

BigAir Group Limited
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19 February 2013

The Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Attention: Company Announcement Officer

Dear Sir / Madam

Appendix 4D and Interim financial report 31 December 2012

In accordance with Listing Rule 4.2A, please find attached the Half-Year Appendix 4D and Interim Financial Report for the half-year ended 31 December 2012.

It is recommended that these half-year reports be read in conjunction with the Annual Report for the year ending 30 June 2012 and any public announcements made by the company during the half-year.

Yours sincerely

A handwritten signature in black ink, appearing to read "C Chapman", written over a horizontal line.

Charles Chapman
Company Secretary

About BigAir Group Limited

BigAir owns and operates Australia's largest metropolitan fixed wireless broadband network. The Australian business market comprises nearly one million businesses and BigAir's network provides near blanket coverage across its largest cities including Sydney, Melbourne, Brisbane, Perth, Adelaide, Newcastle, Gold Coast, Sunshine Coast and Darwin, with further rollout currently underway. BigAir provides broadband and data services primarily through its channel partners who include ISPs, Carriers, and other IT service companies who have existing relationships with business customers in order to deliver BigAir's high speed, cost effective fixed wireless broadband solutions. BigAir also provides services directly to corporates with bespoke requirements.

The BigAir Community Broadband division is the leading provider of outsourced managed Internet services in the tertiary student accommodation market within Australia, with network infrastructure at more than 130 sites nationally, servicing large common areas and more than 29,000 beds. BigAir is able to provide a complete end to end solution for student accommodation providers including both wireless and wired infrastructure delivering high speed broadband along with its advanced billing systems and 24/7 operational support systems.

BigAir's competitive infrastructure advantage includes its state-of-the-art carrier-grade fixed wireless network which allows installation of dependable symmetric broadband services at speeds up to and beyond 1000Mbps with installation taking as little as a few hours. BigAir links are also relocatable for those customers with short-term or project-based requirements. Customers rely on BigAir for critical network infrastructure and BigAir ensures their peace-of-mind with industry-leading service level agreements.

For further information please visit www.bigair.com.au.

BigAir Group Limited

APPENDIX 4D

Half-year Report 31 December 2012

(ABN 57 098 572 626)

Results for announcement to market

Current reporting period – half-year ended 31 December 2012

Previous corresponding reporting period – half-year ended 31 December 2011

Results				A\$
Revenues from ordinary activities	Up	36%	To	14,970,055
EBITDA	Up	18%	To	5,396,413
Underlying EBITDA*	Up	20%	To	5,492,491
Profit from ordinary activities after tax attributable to members (NPAT)	Up	3%	To	2,031,736
Net profit for the period attributable to members	Up	3%	To	2,031,736
Underlying NPAT*	Up	15%	To	2,370,791

Dividends	\$1,623,573 on 28 September 2012.
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Commentary on results for the period

- a. Acquisition costs associated with business combinations amounting to \$361,521 have been included in EBITDA for the current reporting period.
- b. Amortisation of acquired customer bases amounting to \$388,285 have been included in NPAT for the current period.
- c. Other income associated with purchase price adjustments of business combinations amounting to \$265,443 have been excluded from both underlying EBITDA* and underlying NPAT*.

* BigAir Group Limited considers underlying EBITDA and underlying NPAT to be a more suitable indicator of operating performance since it is not affected by one-off costs and amortisation of acquired customer bases associated with business combinations. Please refer to note 7 below.

For further information on the results for the period refer to the review of operations section of the attached director's report.

Supplementary information

1. Net tangible assets per security	Current period	Previous corresponding Period
Net tangible assets per security (cents)	6.2 cents	6.0 cents

BigAir Group Limited
APPENDIX 4D
Half-year Report 31 December 2012
(ABN 57 098 572 626)

2. Details of entities over which control has been gained during the period

None during the period.

