Expert's Report
pursuant to ASX Listing Rule 11.2

13 NOVEMBER 2014

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13 November 2014

The Directors
Anittel Group Limited
Level 10,
132 Arthur Street
North Sydney NSW 2060

Dear Sirs,

**INDEPENDENT EXPERT'S REPORT TO THE DIRECTORS OF ANITTEL GROUP LIMITED
DISPOSAL OF MAIN BUSINESS UNDERTAKINGS**

1. INTRODUCTION

1.1 OVERVIEW OF THE PROPOSED TRANSACTION

On 5 November 2014 Anittel Group Limited ("**AYG**" or "**Anittel**") and Inabox Group Limited ("**IAB**") entered into a Business Sale Agreement whereby subject to the condition precedents, IAB will acquire the Business Assets of Anittel including the IT business ("**the IT Business**") and Cloud business ("**the Cloud Business**") (collectively "**the Businesses**") along with the identified assets and liabilities associated with the Businesses ("**the Proposed Transaction**").

The Proposed Transaction is subject to shareholder approval of the following Resolutions as set out in the Anittel Notice of Meeting to be held 18 November 2014:

- **Resolution 3** – Approval of the sale of Anittel's Business Assets, being the sale of the Businesses to IAB
- **Resolution 4** – Approval of Equal Capital Reduction, being the in-specie distribution of the IAB Consideration Shares to AYG shareholders.

Assets to be sold to IAB

IAB will acquire all the operating assets and liabilities from AYG, except for the cash balance reflecting a zero net working capital +/- \$250,000 and excluded liabilities. Excluded liabilities include any loan provided by Peter and/or Vicki Kazacos to Anittel, any liabilities associated with employee entitlement for employees that do not transfer to IAB, and any liabilities that relate to the business entity sold to BigAir.

The Consideration

IAB will pay a combination of IAB shares and cash for the Businesses and take over relevant lease liabilities at Completion ("**the Consideration**").

The Consideration will be paid as follows:

Nexia Melbourne Pty Ltd
Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



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- The issue at Completion of 6,153,846 new ordinary IAB shares (“**Consideration Shares**”) to Anittel. Resolution 4 of the Notice of Meeting is seeking shareholder approval for an in-specie distribution of the Consideration Shares to Eligible AYG Shareholders;
- A cash payment of \$500,000 to Anittel at Completion (“**Completion Payment**”);
- A cash payment of up to \$1.5 million to Anittel on or before 29 October 2015, subject to achieving certain performance conditions (“**Performance Consideration**”).

The price offered by IAB is based upon the agreed net working capital acquired (“Working Capital”) being \$nil. The items to be included in the calculation of Working Capital and the value based on AYG’s 31 August 2014 unaudited balance sheet are set out in **Table F** in **Section 6.2** of the Report.

Performance Consideration

Performance Consideration will be calculated in accordance with a formula that considers:

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

where

- ITPS refers to the condition where the IT Business Unit Gross Margin for 2HY15 achieves the same level as 2HY14, less a credit for active licences over 15,000. If 2HY15 is lower than half of FY14 by more than \$100,000, and active licences are below 15,000, then the Performance Consideration will reduce by \$1.5 million.
- ITCGM refers to the condition where IT Contracts Gross Margin for 1HY16 is at the same level as 2HY15. If 1HY16 is lower than 2HY15 by more than \$100,000, then the Performance Consideration will reduce by \$1 million.
- HCSPS is subject to achieving at least 15,000 active HCS licences for billing. If active HCS licences are less than 10,000, then the Performance Consideration will reduce by \$1 million.
- For the avoidance of doubt, if PC is less than 0, PC is 0.

Whilst the individual Performance Conditions are independent of each other, adverse performance under the ITPS and HCSPS conditions can reduce the Performance Consideration by \$1,500,000. Adverse performance under the ITCGM condition or the HCSPS condition can reduce the Performance Consideration by \$1,000,000 for each condition. Combined, it can void all of the Performance Consideration. Further details of the Performance Consideration are set out in **Section 6.1**

Conditions Precedent

- No convertible note issued by the Vendor has been converted to equity at any time after 1 July 2014.
- No material adverse change in revenue or cost base of the Businesses between signing and Completion, for IAB and AYG respectively.
- Novation of a key client contract, finance agreements and other relevant supplier and customer agreements.
- Any encumbrances over Anittel and its assets to be released or discharged so that the Business to be transferred to IAB is free of encumbrances.
- At least 80% of all employees having accepted the offers of employment made by IAB
- Anittel to change its name so that it is not likely to be mistaken or confused with the name Anittel.
- A minimum of 7,500 active licenses billing on the HCS platform at Completion.
- IAB and AYG having agreed the Business Plan.

- The projected Net Working Capital of the Business at 31 December 2014 is not higher than \$250,000 or is not less than -\$250,000.
- Approval by IAB and AYG shareholders.

Break fee

The Sale Agreement provides that AYG will pay IAB's documented external costs in relation to the transaction to a maximum of \$500,000 if, among other triggers:

- Any of the conditions precedent are not satisfied or waived in accordance with the terms of the Sale Agreement, including non-approval from shareholders;
- The conditions precedent are satisfied or waived and Completion does not occur due to an act or omission of AYG.

Debt Forgiveness

Whilst not the subject of specific resolutions or terms within the Purchase Agreement, Section 1.2 of the Explanatory Statement provided with the Notice of Meeting states that all loans to the Company from Peter & Vicki Kazacos as at the date of the Business Purchase Agreement between Anittel and Inabox (dated 4 November 2014) will be forgiven on and conditional upon completion of the Proposed Transaction.

1.2 REASONS FOR SHAREHOLDER VOTE

The Company is pursuing a potential transaction to divest all of its profitable, cash generating assets to IAB, an ASX-listed company. We understand that the Proposed Transaction constitutes a disposal of AYG's main undertaking under ASX Listing Rule 11.2 and requires the Company to obtain shareholder approval to proceed with the transaction at a general meeting.

ASX Listing Rules require the Company to provide shareholders with adequate information in the notice of meeting to enable them to make a proper informed judgement of the Proposed Transaction. This includes a reasonable level of detail about the Proposed Transaction, including an assessment of the financial effect of the Proposed Transaction on the Company and on the interests of shareholders.

The AYG Directors have commissioned this Independent Expert Report ("**Report**") to assist them in providing adequate information to shareholders so that they can make a proper informed judgement of the Proposed Transaction in the interests of shareholders.

1.3 PURPOSE OF THIS INDEPENDENT EXPERTS REPORT

Nexia Melbourne Pty Ltd ("**Nexia**") has been asked by the AYG directors to prepare this Report to determine, whether in our opinion, the Proposed Transaction is in the "best interests" of shareholders, so that the shareholders may fully consider the subject of Resolution 3 and 4 in the Notice of Meeting and if appropriate, approve the Proposed Transaction at a general meeting, in accordance with ASX Listing Rule 11.2.

In determining “best interests” we will consider both quantitative and qualitative factors and form our overall opinion on the balance of all factors of the Proposed Transaction in its entirety. In conducting our work we have followed the principals of ASIC Regulatory Guide 111 and other professional standards, however our Report is not required by or subject to ASIC review.

In conducting our quantitative analysis our approach has been to consider:

- 1) Whether AYG is receiving a fair value for the sale of the Businesses; and
- 2) Whether this value translates to a positive benefit for AYG shareholders.

Our analysis of the advantages and disadvantages of the Proposal has considered all other factors and options which may be available to shareholders and sets out our opinion of those, as well as the consequences should the Proposal not be approved.

Nexia confirms that it is independent of Anittel and IAB in accordance with ASIC Regulatory Guide 112 (“**RG 112**”) and has no other involvement with, or interest in, the outcome of the vote at the general meeting. A copy of this Report is to be included in the Explanatory Statement to be sent by the Company to its shareholders. This Report should not be used for any other purpose by any other party.

2. SUMMARY OPINION AND CONCLUSIONS

2.1 SUMMARY OF OPINION TO THE DIRECTORS

Nexia has firstly assessed the Value of the AYG Businesses and the Value of Total Consideration that AYG receives as part of the sale of the Businesses which is the subject of Resolution 3. The ranges of our assessed Total Consideration fall within our valuation range for the AYG Businesses.

