FRESHTEL HOLDINGS LTD
ACN 111 460 121

Preliminary Accounts Appendix 4E

FRESHTEL HOLDINGS LIMITED and its Controlled Entities

Reporting Period (year ended)
30 June 2013

Previous Corresponding Period
30 June 2012

Results for announcement to the market

	% change	30 June 2013	30 June 2012
Revenue from ordinary activities	-98	2,252	117,365
Loss from ordinary activities after tax attributable to members	+45	(162,775)	(362,763)
Net loss for the period attributable to members	+45	(162,775)	(362,763)
Basic loss per share (cents per share)	+33	(.02)	(.04)

Dividends	Nil	Nil
No dividends were declared or paid during the year.		

Review of Operations

With the VOIP business being sub-contracted out for the full year the Board and the Company was able to concentrate its efforts on finding a suitable investment project. During the year the Board identified several suitable investment projects particularly in the ISP and IT sectors. Some of these advanced to the due diligence stage and for various reasons discontinued. Currently there are pending negotiations subject to nonexclusive NDA agreements.

The Board has been, and continues to be, energetically active in pursuing opportunities that will add value for shareholders

The accounts presented are presently being audited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013 $	2012 $
Continuing operations			
Revenue	3	2,252	15,000
Other revenue	3	-	102,365
Impairment - inventories		-	(5,000)
Raw materials and consumables used		-	-
Employee benefits expense		(8,720)	(166,035)
Professional services expense		(96,148)	(232,155)
Depreciation and amortisation expense		-	(752)
Finance costs		-	-
Impairment of property plant and equipment		-	-
Occupancy and facilities expense		(29,586)	(69,692)
Listing and registry expense		(30,573)	
Other expenses		-	(6,494)
Loss before income tax		(162,775)	(362,763)
Income tax benefit		-	-
Net loss for the year		(162,775)	(362,763)
Total comprehensive loss for the year		(162,775)	(362,763)
Earnings per share			
Basic earnings per share (cents)	7	(0.02)	(0.04)
Diluted earnings per share (cents)	7	(0.02)	(0.04)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	127,205	41,364
Trade and other receivables	9	-	16,500
Prepayments	10	9,696	-
TOTAL CURRENT ASSETS		136,901	57,864
NON-CURRENT ASSETS			
Plant and equipment	12	-	-
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		136,901	57,864
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	27,090	28,963
Other Payables	14	-	-
TOTAL CURRENT LIABILITIES		27,090	28,963
NON-CURRENT LIABILITIES			
Other Payables	14	165,680	156,960
TOTAL NON-CURRENT LIABILITIES		165,680	156,960
TOTAL LIABILITIES		192,770	185,923
NET (DEFFICIENCY)/ASSETS		(55,869)	(128,059)
EQUITY			
Issued capital	15	38,902,110	38,654,777
Accumulated losses		(38,957,979)	(38,782,836)
TOTAL (DEFFICIENCY)/EQUITY		(55,869)	(128,059)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital	Accumulated Losses	Total equity
	$	$	$
Balance at 30 June 2011	**38,454,777**	**(38,420,073)**	**34,704**
At 1 July 2011	**38,454,777**	**(38,420,073)**	**34,704**
Loss for the year	-	(362,763)	(362,763)
Total comprehensive loss for the year	-	(362,763)	(362,763)
Transactions with owners in their capacity as owners			
Ordinary shares issued	200,000	-	200,000
Balance at 30 June 2012	**38,654,777**	**(38,782,836)**	**(128,059)**
At 1 July 2012	38,654,777	(38,782,836)	(128,059)
Loss for the year	-	(162,775)	(162,775)
Total comprehensive loss for the year	-	(162,775)	(162,775)
Transactions with owners in their capacity as owners			
Ordinary shares issued	247,332	-	247,332
less capital raising costs		(12,367)	(12,367)
Balance at 30 June 2013	**38,902,109**	**(38,957,978)**	**(55,869)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Group	
		2013	2012
		$	$
Cash Flows from Operating Activities			
Receipts from customers		-	9,075
Payments to suppliers and employees		(151,376)	(337,433)
Interest received		2,252	2,364
Finance costs		-	-
Proceeds from R&D tax concessions		-	-
Net cash used in operating activities	17	(149,124)	(325,994)
Cash Flows from Investing Activities			
Proceeds from sale of non-current assets		-	1
Proceeds from disposal of subsidiary		-	1
Net cash used in investing activities		-	2
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares	15	234,965	200,000
Net cash provided by financing activities		234,965	200,000
Net (decrease)/increase in cash held		85,841	(125,992)
Cash and cash equivalents at the beginning of the year		41,364	167,356
Cash and cash equivalents at the end of the year	8	127,205	41,364

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Freshtel Holdings Limited and Controlled Entities (the "consolidated group" or "group").

The financial statements were authorised for issue on 29th August 2013 by the directors of the company.

a. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b. Going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2013 was $162,775 (2012: $362,763).