3. Details of dividend payments

In respect of the financial year ended 30 June 2012, a maiden partially franked (19%) dividend of \$1,623,573 was declared with a payment date of 28 September 2012. No dividends have been paid during the previous period.

4. Dividend re-investment plan

No dividend re-investment plan is in operation.

5. Associates or joint ventures

The Group had no associates or joint ventures during or at the end of the period.

6. Audit/review

The financial statements are not subject to review dispute or qualification.

7. Reconciliation of underlying EBITDA and underlying NPAT

	Current period	Previous corresponding period
EBITDA	5,396,413	4,565,195
Acquisition purchase price adjustment	(265,443)	-
Deal and restructure costs	361,521	9,494
Underlying EBITDA	5,492,491	4,574,689
NPAT	2,031,736	1,964,157
<i>After tax effect of:</i>		
Amortisation of acquired customer bases	271,800	88,554
Acquisition purchase price adjustment	(185,810)	-
Deal and restructure costs	253,065	6,647
Underlying NPAT	2,370,791	2,059,358

It is recommended that this report be read in conjunction with the Annual Report for the year ending 30 June 2012 and any public announcements made by the company during the half-year.

BigAir Group Limited

ABN 57 098 572 626

**Interim financial report
for the half-year ended 31 December 2012**

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

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BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Directors' Report

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2012.

Directors

The names of the directors who held office during or since the end of the half-year:

- Paul Tyler
- Vivian Stewart
- Jason Ashton
- Nigel Jeffries

Review of operations

The continued strong growth achieved by BigAir Limited over the past six months is a clear indication of the success of the Company's strategy to build a scalable and sustainable business that delivers strong returns to shareholders. In keeping with our dividend policy, our maiden dividend of 1 cent per share for the year ended 30 June 2012, was paid on 28 September 2012.

BigAir has a strong competitive position via its significant technical expertise, and extensive high speed network coverage. The Company has made a substantial investment over the past few years in building its own wireless network, and is now seeing the benefits of this investment flow through to improved earnings.

Acquisitions

BigAir's Business Fixed Wireless division was boosted by the acquisitions of Allegro Networks and Link Innovations in June 2012. Allegro provides BigAir with a substantial network covering South East Queensland, as well as an exclusive partnership with Unilodge and Student Housing Australia to further build our student accommodation business. Link Communications added a strong regional footprint and corporate sales focus to BigAir's existing metropolitan business.

The integration of these businesses is on track and expected to be completed before the end of this financial year. Synergies are now being realised, with the full amount expected to be unlocked within 12 months. Once combined, these fully integrated businesses are expected to generate more than \$2.5 million of additional run-rate EBITDA for BigAir.

Financial Performance

Key highlights include:

- Revenue up 36% to \$14.97m
- Gross Profit up 30% to \$10.5m
- Underlying EBITDA* up 20% to \$5.49m
- Underlying NPAT* up 15% to \$2.37m (Underlying NPAT ex Allegro \$2.66m)
- Operating cashflow up 19% to \$4.48m
- Strong balance sheet, zero debt; cash balance of \$1.47m at 31 December 2012

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Directors' Report (cont)

* BigAir Group Limited considers underlying EBITDA and underlying NPAT to be a more suitable indicator of operating performance since it is not affected by one-off costs and amortisation of acquired customer bases associated with business combinations. For a reconciliation of underlying EBITDA and underlying NPAT please refer to note 7 of our Appendix 4D.

Business Outlook

Substantial opportunities exist for the Company to leverage further growth in the fixed wireless broadband market.

The business fixed wireless division is expected to benefit from the growth in application traffic such as HD video and cloud computing which is driving increased demand for high bandwidth services. The BigAir fixed wireless network can already deliver speeds offered by the Government's planned NBN network (100M - 1000M). Furthermore as more business critical applications are moved into the Cloud companies will require alternate paths, both wired and wireless, to ensure uninterrupted access to these applications. As a result BigAir is experiencing strong growth for its services as part of disaster recovery planning for medium and large organisations.