<i>Summary of Opinion</i>		Low	Mid	High
<i>Gross Value Basis</i>				
Value of AYG Businesses	\$M	\$7.39	\$9.11	\$10.84
Total Consideration	\$M	\$8.41	\$9.16	\$9.91
Consideration Shares	\$M	\$7.91	\$7.91	\$7.91
Cash Payment	\$M	\$0.50	\$0.50	\$0.50
Performance Consideration	\$M	\$0.00	\$0.75	\$1.50

- In all but the “high” case, the Total Consideration value received by AYG is more than our assessment of value of the AYG Businesses sold.

Nexia has secondly considered the benefit to AYG shareholders given that the IAB Consideration Shares will be distributed to AYG shareholders by way of capital reduction, the subject of Resolution 4.

- Based upon an exchange ratio of 1 IAB share for each 416.066 AYG shares as set out in the Explanatory Memorandum of the Notice of Meeting, we value consideration received by AYG shareholders to be 0.3088 per Anittel share.

<i>Purchase Consideration</i>		
No of IAB Shares	Million shares	6.15
60 Day VWAP IAB	\$ per share	1.2848
Consideration Shares	\$M	\$7.91
Consideration Shares	Cents per share	0.3088

- Note that we have considered the value of the in-specie distribution at face value and have not assessed the tax consequences that may or may not arise for individual AYG Shareholders. We also note that the in-specie distribution to individual AYG Shareholders will be rounded down to the nearest IAB share, and the actual value received may be below 0.3088 cents per Anittel share.

If both Resolution 3 and 4 is approved, the position for AYG shareholders Pre and Post the Proposal Transaction is summarised as:

<i>Impact on AYG Shareholders (all figures in cents per share)</i>	<i>Pre Proposal</i>			<i>Post Proposal</i>		
	<i>Low</i>	<i>Mid</i>	<i>High</i>	<i>Low</i>	<i>Mid</i>	<i>High</i>
Value of AYG Share	0.1385	0.2058	0.2731	0.0195	0.0488	0.0781
Value of IAB share AYG shareholders receive	-	-	-	0.3088	0.3088	0.3088
Total Shareholding Value	0.1385	0.2058	0.2731	0.3283	0.3576	0.3869

	<i>Low</i>	<i>Mid</i>	<i>High</i>
Benefit to Shareholders Post Proposal	0.0552	0.1518	0.2484

- Based on AYG's balance sheet and our valuation of the Businesses, the current net value of AYG to shareholders is between 0.119 and 0.2536 cents per share. The value of the Consideration Shares is greater at 0.3088 cents per share.
- AYG Shareholders will retain their investment in AYG, and subject to the amount of Performance Consideration achieved and the benefit of the debt forgiveness by the major shareholders, the shares may be worth between 0.0195 and 0.0781 cents per share.
- The above table shows that AYG Shareholders are likely to benefit from an increase in their total shareholding value in the range of 0.06 to 0.248 cents per share.

Nexia has also reviewed the advantages and disadvantages of the Proposed Transaction, including the outcome if the Proposed Transaction is rejected. In summary these include:

Qualitative Factors	Details
Advantages	<ul style="list-style-type: none"> IAB shares distributed to AYG shareholders IAB is a larger, profitable, positive cash flow group Potentially greater liquidity in IAB shares than AYG shares

	<ul style="list-style-type: none"> ▪ Synergistic benefits from the Businesses being part of AYG ▪ Performance Consideration may bring further value to AYG shareholders
Disadvantages	<ul style="list-style-type: none"> ▪ AYG divesting all of its current business operations and key transferring staff ▪ AYG will have no operating business, and the ASX may suspend listing should no new business be undertaken. ▪ Performance Consideration targets may not be achieved ▪
If the Proposed Transaction is Rejected	<ul style="list-style-type: none"> ▪ AYG may have to pay a break fee of up \$0.5 million to IAB ▪ \$4m debt facility from major shareholders may be withdrawn such that the AYG may not continue as a going concern.

- In our opinion the advantages of the Proposed Transaction outweigh the disadvantages.

For these reasons, in our opinion, the Proposed Transaction is in the Best Interests of Shareholders, and Anittel directors are justified in recommending the Proposed Transaction to Shareholders.

2.2 OTHER MATTERS

Nexia's opinion has been formed on the basis of business conditions specific to Anittel and other general economic and market conditions in existence during the weeks leading up to the date of this Report. Nexia's opinion is provided for the benefit of the directors of Anittel and the position of individual shareholders has not been considered. Approval or rejection of the proposed vote is ultimately a matter for individual shareholders based on their own views as to value and future market conditions. Shareholders who are in doubt as to the action that they should take in relation to the Proposed Transaction should consult their own professional advisers.

This Report should not be relied upon as a basis for acquiring or disposing of shares in Anittel. Shareholders should read the Explanatory Statement and Notice of General Meeting issued by the Company in relation to the proposed vote.

Yours faithfully,

NEXIA MELBOURNE PTY LTD

Holder of Australian Financial Services Licence 247262



Gary Graco

Director and Authorised Representative

3. SCOPE OF THIS REPORT

3.1 REASONS FOR THIS REPORT

Anittel is pursuing a potential transaction to divest all of its profitable, cash generating assets to IAB, an ASX-listed company. We understand that the Proposed Transaction constitutes a disposal of AYG's main undertaking under ASX Listing Rule 11.2 and requires the Company to obtain shareholder approval to proceed with the transaction at a general meeting.

ASX Listing Rules require the Company to provide shareholders with adequate information in the notice of meeting to enable them to make a proper informed judgement of the Proposed Transaction. This includes a reasonable level of detail about the Proposed Transaction, including an assessment of the financial effect of the Proposed Transaction on the Company and on the interests of shareholders.

The AYG directors have commissioned this Independent Experts Report to assist them in providing adequate information to shareholders so that they can make a proper informed judgement of the Proposed Transaction.

3.2 SOURCES OF INFORMATION

During the course of preparing this Report, Nexia and SLM Corporate Pty Ltd (who has supported Nexia in the preparation of the Report) reviewed financial information provided by the directors and management of Anittel and various discussions were held with Anittel management.

In preparing this Report, Nexia has utilised and relied upon, without independent verification, the following information:

- Indicative Term Sheet dated 8 August 2014 for the Proposed Transaction
- Execution Copy of Business Purchase Agreement dated 5 November 2014
- Draft Anittel Notice of Annual General Meeting and Explanatory Statement provided on 5 November 2014
- Actual financial results for FY14 and management forecasts for Anittel FY15
- Balance Sheet breakdown by Business Segment
- Pro Forma Balance Sheet Post Transaction
- Press releases, stock exchange announcements and other public filings by Anittel and Inabox.

3.3 GUIDELINES ISSUED BY ASIC ON ACQUISITIONS AGREED TO BY SHAREHOLDERS

ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* (“RG111”) and Regulatory Guide 112 – *Independence of Experts* (“RG112”). We highlight the following from RG111 that are pertinent to this Report.

RG111.5 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.*

RG111 does not prescribe the form of analysis relevant to matters subject to acquisitions approved by security holders under item 7 of s611 however practice has commonly adopted the 'fair and reasonable' proposition as an appropriate form of analysis. RG111 sets out the principles of fair and reasonable in the context of a sale or acquisition that requires shareholder approval.

RG111.10 *It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:*
(a) is the offer 'fair'; and
(b) is it 'reasonable'?

RG111.11 *Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:*
(a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
(b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG111.12 *An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.*

We have necessarily considered the ASIC guidance in our analysis. The methodology that we have used to form an opinion as to whether the Proposal is in the overall "Best Interest" of Shareholders, is summarised as:

1. Applying the same concepts used to assess fairness, we have considered the value of the AYG shareholders' interests pre-Proposal and the value of the AYG Shareholders' interests post-Proposal. In this manner the dilutive or positive impact of the Proposal can be demonstrated. In undertaking this assessment we have also identified if AYG Shareholders are receiving a premium for control, given that IAB obtains a controlling interest in the Businesses to be sold.

2. Applying the same concepts used to assess reasonableness, we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal, including the impact of the Proposal, advantages and disadvantages of the Proposal and the alternatives available if the Proposal is not approved.

3.4 LIMITATIONS AND RELIANCE ON INFORMATION

Nexia's opinions are based on economic, financial market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if they did change materially, the valuations and opinions expressed in this Report could be different. Nexia has no obligation to, nor does it undertake to advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update its Report or opinions.

This Report is also based upon financial and other information provided by the Company. Nexia has considered and relied upon this information. Nexia has no reason to believe that any material facts have been withheld. The information provided to Nexia has been evaluated through analysis, enquiry and review for the purposes of assessing the Proposed Transaction. However, in preparing reports such as this, time is limited and Nexia does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is not always capable of external verification or validation.

