



**My Net Fone Limited ABN 37 118 699 853**

**ASX Appendix 4E**

And

**Preliminary Final Report for the year ended 30 June 2014**

Lodged with the ASX under listing rule 4.3A

# My Net Fone Limited ABN 37 118 699 853

## Appendix 4E: Preliminary final report for the Year Ended 30 June 2014

Current reporting period:	1 July 2013 to 30 June 2014
Previous reporting period:	1 July 2012 to 30 June 2013

### Results for announcement to the market

	% Change		2014 \$000
Revenue from ordinary activities	+ 28.3%	to	59,306
Profit after tax from ordinary activities attributable to members	+ 39.5%	to	5,778
Net profit for the period attributable to members	+ 39.5%	to	5,778

Dividends	Amount per security	Franked amount per security
2014 interim dividend	2.0 cents	2.0 cents
2014 final dividend	2.5 cents	2.5 cents
<b>Total dividends per share for the year</b>	<b>4.5 cents</b>	<b>4.5 cents</b>

The record date for determining entitlements to the final dividend is 26 August 2014

The payment date of the final dividend is 11 September 2014

### Net tangible assets per security

	Year ended 30 June	
	2014	2013
Net tangible assets per security	3.67 cents	(1.16) cents

The Appendix 4E and accompanying financial statements have been audited and are not subject to any disputes or qualifications.

Additional Appendix 4E disclosure requirements can be found in the 2014 Financial Statements lodged with this document.

# **My Net Fone Limited**

**ABN 37 118 699 853**

**30 June 2014**

**Annual Financial Report**

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# Directors' Report

**My Net Fone Limited | ABN 37 118 699 853 and controlled entities**  
**Directors' Report**

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**For the year ended 30 June 2014**

Your directors present this report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2014.

**Information on Directors**

The directors of the Company at any time during or since the end of the financial year are:

<b>Name and qualifications</b>	<b>Experience, special responsibilities and other directorships</b>
<b>Mr Terry Cuthbertson</b> B.Bus., CA Chairman	Mr Cuthbertson is the Chairman and an independent non-executive director; he was previously a partner at KPMG and has extensive corporate finance expertise and knowledge. Mr Cuthbertson is also a Director and Chairman of S2 Net Ltd, Montec International Ltd, Austpac Resources N.L., Malachite Resources Ltd, South American Iron & Steel Ltd, OMI Holding Ltd and Rio Pederlo Ltd. He is also a Director of Mint Wireless Ltd. Mr Cuthbertson has been a director since March 2006.
<b>Mr Michael Boorne</b> Electronics Eng. Dip. Non-Executive Director	Mr Boorne is an independent non-executive director; he is a successful entrepreneur with extensive experience in combining technical expertise with commercial and corporate experience; he is the founder of Sprit Modems and Mitron Pty Ltd and was previously a non-executive director of Netcomm Ltd. Mr Boorne is the Chairman of the Audit & Risk committee and has been a director since December 2006.
<b>Mr Andy Fung</b> B.E. MCom Non-Executive Director	Mr Fung is a non-executive director; he is a co-founder and was formally Managing Director of My Net Fone since its inception in 2006 until February 2012. He has been a director of Symbio Networks Pty Ltd since 2002 and Symbio Wholesale Pty Ltd since 2009. Mr Fung has been a director since March 2006.
<b>Mr Rene Sugo</b> B.Eng. (Hon) CEO and Director	Mr Sugo is the CEO and a director; he is a co-founder and was formally Technical Director of My Net Fone since its inception in 2006 until February 2012 when he was made Chief Executive Officer. He has been a director of Symbio Networks Pty Ltd since 2002 and Symbio Wholesale Pty Ltd since 2009. Mr Sugo has been a director since March 2006.

**Company Secretary**

**Ms. Catherine Ly** B.Bus., CPA. Ms Ly was appointed Company Secretary in July 2006.

**For the year ended 30 June 2014**

**Board and Committee Meetings**

From 1 July 2013 to 30 June 2014, the Directors held 12 board meetings and 2 audit committee meetings. Each Director's attendance at those meetings is set out in the following table:

Directors	Board		Audit	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr. Terry Cuthbertson	12	10	2	2
Mr. Michael Boorne	12	11	2	2
Mr. Andy Fung	12	12	2	2
Mr. Rene Sugo	12	12	2	2

**Principal activities and significant changes in nature of activities**

The principal activity of the MyNetFone Group is providing voice communications, broadband Internet, and cloud based communications services to residential, business, government and wholesale customers in Australia and internationally.

In the financial year the MyNetFone Group derived revenue from the sale of the above mentioned communications services. These fees consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. There was also revenue derived from the sale of hardware, equipment and consulting services to support the primary products of the business.

The company acquired the assets of PennyTel and Ivoisys in October of 2013. These businesses operated a small network with approximately 30,000 VoIP, Internet and mobile customers in the residential and small business segments. The acquired businesses have been restructured and integrated into the principal business.

The overall nature of the business has not changed during the financial year.

**Operating result**

Net profit after tax (NPAT) for the MyNetFone Group for the financial year ending 30 June 2014 was \$5.8 million, an increase of 40% on the previous year NPAT of \$4.1 million.