The directors are of the view it is appropriate to prepare the financial report on a going concern basis due to the following:

- **In the financial year the company raised funds from share placements resulting in a net cash injection of $234,966;**
- **On 8 July 2013, the company raised funds from share placements resulting in a net cash injection of $58,000; and**
- **The budgeted business plan, to which the Board is fully committed, demonstrates the Group will be able to pay its debts as and when they fall due.**

In the event that the consolidated entity is unable to raise sufficient funds or to meet it's business plan in the future there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the financial report.

c. Principles of Consolidation

When Freshtel Holdings Limited acquired (as the legal parent) the Freshtel Australia Pty Limited Group of companies, the shareholders of Freshtel Australia Pty Limited (the legal subsidiary) obtained 63.1% of the shares in Freshtel Holdings Limited and therefore control of the combined entity. This financial report discloses the consolidated financial statements of the Group, with the above transaction accounted for as a reverse acquisition.

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Freshtel Holdings Limited at the end of the reporting period. A controlled entity is any entity over which Freshtel Holdings Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.
In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

d. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).
When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.
All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.
The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

e. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).
Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.
Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.
Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.
Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. At balance date there were no plant and equipment Assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. At balance date there were no assets subject to depreciation.

g. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

m. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.
All revenue is stated net of the amount of goods and services tax (GST).

n. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

o. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.
Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

s. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

t. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Group.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2012), AASB 128: Investments in Associates and Joint Ventures (August 2012) and AASB 2012–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 13: Fair Value Measurement and AASB 2012–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Group.

AASB 2012–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2013).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

AASB 119: Employee Benefits (September 2012) and AASB 2012–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2012) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2012–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2012) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2013 $	2012 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	136,899	57,862
TOTAL ASSETS	136,899	57,862
LIABILITIES		
Current liabilities	(25,977)	(27,850)
Non-current liabilities	(165,680)	(156,960)
TOTAL LIABILITIES	(191,657)	(184,810)
EQUITY		
Issued capital	49,211,159	48,963,826
Accumulated Losses	(49,265,916)	(49,090,774)
TOTAL EQUITY/DEFFICIENCY	(54,757)	(126,949)
STATEMENT OF COMPREHENSIVE INCOME		
Total loss for the year	(162,775)	(305,092)
Total comprehensive loss for the year	(162,775)	(305,092)

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2013 $	2012 $
Revenue:		
Provision of services	-	15,000
Interest received	2,252	2,364
Revenue from sale of subsidiary	-	100,001
	2,252	117,365

NOTE 4: INCOME TAX EXPENSE

Income tax recognised in profit or loss		
CurrentTax Expense in respect of year	-	-
Loss from continuing operations	(162,775)	(362,763)
Income tax expense calculated at 30% (2012: 30%)	(48,833)	(108,829)
Tax effects of non-deductibles		
R&D Tax deduction	-	-
Movement of deferred tax assets not recognised	48,883	108.829
Income Tax expense attributable to operating activities	-	-

Tax Losses

Unused tax losses for which no deferred tax asset has been recognised at 30%. (2012: 30%)	8,172,403	8,172,403

Gross tax losses carried forward as at 30 June 2013 are $27,299,199.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.
The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2013 $	2012 $
Payments in cash	60,000	60,000

KMP Shareholdings

The number of ordinary shares in Freshtel Holdings held by each KMP of the Group during the financial year is as follows:

30 June 2013	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Peter Buttery	67,639,418			(7,533,341)	60,106,077
Alex Alexander	-			43,383,230	43,383,230

30 June 2012	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Peter Buttery	53,439,410			6,666,667	60,106,077

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP (including loans), refer to Note 18: Related Party Transactions.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2013	2012
	$	$
Remuneration of the auditor for:		
auditing or reviewing the financial statements	34,147	37,717

NOTE 7: EARNINGS PER SHARE

		Consolidated Group	
		2013	2012
		$	$
a.	Reconciliation of earnings to loss:		
	Loss	(162,775)	(362,763)
	Loss used to calculate basic EPS	(162,775)	(362,763)
	Loss used in the calculation of dilutive EPS	(162,775)	(362,763)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	850,798,213	796,554,216
c.	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	850,798,213	796,554,216
d.	Basic and Diluted loss per share (cents)	(0.02)	(0.04)

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	127,205	41,362
	127,205	41,362

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	127,205	41,362
	127,205	41,362

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2013	**2012**
	$	**$**
CURRENT		
Trade receivables	-	16,500
	-	16,500

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

	Gross Amount $	Past Due and Impaired $	Past Due but Not Impaired (Days Overdue) < 30 $	31–60 $	61–90 $	> 90 $	Within Initial Trade Terms $
2013							
Trade and term receivables	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
2012							
Trade and term receivables	16,500	-	1,500	1,500	1,500	12,000	1,500
Total	16,500	-	1,500	1,500	1,500	12,000	1,500

NOTE 10: PREPAYMENTS

	Consolidated Group	
	2013	**2012**
	$	**$**
D & O Insurance	9,696	-
	9,696	-

NOTE 11: CONTROLLED ENTITIES

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2013	**2012**
Subsidiaries of ***Freshtel Holdings Limited*** :			
Freshtel Australia Pty Ltd	Australia	100	100
Freshtel Pty Ltd	Australia	100	100
Voicedot Networks Pty Ltd	Australia	100	100
Virbiage Pty Ltd	Australia	100	100

Acquisition of Controlled Entities

There were no acquisitions of controlled entities.