Preparation of this Report does not imply that Nexia has audited in any way the management accounts of Anittel. It is understood that the accounting information that was provided to Nexia was prepared in accordance with Australian Financial Reporting Standards and in a manner consistent with the method of accounting in previous years unless otherwise noted.

Nexia believes that this Report and the opinions included in the Report must be considered as a whole and that selecting portions of the analysis, without considering all of the factors and analysis together, could create a misleading view of the process underlying the opinions. The preparation of a report of this nature is a complex process and is not necessarily amenable to partial analysis or summary.

4. PROFILE OF ANITTEL

4.1 BACKGROUND AND OVERVIEW OF COMPANY

Anittel Group Limited (“**Anittel**” or “**the Company**”) is an ASX-listed IT and telecommunications solutions and service to Australian businesses. The Company is also a supplier of telecommunications and IT goods and services.

Anittel currently operates out of 15 locations across New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania. It employs over 150 staff and provides the following services:

- **IT Support Services:** outsourced IT support including managed services
- **Cloud Services:** hosted / online based services
- **Hardware & Software:** procurement of IT and telecommunications products.

The business assets to be sold to Inabox can be viewed as two segments, being Telecommunications Services (“**IT Business**”) and Cloud Services (“**Cloud Business**”).

4.2 HISTORICAL OPERATING RESULTS

The table below summarises the financial performance of these two business segments for 2014.

Table A - Businesses to be Sold Financial Performance

Financial Information <i>(all figures in \$ millions)</i>			
	IT		Cloud
Revenue	34.3		1.8
COGS	- 19.2	-	0.2
Gross Profit	15.1		1.6
General Expenses	- 11.2	-	2.2
Corporate Allocation	- 3.4	-	0.3
EBITDA	0.5	-	1.0

Key factors impacting the FY14 result:

- The Cloud Business is still in ramp up phase, with increasing end point services to the Tasmanian Government
- The IT Business experienced lower revenues due to market conditions and industry trends, but improved profitability due to an operational restructure
- Sale of Anittel Communications Pty Ltd to BigAir Group Limited significantly reduced the size of the numbers reported as the combined Cloud/Comms Business unit compared to previous reporting.

4.3 FINANCIAL POSITION

The table below summarises the balance sheet of Anittel and its business segments as at 30 June 2014.

Table B - Anittel Group Limited Financial Position

Year Ended 30 June 2014	AYG TOTAL
Current Assets	\$'000
Cash	7,762
Receivables Ledger	2,537
Provisions - Trade Debtors	(2)
WIP & Accrued Revenue	162
Inventory	466
Inventory Provision	(49)
Other Receivables	607
Prepayments	166
Current Assets Total	11,649
Non Current Assets	
Security Deposit	173
Computer Equipment	2,202
Leasehold Improvements	184
Motor Vehicles	33
Office Equipment	62
Software	1,051
Warranty	67
Goodwill	1,261
Customer Contract	1,765
Goodwill - Software	42
TMD Project	1,871
Non Current Assets Total	8,709
TOTAL ASSETS	20,358
Current Liabilities	
Creditors Sub Ledger	3,460
Accruals	930
GST	409
Sundry Liabilities	152
Superannuation	313
Block Hours	511
Income in Advance	1,197
Finance Lease- Short Term	951
CBA Loan- Short Term	60
Long Service Leave	225
Annual Leave	703
Current Liabilities Total	8,910
Non Current Liabilities	

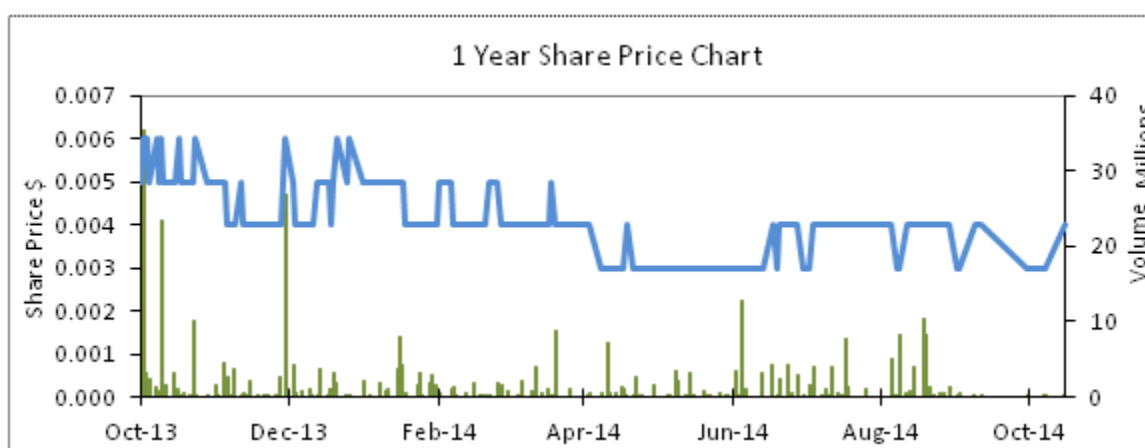
Year Ended 30 June 2014	AYG TOTAL
Finance Lease - Long Term	3,405
CBA Loan - Long Term	120
Long Service Leave	273
Director Loans	9,645
Non Current Liabilities Total	13,443
TOTAL LIABILITIES	22,353
NET ASSETS	(1,994)
Equity	
Ordinary Shares	57,351
Other Equity and Convertible Notes	5,209
Retained Earnings	(64,554)
TOTAL EQUITY	(1,994)

Key factors impacting the financial position in FY 14:

- Sale of Anittel Communications Pty Ltd to BigAir Group Limited during the year generating \$6.5m as cash consideration.
- Proceeds from sale to BigAir were used to repay \$4m of debt.
- Securing additional equipment leasing facilities of \$3m from the Commonwealth Bank in October 2013.
- Securing a loan facility of \$200,000 from the Commonwealth Bank to support the installation of telephony handsets to the Government of Tasmania.
- Securing an extension of the repayment term for the shareholder loan facility to 31 December 2015

4.4 SHARE PRICE PERFORMANCE

The chart below shows the trading performance of Anittel over the past 12 months, from 22/10/2013 to 22/10/2014.



As at the date of this Report there are 2,560,406,871 Anittel shares outstanding. The above chart shows that shares traded in a narrow range recently of \$0.003 to \$0.004 per share. The volume of shares traded in the last year is less than 14% of the total shares on issue, indicating that shares are relatively illiquid.

5. Profile of Inabox (IAB)

5.1 BACKGROUND AND OVERVIEW OF THE COMPANY

Inabox Group Limited is an ASX listed (ASX: IAB) aggregator, wholesaler and enabler of telecommunications and ICT products and services to the Australian market. The company was established in 2002 under the Telcoinabox banner, with the aim of enabling any individual or business to become a full-service telecommunications provider, removing the traditional barriers to market entry of cost, complexity and scale.

Customers include existing ISPs, telecommunications companies and VoIP providers, managed IT service providers looking to grow share of their customers' spend, PBX integrators looking for recurring revenue streams, geographically-focused small business operators and off-shore call centres requiring local call termination.

Inabox partners with a range of tier-one carriers to purchase significant volumes of network services and capacity for fixed, mobile and data services. Additionally, the company operates its own core network infrastructure to support the aggregation of data services (from consumer-grade DSL and NBN through to business-grade fibre) and the provision of IP telephony voice and cloud services.

5.2 HISTORICAL OPERATING RESULTS

The table below summarises the financial performance of Inabox for FY14.

Table C – Financial Performance of Inabox FY14

<i>All figures in \$'000</i>	Amount (\$A)	Margin
Revenue	46,910	-
EBITDA	2,414	5.1%
Net Income	1,068	2.3%

Inabox has a profitable business across a diverse range of customers and services. The Company has less than 2 years of listing history but has grown rapidly since that time.

5.3 FINANCIAL POSITION

Table D – Financial Position as at 30 June 3014

<i>All figures in \$'000</i>	FY2014
Current Assets	9,970
Non-Current Assets	5,581
Total Assets	15,551
Current Liabilities	9,912
Non-Current Liabilities	940
Total Liabilities	10,853

All figures in \$'000	FY2014
Net Assets	4,699

Inabox is in a positive net asset position, with net cash of \$2.79 million as at 30 June 2014. The company has a market capitalisation of \$17.81 million as of 30 October 2014.

