Freshtel Holdings Limited ABN 92 111 460 121
and Controlled Entities
Interim Financial Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Half-year Ended 31 December 2013	Half-year Ended 31 December 2012	% Change
Revenue from ordinary activities	66,286	75,125	(11.8%)
Profit(Loss) after tax from ordinary activities attributable to members	84,931	(158,790)	153.56%
Profit(Loss) attributable to members	84,931	(158,790)	153.56%

DIVIDENDS PAID AND PROPOSED

No dividends were paid or declared during the half year.

COMMENTARY ON THE RESULTS FOR THE PERIOD

The commentary on the results for the period is contained in the "Review of Operations" included within the Directors' Report.

NET TANGIBLE ASSETS PER SHARE

	Half-year Ended 31 December 2013 $/Share	Half-year Ended 31 December 2012 $/Share
Net tangible assets per share	0.001	(0.006)

DIVIDEND DETAILS

	Half-year Ended 31 December 2013	Half-year Ended 31 December 2012
Ordinary share capital:	38,960,110	38,889,743
Final dividend paid	-	-
Interim dividend payable	-	-

DIVIDEND REINVESTMENT PLANS

The Group does not have any dividend reinvestment plans in operation.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

There were no investments in associates and joint ventures.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2013.

Directors

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

Mr Peter Buttery (Chairman)

Mr Alex Alexander

Mr Matt Ranawake

Review of Operations

Ongoing Voice Over Internet Protocol (VOIP) Operations

The operation of the VOIP business was leased to Virtual Accounting Solutions Pty Ltd in December 2010 and this company has continued to operate the business through to December 2013.

Investigation of investment opportunities

The company continues to actively search for new investment opportunities. This includes, but is not limited to, internet and IT related services.

Share Placement

The company raised additional capital to the amount of $58,000 by a share placement to new shareholders in the period under review.

Operating Results

The company recorded revenue from continuing operations of $66,286 for the half year compared with $1,535 for the corresponding period. The increase results from a change in reporting of the income from VOIP services managed by our sub-contractor Vixtel Pty. Ltd.

The Group incurred an after tax profit attributed to members of $84,931 compared to a loss of $158,790 for the corresponding period. The profit result was due to a once-off write back of director's fees.

As of December 31, 2013, Freshtel Holdings had cash balances of $100,166.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2013.

This report is signed on behalf of the directors.

Peter Buttery

Dated 25th February 2014

FRESHTEL HOLDINGS LIMITED
ABN 92 111 460 121
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FRESHTEL HOLDINGS LIMITED
AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2013 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
ii. no contraventions of any applicable code of professional conduct in relation to the review.

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DREW TOWNSEND
Partner

Date: 25 February 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Group Half Year ended 31/12/2013	Consolidated Group Half Year ended 31/12/2012
		$	$
Revenue		65,849	73,552
Interest income		438	1,573
Write-back of director's fees	8	165,680	-
Professional fees – audit		(11,900)	(9,000)
Professional fees – others		(30,000)	(30,000)
Occupancy and facilities expense		(19,659)	(15,588)
Employee benefits expense		-	(78,480)
Sub-contract and other expenses		(85,407)	(100,847)
Profit(Loss) before income tax		84,931	(158,790)
Income tax benefit		-	-
Profit(Loss) for the period		84,931	(158,790)
Other comprehensive income		-	-
Total comprehensive profit(loss) for the period		84,931	(158,790)
Loss per share			
– basic profit(loss) per share (cents)		0.01	(0.02)
– diluted profit(loss) per share (cents)		0.01	(0.02)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

Consolidated Group
As at

	31/12/2013	30/06/2013
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	100,357	127,205
Prepayments	24,668	9,696
TOTAL CURRENT ASSETS	124,834	136.901
NON-CURRENT ASSETS		
Plant and equipment	-	-
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	125,025	136,901
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	37.963	27,090
TOTAL CURRENT LIABILITIES	37,963	27,090
NON-CURRENT LIABILITIES		
Other Payables	-	165,680
TOTAL NON-CURRENT LIABILITIES	-	165,680
TOTAL LIABILITIES	37,963	192,770
NET ASSETS	87,062	(55,869)
EQUITY		
Issued capital	38,960,110	38,902,110
Accumulated losses	(38,873,048)	(38,957,979)
TOTAL EQUITY	87,062	(55,869)

The accompanying notes form part of these financial statements.