With the recent acquisition of Link Innovations the fixed wireless division is seeking to capitalise on the pent up demand from businesses operating in key regional markets that require access to faster data services. The Company will continue to target strategic acquisition opportunities in business fixed wireless in both metropolitan and regional markets including both wireless infrastructure operators along with niche providers of managed services. Lastly it is very likely we will see changes to the NBN rollout and technology mix in an election year which may lead to further opportunities in wholesale fixed wireless.

BigAir expects strong growth to continue for the Community Broadband business with a focus on increasing average penetrations at several major sites including the recently acquired Allegro division which has historically operated at much lower penetration versus the BigAir sites. The second half of FY13 will also benefit from 1,000 new beds coming online at the University of Western Australia in February 2013. In addition we see an opportunity to continue to increase ARPU through the structuring of new high speed data plans and the bundling of multiple services. In the longer term we expect ongoing rental shortages to lead to greater investment by universities and private operators to boost accommodation capacity.

In addition to the tertiary student accommodation market the Community Broadband division is now taking advantage of some emerging Public WiFi opportunities. BigAir was selected in mid-2012 to deploy a managed WiFi solution in several high profile properties including the Queen Victoria Building. BigAir is responsible for the deployment and ongoing management of the infrastructure and also provides backhaul and Internet access via its fixed wireless network.

BigAir was also recently awarded a contract by the Sunshine Coast Regional Council to deploy a managed WiFi solution across 24 sites. The company will continue to identify targeted acquisition opportunities in similar verticals such as mining accommodation which can leverage infrastructure, systems and scale benefits.

With a world class wireless broadband network, near blanket coverage across major Australian cities, and exceptional technical capabilities, the Company is well placed to continue growing shareholder value.

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Directors' Report (cont)

Auditor's independence declaration

The lead auditor's independence declaration under s307C of the Corporations Act is set out on page 6 of the half-year financial report, and forms part of this report.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Paul Tyler', with a long horizontal stroke extending to the right.

Paul Tyler
Non-Executive Chairman
Director

Sydney, 19 February 2013

Grant Thornton Audit Pty Ltd
ACN 130 913 594

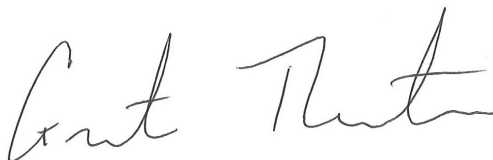
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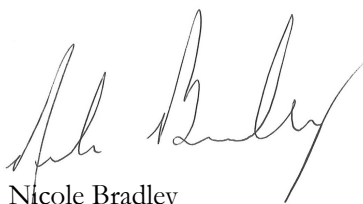
**Auditor's Independence Declaration
To The Directors of BigAir Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of BigAir Group Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Nicole Bradley
Partner - Audit & Assurance

Sydney, 19 February 2013

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Independent Auditor's Review Report To the Members of BigAir Group Limited

We have reviewed the accompanying half-year financial report of BigAir Group Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of BigAir Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the BigAir Group Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of BigAir Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

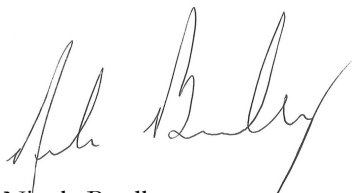
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BigAir Group Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Nicole Bradley
Partner - Audit & Assurance