5.4 CASH FLOW SUMMARY

Table E – Cash flow for Inabox

All figures in \$'000	2013	2014	% change
Operating Cash Flow	2,593	1,675	(35.4%)
Investing Cash Flow	(515)	(931)	80.8%
Financing Cash Flow	(1,303)	2,695	(306.7%)
Net Cash Flow	775	3,439	343.7%

Inabox is a cash flow positive business and has been cash flow positive over the past two financial years.

5.5 KEY EVENTS FOR INABOX

- On 12 July 2013, the Group acquired 100% of the shares of iVox Pty Limited ('iVox') — a specialist VoIP provider. Michael Clarke (former GM of iVox), was appointed Chief Technology Officer of the Group and the products & services of iVox were fully integrated into the Group's operations.
- On 8 July 2014, the Group acquired the business and agreed assets of Neural Networks Data Services Pty Limited ("**Neural Networks**"), a Brisbane-based provider of wholesale cloud and VoIP products for a cash consideration of \$350,000 less adjustments. The vendor may receive an earn-out depending on the financial performance of the Neural Networks business in FY2015. Subject to approval by shareholders, the earn-out may be composed partially of new equity.

5.6 TOP SHAREHOLDERS FOR INABOX

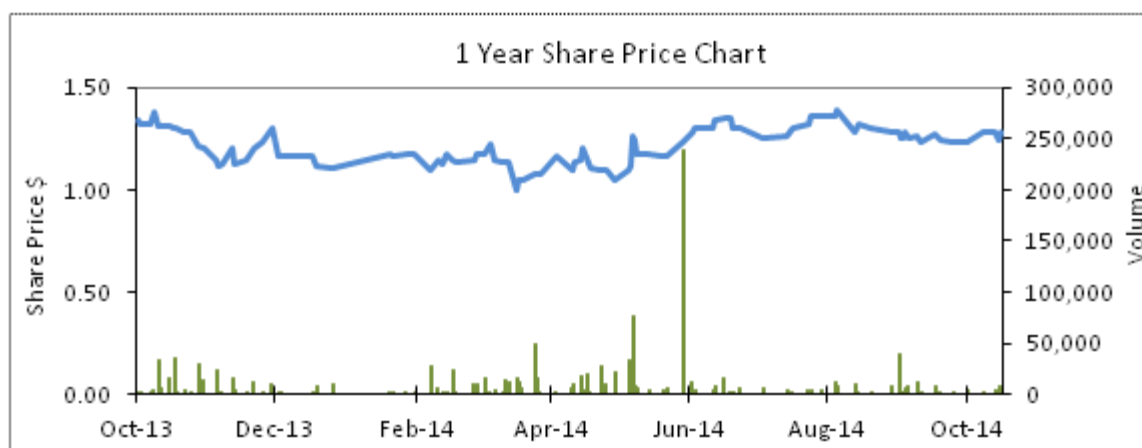
Top 10 Shareholders	Number Held	% of Total Shares Issued
M Duncan	2,651,260	19.051
D Gould	2,651,260	19.051
D Kay	2,651,260	19.051
M2 Telecommunications Group Ltd	1,666,667	11.976
Knarf Investments Pty Ltd <Terrigal A/C>	1,257,867	9.039
Mr Michael John Clarke	807,132	5.800
HSBC Custody Nominees (Australia) Limited	258,189	1.855
Colesrow Pty Limited <The Colesrow A/C>	172,862	1.242

Top 10 Shareholders	Number Held	% of Total Shares Issued
Citicorp Nominees Pty Limited	143,728	1.033
Mr Paul Line	127,014	0.913
Top 10 Shareholders total	12,387,239	89.01

The founders D Kay, M Duncan, and D Gould have agreed to abide by a voluntary escrow for a period of at least 18 months from the date of IAB listing on the ASX (12 July 2013).

5.7 SHARE PRICE PERFORMANCE

The chart below shows the trading performance of Inabox over the past 12 months, from 22/10/2013 to 22/10/2014.



As at the date of this Report there are 12,916,684 shares outstanding.

The above chart shows that shares traded within the range of \$1.00 to \$1.39 per share. The volume of shares traded in the last year including a large spike in June 14 is less than approximately 20% of the tradable shares, which is relatively illiquid but more liquid than the AYG shares.

6. Overview of the Proposed Transaction

6.1 INTRODUCTION AND BACKGROUND

The Proposed Transaction

On 5 November 2014 Anittel and IAB entered into binding agreements pursuant to which IAB has agreed to acquire the IT Business and Cloud businesses from Anittel, including the identified assets and liabilities associated with the Businesses. This is the subject of Resolution 3 in the Anittel Notice of Meeting.

Assets to be sold to IAB

- All customer contracts and goodwill (including key contracts and agreements);
- All historic customer records and details including customer contracts, billing records, service and fault history and payment details and history;
- Brands, trading names and any intellectual property of the Businesses;
- All web sites related to the Businesses;
- Contact phone numbers (fixed line), email addresses and post office boxes;
- All promotional, operational and technical information used in the Businesses;
- The CISCO HCS Platform, data centre facilities, servers, software, spare parts, computers, data networks and business communications equipment;
- Agreements with nominated employees and consultants including Peter Kazacos;
- Stock in hand;
- All supplier agreements and relationships required by IAB to run the Businesses.

We note that IAB will also assume working capital liabilities for a net zero working capital position (including trade creditors and accruals), as well as operating and financing lease liabilities associated with the Businesses to be sold.

Excluded liabilities include any loan provided by Peter and/or Vicki Kazacos to Anittel, and any liabilities that relate to the business entity sold to BigAir.

Consideration

IAB will pay up a combination of shares and cash for the Businesses and take over relevant lease liabilities at Completion ("**the Consideration**").

The Consideration will be paid as follows:

- The issue at Completion of 6,153,846 new ordinary IAB shares (“**Consideration Shares**”) to Anittel. Subject to Resolution 4, an in-specie distribution of the IAB shares to Eligible AYG shareholders will take place;
- A cash payment of \$500,000 to Anittel at Completion (“**Completion Payment**”);
- A cash payment of up to \$1.5 million to Anittel on or before 29 October 2015, subject to achieving certain performance conditions (“**Performance Consideration**”).

The price offered by IAB is based upon the agreed net working capital acquired (“**Working Capital**”) being \$nil. The items to be included in the calculation of Working Capital and the value based on AYG’s 31 August 2014 unaudited balance sheet, are set out in

Table F in **Section 6.2** of the Report.

Performance Consideration

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

$$PC = \$1,500,000 - \text{ITPS} - \text{ITCGM} - \text{HCSPS}$$

where

PC means Performance Consideration

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

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

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

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

Item A – IT Performance Shortfall

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

$$(\$7,550,000 - 2\text{HGM}) \times 5 \times 2 - \text{EAS}$$

where

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

Active Licences means the number of Cisco Cloud Licenses as at 30 June 2015 billing at least \$15 per month

EAS is:

- (a) if there are 15,000 or less Active Services as at 30 June 2015, zero; or
- (b) if there are more than 15,000 Active Services as at 30 June 2015, the amount

calculated as follows:

$$(\text{Active Services} - 15,000) \times \$200$$

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

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

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

Effectively, if the **2HGM** is lower than \$7.45 million, and active licences are under 15,000, then \$1.5 million will be subtracted from the Performance Consideration.

Item B - IT Contracted Gross Margin Adjustment

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

$((2\text{HFY}15 \text{ CGM} - 1\text{HFY}16\text{F CGM}) \times 5 \times 2)$.

Calculation of the 1HFY16 forecast:

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

Effectively, if **CGM** for 1HY16 is lower than 2HY15 by \$100,000, then \$1 million will be subtracted from the performance condition.

Item C - HCS Performance Shortfall

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

$(15,000 - \text{Active Licences}) \times \200 .

where

Active Licences means the number of Cisco Cloud Licenses as at 30 June 2015 billing at least \$15 per month

Effectively, if there are less than 10,000 **Active Licences**, then \$1 million will be subtracted from the performance condition.

Conditions

- No convertible note issued by the Vendor has been converted to equity at any time after 1 July 2014.
- No material adverse change in revenue or cost base of the Businesses between signing and Completion.
- Novation of a key contract and finance agreements and other relevant supplier and customer agreements.
- Any encumbrances over Anittel and its assets to be released or discharged so that the Business is to be transferred to IAB free of Encumbrances.
- At least 80% of all employees having accepted the offers of employment made by IAB
- Anittel to change its name so that it is not likely to be mistaken or confused with the name Anittel.
- A minimum of 7,500 active licenses billing on the HCS platform at Completion.
- IAB and AYG having agreed the Business Plan.