Disposal of Controlled Entities

There were no disposals of controlled entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 12: PLANT AND EQUIPMENT

There are no plant and equipment assets in the group.

	Consolidated Group	
	2013	**2012**
	$	**$**
NOTE 13: TRADE AND OTHER PAYABLES		
CURRENT		
Trade & other payables	27,090	28,963
NOTE 14: OTHER PAYABLES(a)		
Other Payables **- Non current**	165,680	156,960

(a) This relates to the directors' fees owing from previous year has been recognised as non-current liabilities as the directors have given an undertaking not to call on these fees for the next 12 months from date of signing this report. No directors fees were paid/payable during the financial year ended 30 June 2013.

NOTE 15: ISSUED CAPITAL

948,109,526 (2012: 824,433,066) fully paid ordinary shares	**38,889,742**	38,654,777

The company has authorised share capital amounting to 948,109,526 ordinary shares.

a. **Ordinary Shares**

At the beginning of the reporting period:	824,433,066	757,766,400
Shares issued during the year		
– 30/11/2011	-	66,666,666
– 13/07/2012	123,666,460	-
At the end of the reporting period	948,109,526	824,433,066

The issued capital of the consolidated entity comprises the value of the share capital of Freshtel Australia Pty Limited prior to the reverse acquisition of Freshtel Holdings Limited, the value of the share capital issued as a result of this reverse acquisition, and the share capital issued by the Group to outside shareholders by Freshtel Holdings Limited after the date of the acquisition, net of the costs associated with capital raising.

Ordinary shares entitle the holder to participation of dividends and the proceeds on winding up of the company in proportion to the number of amounts paid on shares held. On a show hands, every holder of ordinary shareholder of ordinary shares present at a meeting in person or in proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 16: CAPITAL AND LEASING COMMITMENTS

	2013 $	2012 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	-	3,084

NOTE 17: CASH FLOW INFORMATION

a. **Reconciliation of Cash Flow from Operations with Profit after Income Tax**

Loss for the year		(162,775)	(362,763)
Non-cash items and changes in assets and liabilities :			
–	Impairment of inventories	-	5,000
–	Gain on disposal of a subsidiary	-	100,001
–	Non-cash movement in liabilities	8,720	56,958
Changes in assets and liabilities :			
–	(increase)/decrease in trade and term receivables	16,500	23,603
–	increase/(decrease) in trade payables and accruals	(1,873)	(149,543)
–	amortisation and depreciation	-	752
–	impairment of tangible assets	-	-
–	(increase)/decrease in prepayments	(9,696)	-
–	increase/(decrease) in provisions	-	-
Cash flow from operations		(149,124)	(325,992)

Freshtel disposed of its interest in Freshtel R&D Pty. Ltd. On 1st July 2012. Assets and liabilities held at disposal date:

Plant & equipment	-	150,000
Trade & other payables	-	(100,002)
Borrowings	-	(150,000)
	-	(100,002)
Net gain on disposal	-	100,001
Net cash received	-	1

NOTE 18: EVENTS AFTER THE REPORTING PERIOD

In order to increase the working capital to support the ongoing business plan, the company has completed a placement with professional investors which has provided a net cash contribution of $58,000 together with existing cash balances is sufficient to cover the funding requirements of the company for the next fifteen months.

This placement of 29,000,000 ordinary shares, under Listing Rule 7.1, at $A0.002 per share was approved by the board on 5th July 2013.

There are no other significant events since the end of the reporting period.

NOTE 19: RELATED PARTY TRANSACTIONS

Related Parties

The Group's main related parties are as follows:

ii. *Key management personnel:*

Graham Henderson – Company Secretary and Acting CFO.

For details of disclosures relating to key management personnel, refer to Note 6: Key Management Personnel Compensation.

Transactions with related parties: There were no transactions with related parties.

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's overall risk management program seeks to minimise potential adverse effects on the finanical performance of the Group.

Capital Risk Management

Management controls the capital of the Group in order to maintain statement of financial position strength, and provide shareholder with adequate returns and ensure that the Group can fund its operation and continue as a going concern.

Interest Rate Risk

The Board has decided to maintain all financial assets in interest bearing cash accounts. The interest rate for 2013 was approximately 1.5%.

NOTE 21: COMPANY DETAILS

The registered office of the company and principal place of business is:

Freshtel Holdings Limited

c/- Summit Equities Limited

Level 38, Australia Square Tower, 264-278 George St., Sydney, NSW 2000.