Sydney, 19 February 2013

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2012

	Consolidated	
	Half-Year Ended 31 December 2012 \$	Half-Year Ended 31 December 2011 \$
Revenue	14,970,055	10,974,080
Cost of sales	(4,514,164)	(2,915,760)
Gross profit	10,455,891	8,058,320
Other revenue	2,799	66,807
Other income	265,443	18,327
Employee benefits expense	(2,851,566)	(2,030,635)
General administration expense	(2,173,724)	(1,175,288)
Depreciation and amortisation expenses	(2,284,433)	(1,802,019)
Occupancy expense	(299,631)	(305,531)
Finance costs	(16,183)	-
Profit before income tax	3,098,596	2,829,981
Income tax expense	(1,066,860)	(865,824)
Profit for the period	2,031,736	1,964,157
Other comprehensive income	-	-
Total comprehensive income for the period	2,031,736	1,964,157
Total comprehensive income attributable to:		
- members of the parent entity	2,031,736	1,964,157
- non-controlling interest	-	-
	2,031,736	1,964,157
Earnings per Share:		
From continuing operations:		
Basic earnings per share (cents)	1.25	1.30
Diluted earnings per share (cents)	1.24	1.30

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

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Consolidated Statement of Financial Position as at 31 December 2012

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Current Assets		
Cash and cash equivalents	1,468,282	1,030,996
Trade and other receivables	1,906,979	1,871,532
Inventories	134,624	141,814
Other assets	493,214	602,814
Total Current Assets	4,003,099	3,647,156
Non-Current Assets		
Trade and other receivables	180,973	171,929
Property, plant and equipment	14,408,727	13,547,023
Deferred tax assets	1,231,477	338,743
Goodwill	15,764,587	16,782,324
Other intangible assets	3,379,095	2,203,890
Total Non-Current Assets	34,964,859	33,043,909
Total Assets	38,967,958	36,691,065
Current Liabilities		
Trade and other payables	2,592,333	2,872,708
Deferred acquisition payments	2,592,164	2,155,519
Income received in advance	141,084	319,157
Current tax liabilities	2,065,810	1,224,140
Provisions	534,178	595,513
Borrowings	3,191	14,304
Total Current Liabilities	7,928,760	7,181,341
Non-Current Liabilities		
Deferred tax liabilities	421,113	-
Provisions	172,830	158,374
Borrowings	139,190	213,956
Total Non-Current Liabilities	733,133	372,330
Total Liabilities	8,661,893	7,553,671
Net Assets	30,306,065	29,137,394
Equity		
Issued capital	27,540,342	26,974,670
Reserves	400,909	206,073
Accumulated profits	2,364,814	1,956,651
Total Equity	30,306,065	29,137,394

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

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Consolidated Statement of Equity for the half-year ended 31 December 2012

	Issued Capital \$	Employee equity- settled benefits \$	Accumulated profits \$	Non- controlling interest \$	Total \$
Balance at 1 July 2011	22,815,330	161,237	(2,430,069)	-	20,546,498
Total comprehensive income for the period	-	-	1,964,157	-	1,964,157
Subtotal	-	-	1,964,157	-	1,964,157
Issue of shares on business acquisition - Unistar	119,481	-	-	-	119,481
Issue of shares to employees	73,500	-	-	-	73,500
Options reserve on recognition of bonus elements of options	-	8,677	-	-	8,677
Transfer from reserves to retained earnings	-	(161,237)	161,237	-	-
Balance at 31 December 2011	<u>23,008,311</u>	<u>8,677</u>	<u>(304,675)</u>	<u>-</u>	<u>22,712,313</u>
Balance at 1 July 2012	26,974,670	206,073	1,956,651	-	29,137,394
Total comprehensive income for the period	-	-	2,031,736	-	2,031,736
Subtotal	-	-	2,031,736	-	2,031,736
Issue of shares on business acquisition - Unistar	155,076	-	-	-	155,076
Issue of shares for employee bonuses	106,976	-	-	-	106,976
Issue of shares converted from options	303,620	-	-	-	303,620
Employee share-based payment options	-	194,836	-	-	194,836
Dividends paid	-	-	(1,623,573)	-	(1,623,573)
Balance at 31 December 2012	<u>27,540,342</u>	<u>400,909</u>	<u>2,364,814</u>	<u>-</u>	<u>30,306,065</u>