- The projected Net Working Capital of the Business at 31 December 2014 is not higher than \$250,000 or is not less than -\$250,000.
- Approval by IAB and AYG shareholders and ASX (if required).

Break fee

The Sale Agreement provides that AYG will pay IAB's documented external costs in relation to the transaction to a maximum of \$500,000 if, among other triggers:

- Any of the conditions precedent are not satisfied or waived in accordance with the terms of the Sale Agreement, including non-approval from shareholders;
- The conditions precedent are satisfied or waived and Completion does not occur due to an act or omission of AYG.

Debt Forgiveness

Whilst not the subject of specific resolutions or terms within the Purchase Agreement, Section 1.2 of the Explanatory Statement provided with the Notice of Meeting states that all loans to the Company from Peter & Vicki Kazacos as at the date of the Business Purchase Agreement between Anittel and Inabox (dated 4 November 2014) will be forgiven on and conditional upon completion of the Proposed Transaction.

6.2 RESULT OF APPROVAL

If the Proposed Transaction is approved, the resulting Financial Position for Anittel is set out below:

Table F – Pro-Forma Financial Position Post Transaction

	Jun-14 Actual (Audited) \$m	IAB Sale Adjustments \$m	Post Completion & Other Adjustments \$m	Jun-14 A(Pro- forma after IAB Sale & Adjustments) \$m
CURRENT ASSETS				
Cash and cash equivalents	7.8	-4.5	-2	1.2
Trade and other receivables	3.3	-3.3	0	0
Inventories	0.4	-0.4	0	0
Other	0.2	-0.2	0	0
TOTAL CURRENT ASSETS	11.6	-8.4	-2	1.2
NON CURRENT ASSETS				
Receivables	0.2	-0.2	0	0
Property, plant and equipment	2.5	-2.5	0	0
Intangibles	6.1	-6.1	0	0
TOTAL NON CURRENT ASSETS	8.7	-8.7	0	0
TOTAL ASSETS	20.4	-17.1	-2	1.2

	Jun-14 Actual (Audited)	IAB Sale Adjustments	Post Completion & Other Adjustments	Jun-14 A(Pro- forma after IAB Sale & Adjustments)
CURRENT LIABILITIES				
Trade and other payables	5.3	-4.6	0	0.7
Borrowings	1	-1	0	0
Provisions	0.9	-0.9	0	0
Revenue received in advance	1.7	-1.7	0	0
TOTAL CURRENT LIABILITIES	8.9	-8.2	0	0.7
NON CURRENT LIABILITIES				
Borrowings	13.2	-3.6	-9.6	0
Provisions	0.3	-0.3	0	0
TOT NON CURRENT LIABILITIES	13.4	-3.8	-9.6	0
TOTAL LIABILITIES	22.4	-12.1	-9.6	0.7
NET ASSETS/(LIABILITIES)	-2	-5.1	7.6	0.5
Equity				
Share Capital	57.4	-8	0	49.4
Retained Earnings	-64.6	2.9	7.6	-54.1
Other reserves	5.2	0	0	5.2
TOTAL EQUITY	-2	-5.1	7.6	0.5

Comments on the Pro Forma Financial Position Post Transaction:

- The net working capital position (3rd column in
- **Table F**) is expected to be zero on transfer to IAB. All the assets will transfer to IAB at completion (4th column in
- **Table F**).
- The cash and liabilities will remain in the AYG listed shell company (last column in
- **Table F**), in which shareholders will still hold an interest. However, the remaining shell will be in a negative equity position.
- All loans to the Company from Peter & Vicki Kazacos as at the date of the Business Purchase Agreement between Anittel and Inabox dated 4 November 2014 will be forgiven on and conditional upon completion of the Agreement as set out in section 1.2 of the Explanatory Statement provided with the Notice of Meeting.

6.3 INTENTIONS OF DIRECTORS REGARDING THE FUTURE OF ANITTEL

Following completion of the sale, the Company will not have an operating business.

Directors intend to investigate acquisition and investment opportunities to improve shareholder value. Directors anticipate that the ASX will allow the Company's shares to continue to trade for up to 6 months post Completion, in order to allow the Company to find another business to acquire during the 6-month period. If a suitable acquisition is not identified in 6 months, it is anticipated that ASX will suspend trading in the Company's shares.

ASX may determine at its discretion that if the Company acquires a business or assets, the Company may be required to comply with Chapters 1 and 2 of the ASX Listing Rules.

7. Evaluation of the Proposed Transaction

7.1 SUMMARY OF OPINION TO THE DIRECTORS

Nexia has firstly assessed the Value of the AYG Businesses and the Value of Total Consideration that AYG receives as part of the sale of the Businesses which is the subject of Resolution 3. The ranges of our assessed Total Consideration fall within our valuation range for the AYG Businesses.

<i>Summary of Opinion</i>		Low	Mid	High
<i>Gross Value Basis</i>				
Value of AYG Businesses	\$M	\$7.39	\$9.11	\$10.84
Total Consideration	\$M	\$8.41	\$9.16	\$9.91
Consideration Shares	\$M	\$7.91	\$7.91	\$7.91
Cash Payment	\$M	\$0.50	\$0.50	\$0.50
Performance Consideration	\$M	\$0.00	\$0.75	\$1.50

- In all but the “high” case, the Total Consideration value received by AYG is more than our assessment of value of the AYG Businesses sold.

Nexia has secondly considered the benefit to AYG shareholders given that the IAB Consideration Shares will be distributed to AYG shareholders by way of capital reduction, the subject of Resolution 4.

- Based upon an exchange ratio of 1 IAB share for each 416.066 AYG shares as set out in the Explanatory Memorandum of the Notice of Meeting, we value consideration received by AYG shareholders to be 0.3088 per Anittel share.

<i>Purchase Consideration</i>		
No of IAB Shares	Million shares	6.15
60 Day VWAP IAB	\$ per share	1.2848
Consideration Shares	\$M	\$7.91
Consideration Shares	Cents per share	0.3088

- Note that we have considered the value of the in-specie distribution at face value and have not assessed the tax consequences that may or may not arise for individual AYG Shareholders. We also note that the in-specie distribution to individual AYG Shareholders will be rounded down to the nearest IAB share, and the actual value received may be below 0.3088 cents per Anittel share.

If both Resolution 3 and 4 is approved, the position for AYG shareholders Pre and Post the Proposal Transaction is summarised as:

<i>Impact on AYG Shareholders (all figures in cents per share)</i>	<i>Pre Proposal</i>			<i>Post Proposal</i>		
	<i>Low</i>	<i>Mid</i>	<i>High</i>	<i>Low</i>	<i>Mid</i>	<i>High</i>
Value of AYG Share	0.1385	0.2058	0.2731	0.0195	0.0488	0.0781
Value of IAB share AYG shareholders receive	-	-	-	0.3088	0.3088	0.3088
Total Shareholding Value	0.1385	0.2058	0.2731	0.3283	0.3576	0.3869

	Low	Mid	High
Benefit to Shareholders Post Proposal	0.0552	0.1518	0.2484

- Based on AYG's balance sheet and our valuation of the Businesses, the current net value of AYG to shareholders is between 0.119 and 0.2536 cents per share. The value of the Consideration Shares is greater at 0.3088 cents per share.
- AYG Shareholders will retain their investment in AYG, and subject to the amount of Performance Consideration achieved and the benefit of the debt forgiveness by the major shareholders, the shares may be worth between 0.0195 and 0.0781 cents per share.
- The above table shows that AYG Shareholders are likely to benefit from an increase in their total shareholding value in the range of 0.06 to 0.248 cents per share.

Nexia has also reviewed the advantages and disadvantages of the Proposed Transaction, including the outcome if the Proposed Transaction is rejected. In summary these include:

Qualitative Factors	Details
Advantages	<ul style="list-style-type: none"> ▪ IAB shares distributed to AYG shareholders ▪ IAB is a larger, profitable, positive cash flow group ▪ Potentially greater liquidity in IAB shares than AYG shares ▪ Synergistic benefits from the Businesses being part of AYG ▪ Performance Consideration may bring further value to AYG shareholders
Disadvantages	<ul style="list-style-type: none"> ▪ AYG divesting all of its current business operations and key transferring staff ▪ AYG will have no operating business, and the ASX may suspend listing should no new business be undertaken ▪ Performance Consideration targets may not be achieved ▪
If the Proposed Transaction is Rejected	<ul style="list-style-type: none"> ▪ AYG may have to pay a break fee of up \$0.5 million to IAB ▪ \$4m debt facility from major shareholders may be withdrawn such that the AYG may not continue as a going concern.