Consolidated Group	**Issued Capital**	**Accumulated losses**	**Total**
	$	$	$
Balance at 1 July 2012	38,654,777	(38,782,837)	(128,059)
Loss for the half year	-	(158,790)	(158,790)
Total comprehensive loss for the half year	-	(158,790)	(158,790)
Transactions with owners, in their capacity as owners, and other transfers			
Ordinary shares issued	234,966	-	234,966
Balance at 31 December 2012	38,889,743	(38,941,626)	(51,883)

Balance at 1 July 2013	38,902,110	(38,957,979)	(55.869)
Profit for the half year	-	84,931	84,931
Total comprehensive profit for the half year	-	84,931	84,931
Transactions with owners, in their capacity as owners, and other transfers			
Ordinary shares issued, net of costs.	58,000	-	58,000
Balance at 31 December 2013	38,960,110	(38,873,048)	87,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 December 2013

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Group	
	31/12/2013	31/12/2012
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	65,849	16,500
Payments to suppliers and employees	(150,775)	(105,268)
Interest received	438	1,534
Net cash used in operating activities	(84,848)	(87,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of costs	58,000	234,966
Net cash provided by financing activities	58,000	234,966
Net (decrease)increase in cash held	(26,848)	147,732
Cash and cash equivalents at beginning of period	127,205	41,361
Cash and cash equivalents at end of period	100,357	189,093

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Freshtel Holdings Limited and its controlled entities (referred to as the "consolidated group" or "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 2013, together with any public announcements made during the following half-year.

Accounting Policies

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, except in relation to the matters discussed below.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

– AASB 10: *Consolidated Financial Statements;*

– AASB 127: *Separate Financial Statements* (August 2011);

– AASB 11: *Joint Arrangements;*

– AASB 128: *Investments in Associates and Joint Ventures* (August 2011);

– AASB 12: *Disclosure of Interests in Other Entities;*

– AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and

– AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference

NOTE 1: BASIS OF PREPARATION

between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out below.

– *Disclosure of interest in other entities:*

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures, that are material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12 have been set out in Notes 9 and 10 respectively.

Fair Value measurements and disclosures

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Freshtel Holdings Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 9.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2013

NOTE 2: 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 and at the amounts stated in the financial report.

The net profit after income tax for the consolidated entity for the half year ended 31 December 2013 was $84,931 (2012: loss of $158,790). The profit was due to the once-off write-back of director's fees but the underlying operational cash flow is still negative.

The Directors believe that it is appropriate to prepare the financial report on a going concern basis because:

(i) the company has previously been able to access additional capital in order to support the ongoing operations. Directors have reasonable expectations that they can raise additional capital resources as required. In the current half year period, the Company has raised funds from share placements resulting in a net cash injection of $58,000 after capital raising costs;

(ii) the Group had $100,166 cash on hand at 31 December 2013;

(iii) the budgeted business plan includes future capital raising to which the Board is fully committed, demonstrating that the Group will be able to pay its debts as and when they fall due.

In the event that the Group is unable to raise sufficient funds there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Group can realise its assets and extinguish its liabilities at the amounts stated in the financial report. The ability of the Group to raise funds will depend on the industry and resource market interest.

NOTE 3: DIVIDENDS

No dividends have been proposed or declared for the period.

NOTE 4: BUSINESS COMBINATIONS

No acquisitions or disposals were made in the period.

NOTE 5: OPERATING SEGMENTS

The consolidated entity has identified its operating segment 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 consolidated entity has been dormant during the period. Prior to that, the primary business segment and the primary geographic segment within which the consolidated entity operated was a telecom VOIP business in Australia.

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

NOTE 7: EVENTS AFTER THE END OF THE INTERIM PERIOD

There have been no significant events since the period end.

NOTE 8: EMPLOYEE BENEFITS EXPENSE

The directors had decided that accrued directors fees, dating from previous years are renounced and the accrued fees of $165,680 written back as of 31st December 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2013

NOTE 9: INTEREST IN SUBSIDIARIES

Subsidiary entities :

Freshtel Australia Pty. Ltd. (ACN 094 928 248)

Freshtel Pty. Ltd.(ACN 101 908 472)

Voicedot Networks Pty Ltd (ACN 111 334 108)

Virbiage Pty. Ltd. (ACN 112 682 774)

The group has no subsidiaries with non-controlling interests that are material to the group.

NOTE 10: INTEREST IN JOINT ARRANGEMENTS

The group has no interests in joint arrangements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Freshtel Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 10 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 2013 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.

Peter Buttery
Director
25th February 2014

FRESHTEL HOLDINGS LIMITED
ABN 92 111 460 121
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FRESHTEL HOLDINGS LIMITED

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Freshtel Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Freshtel Holdings 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 (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control 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 half-year financial report based on our review. We conducted our review in accordance with 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 Freshtel Holdings Limited's financial position as at 31 December 2013 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 Freshtel Holdings 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 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 have complied with the independence requirements of the Corporations Act 2001.

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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 Freshtel Holdings Limited is not in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of Freshtel Holdings Limited's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the half year financial report which indicates that whilst the consolidated entity incurred a net profit of $ 84,931 this includes a once-off write back of directors fees in the amount of $ 165,680 during the period ended 31 December 2013. In addition the consolidated entity had a negative cash outflow from operating activities during the period of $ 85,039. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report

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DREW TOWNSEND
Partner

Date: 25 February 2014