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

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Consolidated Statement of Cash Flows for the half-year ended 31 December 2012

	Consolidated	
	Half-year ended 31 December 2012 \$	Half-year ended 31 December 2011 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	15,781,435	11,492,109
Payments to suppliers and employees	(11,182,868)	(7,769,515)
Interest received	2,799	66,807
Finance costs	(16,183)	-
Income tax paid	(103,044)	(6,003)
Net cash provided by operating activities	4,482,139	3,783,398
<i>Cash flows from investing activities</i>		
Payments for intangible assets	(279,280)	(304,574)
Payments for plant and equipment	(2,446,692)	(2,132,609)
Net cash used in investing activities	(2,725,972)	(2,437,183)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	300,096	-
Repayment of borrowings	(85,879)	(11,114)
Dividends paid	(1,533,098)	-
Net cash used in financing activities	(1,318,881)	(11,114)
<i>Net increase in cash held</i>	437,286	1,335,101
<i>Cash and cash equivalents at the beginning of the half-year</i>	1,030,996	2,769,256
<i>Cash and cash equivalents at the end of the half-year</i>	1,468,282	4,104,357

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

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Notes to the Financial Statements for the half-year ended 31 December 2012

1. Basis of preparation

These general purpose interim financial statements for the half-year financial reporting period ended 31 December 2012 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of BigAir Group Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2012, together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Change in accounting estimates

During the half-year financial reporting period, the Group completed a review of its fixed asset lives. After reviewing the most recent Taxation Ruling on the effective life of depreciating assets, the Group determined that actual lives for a certain asset category was generally longer than the useful lives for depreciation purposes and this would be consistent with other similar asset categories. Therefore, the Company extended the estimated useful lives of this asset category, effective 1 July 2012. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation expense of the Group for the half-year has been reduced by \$572,361.

Going concern basis of accounting

The consolidated interim financial statements have been prepared on a going concern basis. As at 31 December 2012, current liabilities exceed current assets by \$3.9m. However it is noted that current liabilities include one-off costs of \$2.6m for payments for acquisitions and a current tax provision of \$2.1m. Management believe that the Group has adequate resources to continue in operational existence for the foreseeable future and note that the Group has no debt and would be able to plan for equity raisings or enter into a banking facility to meet its funding requirements.

New and revised accounting standards applicable for the first time to the current half-year reporting period

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group, including:

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* which require entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Notes to the Financial Statements for the half-year ended 31 December 2012

1. Basis of preparation (cont)

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in the title of 'statement of comprehensive income' being changed to 'statement of profit or loss and other comprehensive income'.

These financial statements were authorised for issue by the board of directors on 19 February 2013.

2. Operating segments

Identification of reportable segments

The Group identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

(i) Fixed Wireless for Business

The BigAir fixed wireless broadband network consists of high speed infrastructure in the form of wireless basestations which are located on prominent rooftops in CBD areas and also on communication towers in regional areas. Each basestation can support hundreds of concurrent customers. Office buildings are connected to this network using carrier-grade wireless equipment with different types of equipment used for different customer applications. This division targets both the direct and wholesale Corporate communications market.

(ii) BigAir Community Broadband

The BigAir Community broadband division delivers managed high speed infrastructure to communities and includes the provision of fast and affordable Internet using Ethernet and high speed WiFi infrastructure. The focus of this segment is currently on the tertiary student accommodation segment however this is expected to expand to other markets in future years. The Community Broadband division makes use of high speed backhaul infrastructure delivered using the Fixed Wireless division.

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Notes to the Financial Statements for the half-year ended 31 December 2012

2. Operating segments (cont)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on management's estimate of time taken to service the business segment or based on the minimum expense required to service the business unit as a stand-alone business. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. No interest is charged on inter-segment loans.

The Group operates in one geographical area being in Australia.