- In our opinion the advantages of the Proposed Transaction outweigh the disadvantages.

For these reasons, in our opinion, the Proposed Transaction is in the Best Interests of Shareholders, and Anittel directors are justified in recommending the Proposed Transaction to Shareholders.

7.2 THE PRICE PAID IN THE PROPOSED TRANSACTION

IAB will pay a combination of IAB shares and cash for the Businesses and take over relevant lease liabilities at Completion (“**the Consideration**”).

The Consideration will be paid as follows:

- Issue of 6,153,846 new ordinary IAB shares to Anittel. Resolution 4 of the Notice of Meeting is seeking shareholder approval for an in-specie distribution of these IAB shares to Eligible AYG Shareholders;
- \$500,000 in cash paid to Anittel at Completion;
- A cash payment of up to \$1.5 million to Anittel on or before 29 October 2015, subject to achieving certain performance conditions.

7.3 NEXIA'S ASSESSED VALUATION

Consideration

Nexia has assessed the value of total Consideration, as shown in the table below:

Table G – Value of total Consideration

<i>Purchase Consideration</i>		Low	Mid	High
No of IAB Shares	Million shares	6.15	6.15	6.15
60 Day VWAP IAB	\$ per share	1.2848	1.2848	1.2848
Consideration Shares	\$M	\$7.91	\$7.91	\$7.91
Cash Payment	\$M	\$0.50	\$0.50	\$0.50
Consideration at Completion	\$M	\$8.41	\$8.41	\$8.41
Performance Consideration	\$M	\$0.00	\$0.75	\$1.50
Total Consideration	\$M	\$8.41	\$9.16	\$9.91
Consideration Shares	Cents per share	0.3088	0.3088	0.3088
Cash Payment	Cents per share	0.0195	0.0195	0.0195
Consideration at Completion	Cents per share	0.3283	0.3283	0.3283
Performance Consideration	Cents per share	0.0000	0.0293	0.0586
Total Consideration	Cents per share	0.3283	0.3576	0.3869

- Nexia has valued the total Consideration in the range of \$8.41 million and \$9.91 million, with a mid-point of \$9.16 million.
- Nexia assessed the value of the Consideration Shares by reference to the 60 VWAP of the IAB listed securities for the period to 22 October 2014. We note that the last traded price of IAB shares at 22 October 2014 was \$1.28.
- As at the date of this Report there are 2,560,406,871 AYG shares on issue. Therefore the Consideration Shares are valued at 0.3088 cents per share.
- The Proposed Transaction will result in the Anittel shareholders collectively owning up to 30.7% of IAB before inclusion of any Performance Condition component.

Businesses

Nexia has assessed the fair market value of the Businesses using the capitalisation of maintainable earnings method for the IT Business and the Net Asset method for the Cloud Business. Set out in **Appendix A** is an explanation of the methodology and our calculations.

- The Company provided Nexia with details of historical financial results and an indicative forecast result for the Businesses.
- For the IT Business, Nexia assessed FY 14 EBITDA of \$1.33 million (refer **Appendix A: Section 2.2**) as the maintainable earnings which is an appropriate measure for the calculation of a valuation based on the capitalisation of maintainable earnings.
- For the Cloud Business, Nexia noted that the business was not yet profitable although it does have the potential to be profitable in the future. Nexia applied the Net Asset method to value the business as it is today.
- Nexia assessed an appropriate earnings multiple range for the IT Business of 5.2x to 7.8x for a change in control transaction. The calculated median of this range is 6.5x (refer **Appendix A: Section 2.2**). These multiples were applied to the \$1.33 million maintainable EBITDA when calculating the value of the IT Business as shown in the table below.

Table H – Value of IT Business

Capitalisation of maintainable earnings <i>(all figures in \$ millions)</i>			
	<u>Low</u>	<u>Mid</u>	<u>High</u>
Multiple range	5.2x	6.5x	7.8x
FY14a EBITDA	\$1.33	\$1.33	\$1.33
Value of IT Business	\$6.89	\$8.61	\$10.34

- Our calculated value for the IT Business is in the range of \$6.89 million to \$10.34 million with a mid-point of \$8.61 million.
- In applying the Net Assets valuation calculation, Nexia reviewed the latest balance sheet from the Company detailing the breakdown of assets by business segment, and assessed the relevant assets and liabilities for the Net Asset calculation. The Net Assets valuation attributable to the Cloud Business is \$500,000, as shown in the table below.

Table I – Valuation of Cloud Business

Net Assets Valuation <i>(all figures in \$ millions)</i>	
	FY14
Cloud	
Assets	\$4.84
Lease Liabilities	-\$4.34
Net Assets	\$0.50

- The total value of the Businesses to be sold is shown in the table below.

Table J – Valuation of Businesses to be sold

Total Value of Business to be Sold		Low	Mid	High
IT	\$M	\$6.89	\$8.61	\$10.34
Cloud	\$M	\$0.50	\$0.50	\$0.50
Total Value	\$M	\$7.39	\$9.11	\$10.84
Net Liabilities	\$M	\$4.34	\$4.34	\$4.34
Value of AYG Shell	\$M	\$0.50	\$0.50	\$0.50
Net Value	\$M	\$3.55	\$5.27	\$6.99
Net Value per AYG Share	Cents per share	0.1385	0.2058	0.2731

- Nexia has valued the Businesses in the range of \$7.39 million and \$10.84 million with a mid-point of \$9.11 million.
- Adjusting the Total Value of the Businesses to be sold for net liabilities as per the unaudited balance sheet as of 31 August 2014, and the estimated intangible value of the AYG shell at \$0.5 million, the net value to AYG shareholders pre-proposal is between \$3.55 million and \$6.99 million.
- Based on the current number of shares on issue, the value is between 0.1385 and 0.2731 cents per share.
- The value that AYG shareholders will receive from the distribution of Consideration Shares is higher at 0.3088 cents per share. Note that we have considered the value of the in-specie distribution at face value and have not assessed the tax consequences that may or may not arise for individual AYG shareholders. We also note that the in-specie distribution to individual AYG shareholders will be rounded down to the nearest IAB share, and the actual value received may be below 0.3088 cents per Anittel share.

7.4 QUOTED PRICE OF THE LISTED IAB SECURITIES

The majority of the Consideration will be paid via the issue at Completion of 6,153,846 new ordinary IAB shares (“**Consideration Shares**”) to Anittel shareholders. The Proposed Transaction will result in the Anittel shareholders collectively owning 30.7% of IAB before including any Performance Consideration.

Nexia has reviewed the historical Quoted Price of the IAB Listed Securities up to 22 October 2014. The table below sets out IAB share price trends over the Trading Period:

Table K – IAB Share Price Trends in the Trading Period

Period	VWAP Share Price				
	Low	High	(Cents per Share)	Volume for Period	% of Company
30 days	\$1.2300	\$1.2300	\$1.2300	95,349	0.69%
60 days	\$1.2300	\$1.3000	\$1.2551	141,799	1.02%
120 days	\$1.2300	\$1.3900	\$1.2848	664,168	4.77%
6 months	\$1.0500	\$1.3900	\$1.2502	932,437	6.70%

- The lack of volume and liquidity in trading reflects a tightly held shareholder base, with the top 10 shareholders accounting for 89% of the total ownership (see **Section 5.6**). Furthermore, 57.15% of the shares on issue, representing the founders' ownership stake, are in voluntary escrow as part of their IPO on the ASX (July 2013).
- We therefore conclude that the low volume for trade reflects the limited free float available for trade, and that the market price is a reasonable representation of the value of the company given its lower than average EV/EBITDA multiple (5.94x for IAB vs 6.5x for market average) despite being a profitable business with strong growth prospects.

7.5 ADVANTAGES OF THE PROPOSED TRANSACTION

The principal advantage of the Proposed Transaction is that the Anittel shareholders will exchange their AYG shares for shares in IAB, with the benefit of an investment in a larger, stronger and profitable combined group with revenues in excess of \$80 million.

AYG shareholders will receive shares in IAB which has the following advantages over their existing AYG shareholding:

- IAB is a larger business;
- IAB is trading profitably;
- IAB is cash flow positive and adequately funded with a net cash balance; and
- IAB shares will offer greater liquidity for trading than currently under AYG.

In addition, the directors believe the combination of the Businesses with IAB represent a strong strategic fit and have identified the following rationale for the transaction:

- The Businesses add new complementary products, expertise and geographic reach to IAB's existing telecommunications business;
- Anittel's IT products and services will be repackaged and sold on a white labelled basis, to small and medium businesses around Australia through IAB's service providers;
- IAB will introduce new products to the Businesses allowing them to offer their 1,300+ clients a wider range of competitive products and end-to-end IT, telecommunications and cloud solutions;
- The Businesses provide a platform for IAB to sell directly to larger corporations and government departments. This new market for IAB and the strategy does not create any channel conflict;
- IAB views the Cisco HCS platform as an exciting opportunity to grow an enterprise-grade hosted voice and collaboration business. IAB's plans include maximising sales in Tasmania, deploying a node on the mainland and selling HCS aggressively to corporations and government departments via direct and indirect (white-label and dealer) channels.

We see no reason to doubt this rationale, and if the business combination strategy is well executed and the identified synergies are delivered, this should create a re-rating of the IAB share price over time. AYG shareholders who retain their Consideration Shares will benefit from this uplift in value.

7.6 DISADVANTAGES OF THE PROPOSED TRANSACTION

- The Proposed Transaction contemplates Anittel divesting all of its current business operations. In addition, certain employees and consultants, including the Executive Chairman Peter Kazacos will

transfer to IAB. Shareholders will therefore no longer hold an independent interest in Anittel's business assets but these assets will be held in conjunction with other assets within the Inabox Group.

- Whilst \$7.91 million will return to Shareholders in the form of shares in IAB, the cash payment and the Performance Consideration will remain within the AYG shell.
- The Company will have no source of operating revenue to offset operating expenses until another operating business is acquired or undertaken.
- There is a risk that the Company may not be able to locate and acquire a suitable new business in a reasonable timeframe and the shares may be suspended from trading by the ASX after 6 months.
- Up to \$1.5 million in Performance Consideration is dependent on the IT Business and the Cloud Business achieving certain targets. These targets may not be met, or may be met in part only, in which event this consideration will be reduced, or not be paid at all. Accordingly, up to \$1.5m of the Total Consideration is at risk.

Overall, Nexia believes the advantages of the Proposed Transaction outweigh the disadvantages.

7.7 OUTCOME IF THE PROPOSED TRANSACTION IS REJECTED

If the Proposed Transaction is rejected by Shareholders, AYG may have to pay a break fee of up to \$500,000 to IAB. Furthermore, Anittel shareholders will remain as members of a currently unprofitable company with limited scale, supported by a debt facility of up to \$4 million from its major shareholders Peter and Vicki Kazacos. Should this facility be withdrawn, Anittel may not be able to continue to operate as a going concern.

7.8 NEXIA OPINION ON THE PROPOSED TRANSACTION

For the reasons set out in this Report, in our opinion the Proposed Transaction is in the "best interests" of the Anittel shareholders and the Anittel directors are justified in recommending the Proposed Transaction to shareholders.

8. Qualifications, Declarations and Consents

8.1 QUALIFICATIONS

Nexia (Melbourne) Pty Ltd is an independent accounting and financial advisory firm and is the holder of Australian Financial Services Licence No: 247262.

The assignment has been conducted under the overall direction of Mr. Gary Graco (as Engagement Partner), and Nexia has been supported in the engagement by staff from SLM Corporate Pty Ltd, namely Mr. Barry Lewin (Managing Director) and Mr. Kuo ning Ho (Director).

8.2 DECLARATIONS

The Report has been prepared to assist the Board of AYG in evaluating the merits of the Proposed Transaction and for inclusion in the information to be issued to the Company's shareholders.

The Report is not to be used for any other purpose, including the issue or other publication to any third parties, without prior written approval by Nexia of the use, form and context in which it is proposed to be released. Furthermore, neither any Report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form and context in which it is proposed to be released. Nexia reserves the right to refuse to grant approval to issue the Report to any other party.

To the extent that we agree to the issue of the Report to a third party, we shall require an appropriate indemnity from said party, absolving Nexia from any liability to the third party as a consequence of the issue to it of the Report.

Other than any liability which by law cannot be excluded, Nexia expressly disclaims any liability to any Anittel shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose whatsoever.

This Report has been prepared by Nexia with care and diligence and the statements and opinions given by Nexia in this Report are made in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Nexia or any of its officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve Nexia from liability arising from an opinion expressed recklessly or in bad faith.

Nexia does not have at the date of this Report, and has not previously had, any shareholding in or other relationship with Anittel that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Nexia will receive a fixed fee of \$20,000 plus GST, for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Nexia will not receive any other benefit for the preparation of this Report. Nexia does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

An advance draft of this Report was provided to Anittel and its advisers. Certain changes were made to this Report as a result of the circulation of the draft Report. No alterations were made to the methodology or conclusions as a result of circulating the draft Report.

Anittel has agreed that, to the extent permitted by law, it will indemnify Nexia and its directors, officers and employees from and against all liability, loss or damage arising out of or in connection with the preparation of this Report or resulting from or attributable directly or indirectly to the preparation of this Report. This indemnity does not extend to any liability arising out of or in connection with Nexia's wilful misconduct, dishonesty, fraud or gross negligence.

8.3 CONSENTS

Nexia consents to the issuing of this Report in the form and context in which it is to be included in the Explanatory Statement and Notice of General Meeting to be sent to shareholders of Anittel. Nexia has had no involvement in the preparation of the Explanatory Statement and Notice of General Meeting and has not verified or approved any of the contents of the Explanatory Statement and Notice of General Meeting.

Nexia does not accept any responsibility for the contents of the Explanatory Statement and Notice of General Meeting except for this Report. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without the prior written consent of Nexia as to the form and context in which it appears.

APPENDIX A - Independent Valuation, Methodology and Calculations

1. Valuation Methodology

1.1 BACKGROUND

In order to estimate the fair market value of Anittel Group Limited (“**Anittel**” or “**the Company**”) we have considered the following common market practice and the valuation methodologies.

1.2 DISCOUNTED CASH FLOW METHOD (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start-up activities or assets with a finite life.

1.3 CAPITALISATION OF MAINTAINABLE EARNINGS (CME)

This requires consideration of the following factors.

- a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and
- b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:
 - the operational risks of the business;
 - the growth profile of the business;
 - the working and long-term capital requirements of the business currently and requirement for funding growth;
 - the nature of the environment in which the business operates;
 - alternative investment opportunities; and
 - a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (“**DCF**”). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

1.4 COMPARABLE MARKET TRANSACTIONS

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

1.5 NET ASSETS (NAV) OR COST BASED

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

1.6 METHODOLOGY SELECTED

We have assessed the fair market value of the Business to be sold by determining the market value of the business as a going concern, together with the realisable value of any surplus assets and deducting net borrowings.

We chose to calculate the fair market value of the Businesses to be sold using two different methods, being the Capitalisation of Maintainable Earnings for the IT Business, and Net Assets method for the Cloud Business.

Our reasons for undertaking such an approach are as follows:

- Whilst management provided us with financial forecasts for the period to FY 2015, we determined that we could not project long term future forecast cash flows with any degree of certainty and then discount these cash flows back to present value;

- The IT Business segment will, in our opinion, continue to operate as a going concern at approximately the same level;
- There is an adequate number of comparable listed entities on the Australian Securities Exchange (“**ASX**”), which provided meaningful data that we were able to analyse in order to determine the current valuation multiples being applied by the market to similar companies with similar operations;
- The Cloud Business segment is not currently profitable. Management of the Company has indicated that with further time and effort, the business could operate profitably;
- The Cloud Business has considerable assets which are of value.

2. Valuation of Businesses to be Sold

As set out in Section 1.6 of this **Appendix**, we have assessed the fair market value of the two Businesses to be sold using the Capitalisation of Maintainable Earnings method and the Net Assets method, respectively.

2.1 CAPITALISATION OF MAINTAINABLE EARNINGS

The Capitalisation of Maintainable Earnings method estimates fair market value by capitalising future earnings using an appropriate multiple and adding any surplus non-operating assets. In order to perform a valuation under this method we are required to determine the following:

- an estimate of future maintainable earnings
- an appropriate earnings multiple
- an appropriate premium for control
- the value of any surplus assets.

Our considerations in respect of each of these factors that contributed to our fair value calculation for the IT Business are discussed separately below.

2.2 FUTURE MAINTAINABLE EARNINGS

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected the IT Business's earnings before interest, tax, depreciation and amortisation of intangibles (EBITDA) as an appropriate measure of earnings for the IT Business to be sold. In this case, EBITDA eliminates earnings discrepancies caused by different financing structures for property, plant and equipment within the IT and telecommunications industries.