The Group did not undertake any new operations and it did not discontinue any of its existing operations during the year.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

BigAir Group Limited and Controlled Entities

Interim financial report

(ABN 57 098 572 626)

Notes to the Financial Statements for the half-year ended 31 December 2012

2. Operating segments (cont)

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- intangible assets; and
- discontinuing operations.

The following is an analysis of the revenue and results for the period, analysed by business segment, being the Group's basis of segmentation. All revenue is earned and all assets are located in Australia.

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Notes to the Financial Statements for the half-year ended 31 December 2012

2. Operating segments (cont)

(i) Segment performance

	Fixed wireless		Community broadband		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$	\$	\$	\$	\$	\$
Revenue						
External sales	12,064,933	8,954,823	4,080,714	2,558,170	16,145,647	11,512,993
Intersegment sales	(1,175,592)	(538,913)	-	-	(1,175,592)	(538,913)
Sales revenue	10,889,341	8,415,910	4,080,714	2,558,170	14,970,055	10,974,080
Interest revenue	2,760	60,813	39	5,994	2,799	66,807
Total group revenue	10,892,101	8,476,723	4,080,753	2,564,164	14,972,854	11,040,887

Segment net profit from continuing operations before tax

	Fixed wireless		Community broadband		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$	\$	\$	\$	\$	\$
	4,085,805	4,055,696	2,472,816	1,115,217	6,558,621	5,170,913

Reconciliation of segment result to group net profit before tax:

i. Amounts not included in segment result but reviewed by the Board:

Elimination of intersegment profits	-	9,583	(1,175,592)	(548,496)	(1,175,592)	(538,913)
Depreciation and amortisation	(2,061,445)	(1,608,755)	(222,988)	(193,264)	(2,284,433)	(1,802,019)
Impairment expense	-	-	-	-	-	-
Net profit before tax from continuing operations	2,024,360	2,456,524	1,074,236	373,457	3,098,596	2,829,981

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2. Operating segments (cont)

(ii) Segment assets

	Fixed wireless		Community broadband		Total	
	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012
	\$	\$	\$	\$	\$	\$
Segment assets	64,374,048	36,183,440	12,049,317	7,961,721	76,423,365	44,145,161
Segment asset additions for the period:						
Capital expenditure	2,169,489	3,797,513	277,203	403,171	2,446,692	4,200,684
Acquisitions	-	5,365,387	-	437,797	-	5,803,184
Reconciliation of segment assets to group assets:						
Intersegment eliminations	(33,824,642)	(29,973,958)	(10,688,028)	(6,831,469)	(44,512,670)	(36,805,427)
Deferred tax assets	1,226,162	333,428	5,315	5,315	1,231,477	338,743
Intangible assets	2,900,341	18,795,006	478,753	213,714	3,379,094	19,008,720
Total group assets	36,845,398	34,500,816	2,122,560	2,190,249	38,967,958	36,691,065

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2. Operating segments (cont)

(iii) Segment liabilities

	Fixed wireless		Community broadband		Total	
	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012
	\$	\$	\$	\$	\$	\$
Segment liabilities	39,204,541	24,036,442	12,680,579	9,429,304	51,885,120	33,465,746
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	(33,550,501)	(18,394,707)	(12,302,030)	(8,969,768)	(45,852,531)	(27,364,475)
Other financial liabilities	139,190	213,956	3,191	14,304	142,381	228,260
Current tax liabilities	2,059,676	1,218,006	6,134	6,134	2,065,810	1,224,140
Deferred tax liabilities	421,113	-	-	-	421,113	-
Total group liabilities	8,274,019	7,073,697	387,874	479,974	8,661,893	7,553,671

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3. Acquisition of a business

(a) Allegro Networks

On 31 May 2012, the Group entered into a binding agreement to acquire all of the shares in Allegro Networks Pty Ltd and RadioCorp Pty Ltd ("Allegro"). Allegro is a Queensland based Telecommunications carrier founded in 2005 that has its own high speed wireless network providing blanket coverage over South East Queensland – extending from the Gold Coast through Brisbane and the Sunshine Coast and the growth corridors in between. Allegro is also extending its fixed wireless network into the key regional growth markets of Gladstone and Mackay. In 2006 Allegro invested in licensed 3.5GHz spectrum and built Australia's first certified WiMAX network. Allegro is an established supplier in the tertiary student accommodation Internet market, currently servicing more than 60 sites that contain approximately 8,000 student beds.