In selecting a future maintainable EBITDA, we considered the following information:

- Management's detailed financial model, which we reviewed, discussed and tested with management
- The Company's unreported performance for the first months of FY15
- Management's current forecasts of a full year FY15 EBITDA are consistent with the performance during FY14.
- Management's confidence in the Company's ability to continue generating a similar level of profits from the IT Business from this point forward.

We have normalised the EBITDA for the IT Business to remove corporate costs associated with the Board, which is an allocation independent of the operational requirements and performance of the IT Business.

Table L – Normalised EBITDA for IT Business

Financial Information (all figures in \$ millions)	
	IT
Revenue	34.29
COGS	- 19.22
Gross Profit	15.07
General Expenses	- 11.21
Corporate Allocation	- 3.37
EBITDA	0.49
Adjustment for Board costs	0.84
Normalised EBITDA	1.33

Based on the above considerations, we determined to use management's current FY14 EBITDA of \$1.33 million as the future maintainable EBITDA of the IT Business. Our review indicated that the estimates provided by management and the assumptions underlying these were reasonable.

2.3 EARNINGS MULTIPLE

We have assessed an earnings multiple in the range of 5.2x to 7.8x EBITDA on a privately held control basis. The calculated median of this range was 6.5x.

In selecting our earnings multiples, we considered the following:

- Earnings multiples derived from share market prices of comparable listed companies; and
- Any appropriate premium for control or discount for illiquidity.

Market trading multiples

We identified six Australian listed companies comparable with Anittel that also operate in the telecommunication and IT industries. The forward EBITDA multiples of these listed comparable companies are summarised below in

Table M. The multiples listed in the table are based on the listed market price, which represents their value on a minority portfolio interest basis.

Table M – Comparable Company EBITDA Multiples

Company Name	Market Cap (mil)	Enterprise	
		Value (mil)	EV/EBITDA
RXP Services Ltd	85	66	7.06
CPT Global Ltd	26	24	7.14
Tel.Pacific Ltd	6	5	1.19
Inabox Group Ltd	17	14	5.94
TeamTalk Ltd	43	78	2.88
Oakton Ltd	170	168	11.82
Median			6.50

- We identified this list as Anittel's closest listed comparable companies, being businesses with similar attributes.

The median EBITDA multiple from our list of comparable companies was 6.5x, to which we applied a 20% discount/premium for a range of 5.2x to 7.8x. In our judgment and experience, the 20% discount/premium reflects the potential range within which a reasonable and fair transaction might be negotiated between two parties at arms' length.

Premiums and Discounts

Control

The multiples presented in our peer group table are based on minority portfolio holdings. In other words, trading multiples reflect what the market is currently willing to pay for a minority interest in these companies and not a controlling stake. The difference between the market value of a controlling interest and a minority interest is referred to as a premium for control.

The 2013 RSM Bird Cameron Study on control premium reported a median control premium of 29%. Based on our experience, a premium for control of between 20% and 40% is a general rule-of-thumb range typically observed in change of control transactions.

Small Business

Whilst the presented peer group represent similar companies, they are (other than in one exception), larger than the Business to be sold. As such it would be appropriate to apply a small business discount between 10% - 30% to the valuation.

Market Liquidity

The presented companies are all listed on a stock exchange. The Business to be sold whilst held by Anittel, cannot be easily separated from the Anittel Group. Whilst the whole of business can be sold, this does not equate to the same liquidity as a separately listed company. A market liquidity discount is historically between 20% - 40%.

Net Premium/Discount

Given the ranges and possible variations in premium and discounts, we believe 20% either side of the median EBITDA multiple is an appropriate range for the purposes of this valuation.

2.4 SURPLUS ASSETS

Management has advised that there are no assets associated with the Businesses that do not contribute to the operations of the Company, and we have identified no surplus assets during the course of our review. Consequently, no value has been placed on surplus assets.

2.5 NET DEBT

As at 30 June 2014, debt attributable to the Businesses is \$4.3 million, relating to the Cloud Business. This amount has been included as part of the Net Asset calculation. No material debt is attributable to the IT Business.

2.6 VALUATION: IT BUSINESS

The following table sets out the range of fair market values we have calculated for the IT Business using the capitalisation of earnings method and based on maintainable earnings of \$1.45 million:

Table N – IT Valuation Calculation

Capitalisation of maintainable earnings <i>(all figures in \$ millions)</i>			
	Low	Mid	High
Multiple range	5.2x	6.5x	7.8x
FY14a EBITDA	\$1.33	\$1.33	\$1.33
Value of IT Business	\$6.89	\$8.61	\$10.34

We have calculated an equity value for the IT Business to be between \$6.89m and \$10.34m, with a midpoint of \$8.61m.

2.7 VALUATION: CLOUD BUSINESS

The following table sets out the fair market values we have calculated for the Cloud Business using the Net Assets method:

Table O – Cloud Valuation Calculation

Net Assets Valuation <i>All figures in \$'000</i>	
	Cloud
Assets	
Computer Equipment	\$2,154
Software	\$751
Warranty	\$62
TMD Project	\$1,871
Total Assets	\$4,838
Debt	
Finance Lease- Short Term	\$887
CBA Loan- Short Term	\$60
Finance Lease - Long Term	\$3,271
CBA Loan - Long Term	\$120
Total Debt	\$4,338
Net Assets	\$500

We have calculated the equity value for the Cloud Business to be \$0.50m.

Appendix B - Financial Services Guide

Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 10 November 2014.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) ("**Nexia**") holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by Anittel ("**AYG**" or "**the Company**") to provide an Independent Experts Report ("**the Report**") for inclusion with the Notice of Meeting of Shareholders to be held in late November 2014 to consider resolutions associated with the issue of securities under Section 611 of the Corporations Act.

The Corporations Act, 2001 requires Nexia to provide this Financial Services Guide ("FSG") in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by Anittel in conjunction with this Report or the Proposal. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the Company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report, Nexia will receive a fee \$20,000 plus reimbursement of out-of-pocket expenses from Anittel. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

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PORT **FINANCIAL SERVICES** **SUCCESSION LITIGATION**
G BUSINESS COMPLIANCE FORENSIC ACC
SUPERANNUATION
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ON CONSULTING CORPORATION
ON **AUDIT & ASSURANCE SER**
G **AUDIT & INTERNAT**

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Independent member of Nexia International



**ANITTEL GROUP LIMITED
PROXY FORM FOR 2014 ANNUAL GENERAL MEETING**

STEP 1 – Appointment of Proxy

I/We _____
of _____

am/are a member of Anittel Group Limited (ACN 009 805 298) and I/we appoint as my/our proxy:

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Annual General Meeting of the Company, to be held at the registered office of Anittel Group Limited, Level 10, 132 Arthur Street, North Sydney, NSW, 2060 on Thursday, 18 December 2014 at 11:00 a.m. AEDT to vote for me/us at the Meeting and at any adjournment of it. If 2 proxies are being appointed the proportion of voting rights this proxy is authorised to exercise is%. (The Company will supply an additional form on request).

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Campbell Corfe as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve the sale of Anittel’s Sale Business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Equal Capital Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of additional placement 10% capacity under ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman intends to vote all undirected proxies in favour of all Resolutions. If you do not wish to direct your proxy on how to vote, please tick this box: .

By ticking this box, I/we expressly authorize the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 1 (except where I/we have indicated a different voting intention above) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel and/or even if the Chairman of the Meeting has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

STEP 3 – Please sign here. This section must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact NameContact Daytime Telephone Date / / 2014

PROXY INSTRUCTIONS: A member entitled to attend and vote at a meeting is entitled to appoint not more than 2 proxies. Where more than 1 proxy is appointed, each proxy may be appointed to represent a specific portion of the member’s voting rights. A proxy need not be a member of the Company. A proxy form must be signed by the member or his or her attorney. Proxies given by corporations must either be signed under seal or under the hand of a duly authorised officer of attorney. To be valid, the form appointing the proxy and the Power of Attorney or other authority (if any) under which it is signed (or a certified copy) must be lodged with:

Anittel Group Limited, Attn: The Company Secretary. By Mail: Level 10, 132 Arthur Street, North Sydney, NSW, 2060 or by Fax: 1300 88 67 83. **By Not later than 11:00 a.m. on Tuesday 16 December 2014.**

YOUR VOTE IS IMPORTANT FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 11.00AM AEDT ON TUESDAY, 16 DECEMBER 2014