Allegro has been consolidated into the Group from the date of control which was 31 May 2012.

	Consolidated	
	Acquiree's carrying amount	Fair Value
	\$	\$
Fair value of consideration transferred		
Cash		3,750,000
Equity issued		3,750,000
Revenue earn-out		600,000
		<u>8,100,000</u>
Less:		
Cash and cash equivalents	(2,026)	(2,026)
Receivables	203,065	203,065
Inventories	127,391	127,391
Other assets	169,711	169,711
Property, plant and equipment	4,096,820	4,096,255
Intangibles	359,073	359,073
Customer base	-	666,789
Deferred tax liabilities	-	(200,037)
Payables	(1,140,780)	(1,246,799)
	<u>3,813,254</u>	<u>4,173,422</u>
Identifiable assets and liabilities assumed		<u>4,173,422</u>
Goodwill on acquisition		<u><u>3,926,578</u></u>

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Notes to the Financial Statements for the half-year ended 31 December 2012

3. Acquisition of a business (cont)

(a) Allegro Networks (cont)

Consideration transferred settled in cash	3,750,000
Cash and cash equivalents acquired	2,026
Net cash outflow on acquisition	3,752,026
Acquisition costs charged to expenses	(242,740)
Net cash paid relating to the acquisition	3,509,286

The initial accounting for this business combination is only provisionally complete as the acquisition occurred on 31 May 2012. The accounting will be finalised 12 months after the acquisition. The assessment of the fair values of the identifiable net assets acquired of Allegro is preliminary, but the Group does not anticipate any significant changes upon the finalisation of the evaluation. Included in the intangibles and property, plant and equipment above are certain assets that cannot be individually separated and reliably measured from the acquiree due to their nature.

Consideration transferred

The acquisition of Allegro was settled in cash of \$3,750,000. Acquisition-related costs amounting to \$242,740 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or loss and Other Comprehensive Income, as part of 'General administration expense'. The Group acquired Allegro for an aggregate purchase price of \$8.1m comprising:

- \$3,750,000 cash and \$3,750,000 worth of BigAir shares (based on the 5 day volume weighted average price of BigAir shares as at 31 May 2012 which is 36.8c);
- Capped revenue earn-out of up to \$600,000 payable within 30 days of the release of Allegro's FY2013 audited accounts. For an earn-out to be payable, Student Revenue in FY2013 must exceed \$2.2 million or Non Student Revenue must exceed \$3.3 million in FY2013.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$203,065, with a gross contractual amount of \$203,065.

Goodwill

Goodwill of \$3,926,578 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Allegro's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 31 December 2012. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Allegro's contribution to the Group results

Revenue generated from the acquisition of Allegro included in the consolidated revenue of the Group for the reporting period amounted to \$2,315,234. Net loss before taxation generated from the acquisition of Allegro included in the consolidated profit of the Group for the reporting period amounted to \$647,300.

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Notes to the Financial Statements for the half-year ended 31 December 2012

3. Acquisition of a business (cont)

(b) Link Innovations

On 29 June 2012, the Group entered into a share sale agreement to acquire all of the shares in fixed wireless network operator Link Innovations Pty Ltd ("Link"). Link Innovations operates its own high-speed business to business Fixed Wireless Ethernet Broadband network. The network spans throughout Sydney, Melbourne, Perth, Brisbane, Newcastle and a number of regional markets including Gosford, Coffs Harbour and Dubbo.

Link has been consolidated into the Group from the date of control which was 29 June 2012.

	Consolidated	
	Acquiree's	Fair Value
	carrying	
	amount	
	\$	\$
Fair value of consideration transferred		
Cash		800,000
Deferred cash		700,000
Equity issued		250,000
Revenue earn-out		271,759
		<u>2,021,759</u>
Less:		
Cash and cash equivalents	201,879	201,879
Receivables	250,318	273,459
Other assets	108,524	108,524
Property, plant and equipment	428,189	369,292
Customer base	-	905,236
Deferred tax liabilities	-	(271,571)
Payables	(718,134)	(955,197)
Borrowings	(321,618)	(213,957)
	<u>(50,842)</u>	<u>417,665</u>
Identifiable assets and liabilities assumed		<u>417,665</u>
Goodwill on acquisition		<u>1,604,094</u>
Consideration transferred settled in cash		800,000
Cash and cash equivalents acquired		<u>(201,879)</u>
Net cash outflow on acquisition		598,121
Acquisition costs charged to expenses		<u>(86,362)</u>
Net cash paid relating to the acquisition		<u>511,759</u>

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Notes to the Financial Statements for the half-year ended 31 December 2012

3. Acquisition of a business (cont)

(b) Link Innovations (cont)

The initial accounting for this business combination is only provisionally complete as the acquisition occurred on 29 June 2012. The accounting will be finalised 12 months after the acquisition. The assessment of the fair values of the identifiable net assets acquired of Link is preliminary, but the Group does not anticipate any significant changes upon the finalisation of the evaluation. Included in the intangibles and property, plant and equipment above are certain assets that cannot be individually separated and reliably measured from the acquiree due to their nature.

Consideration transferred

The acquisition of Link to date was settled in cash of \$800,000. Acquisition-related costs amounting to \$86,362 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of 'General administration expense'. The Group acquired Link for an aggregate purchase price of \$2.02m comprising:

- \$800,000 cash and \$250,000 worth of BigAir shares (based on the 5 day volume weighted average price of BigAir shares as at 29 June 2012 which is 37c);
- \$700,000 cash to be paid in 12 months;
- Capped revenue earn-out of up to \$271,759 payable within 30 days of the finalisation of FY2013 audited accounts based on revenue achievement with the minimum revenue hurdle of \$2.4 million.
- Variable payment of up to \$500,000 in cash payable within 30 days of the finalisation of FY2013 audited accounts based on revenue achievement with the minimum revenue hurdle of \$2.4 million. The Group has provisionally provided \$271,759 as of 31 December 2012.
- Variable payment of up to \$500,000 in cash payable within 30 days of the finalisation of FY2014 audited accounts based on revenue achievement with the minimum revenue hurdle of \$3 million.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$273,459, with a gross contractual amount of \$273,459.

Goodwill

Goodwill of \$1,604,094 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Link's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 31 December 2012. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Link's contribution to the Group results

Revenue generated from the acquisition of Link included in the consolidated revenue of the Group since acquisition date on 29 June 2012 for the reporting period of 31 December 2012 amounted to \$1,181,387. Net profit before taxation generated from the acquisition of Link included in the consolidated profit of the Group for the reporting period of 31 December 2012 amounted to \$186,138.

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4. Contingent liabilities

There has been no change in contingent liabilities since the end of the last annual reporting date.

5. Dividends

	Amount per Security (cents)	Partially Franked Amount per Security at 19% of Tax
Final dividend for the year ended 30 June 2012 paid on 28 September 2012	1.0	1.0

There were no dividends paid for the previous corresponding period.

6. Events subsequent to reporting date

There have been no events subsequent to reporting date.

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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 24, are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Paul Tyler
Non-Executive Chairman
Director

Sydney, 19 February 2013