**Review of operations**

A review of the operations of the entity during the financial year and the results of those operations are as follows:

***Increased Revenue, EBITDA and NPAT***

For the year ended 30 June 2014 the Group delivered gross revenue of \$59.3 million and an EBITDA of \$9.0 million. The results were achieved mostly through organic growth of existing business units

**For the year ended 30 June 2014**

including the full year contributions of the three key FY13 acquisitions of CallStream, Connexus and GoTalk Wholesale plus the addition in October 2013 of the business assets of Pennytel and Ivoisys.

The gross profit for the year was up 38% to \$24.3 million (2013: \$17.6 million) which was achieved by revenue growth and reduced cost of goods sold.

The Net Profit after tax (NPAT) for the year was \$5.8 million (2013: \$4.1 million) with Earnings per Share (EPS) climbing 33% to 9.26 cents per share.

	<b>Year ended 30 June 2014</b>	<b>Year ended 30 June 2013</b>	<b>% change</b>
Revenue	\$59.306m	\$46.209m	+28%
Gross profit	\$24.259m	\$17.620m	+38%
EBITDA	\$9.034m	\$6.106m	+48%
NPAT	\$5.778m	\$4.141m	+40%
EPS	9.26 cents	6.98 cents	+33%

***Net cash flow***

The closing cash balance as at 30 June 2014 was \$7.4 million (2013: \$4.8 million).

During the year the Group generated an operating cash flow of \$8.6 million, a 42% increase on the prior year operating cash flow of \$6.0 million.

**Business outlook:**

The business is in a solid position with strong prospects for further growth in the coming year.

**a. Government business**

The company has adopted a long term strategy to pursue Government business as VoIP technology increases its foothold in all levels of Government.

This year has seen success with the company being certified by the Municipal Association of Victoria (MAV), and the NSW State Government for the NSW Procurement ICT Services Scheme. This is in addition to previous certification with the Queensland Government IT&T Procurement Panel and the Tasmanian Government. As a result of these efforts the company is winning successful business with many local governments, universities and several state government departments around Australia. The company continues to pursue additional Government certifications and tenders in other areas.

The company has many key technical and commercial differentiators that make it an ideal alternative to the traditional telecommunication providers.

The key technical differentiators for the company are: the Symbio Network that is one of only 6 fully interconnected infrastructure based voice network operators in Australia, Symbio also has the people and systems in place to deliver highly complex deployments quickly and effectively. Symbio also owns a vast bank of intellectual property allowing it to rapidly customise and deploy large complex solutions for customers. The company was awarded the 2013 CeBIT Outstanding Project Award in recognition of its achievements by the IT&T industry in Australia.



**For the year ended 30 June 2014**

The company also maintains several key certifications with leading enterprise grade equipment vendors such as: Microsoft, Cisco, Avaya, Samsung and Panasonic. The company is still the only carriage service provider in Australia certified by Microsoft for the Lync unified communications platform.

**b. Business and Enterprise**

The MyNetFone Virtual PBX product continues to sell strongly into the small business market, and the MyNetFone SIP Trunk product continues to sell strongly into the enterprise market. These products are now mature and stable, and achieving a very high level of customer satisfaction. Growth is expected to remain strong for the foreseeable future.

The Virtual PBX and SIP trunk products in service grew by 28% to 2,524 services in operation, and overall business voice services grew 11% to 8,935 services in operation. Business data services grew to 3,297 services in operation.

**c. Residential**

The residential voice market is declining due to the market shift towards mobile communications and mobile-cap plans. The company however has been implementing a defensive strategy of cross selling residential DSL services into this customer base. This action has stemmed the decline in revenues and provided a useful retention tool.

The residential DSL subscriber base grew 53% to 12,579 services in operation, and the VoIP base grew overall 23% to 106,832 services in operation, this growth was supported by the PennyTel acquisition.

**d. Wholesale**

Wholesale voice is sold under the Symbio Networks brand and remains a key profit area for the company. The two key products sold into this market are wholesale voice (the termination of high volume wholesale voice minutes), and the wholesale-managed services (hosting of white-label services such as Local Number Portability, voice end-points, phone numbers, and other value added services).

These products leverage the extensive fully interconnected national voice network that is also used to carry the MyNetFone retail traffic, in addition to an extensive amount of proprietary intellectual property which has been developed by the company over the last 10 years.

The wholesale network is currently hosting over 146 service provider customers.

Services provided in this sector continue to experience strong growth, with Local Number Portability (LNP) growing 28% to 385k numbers, and the total volume of Direct-In-Dial (DID) numbers growing 203% to 2.0M numbers. In addition, hosted endpoints grew 87% to 22k.

Total billable traffic on network remains consistent at approximately 3 billion minutes per annum.

## **For the year ended 30 June 2014**

### **Financial position**

The net assets of the company have strengthened with an increase to \$14.2 million as at 30 June 2014 (2013: \$10.8 million).

The business ended the year with \$7.4m cash (2013: \$4.8m). Cash benefited from a marked improvement in working capital.

During the year the final tranche of the deferred consideration (\$2.4m) in relation to the FY12 acquisition of the Symbio Group was settled.

With the exception of a small equipment finance lease facility in place, the business is debt free.

### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the company during the financial year.

### **After balance date events**

#### ***Dividends proposed:***

The dividend as recommended by the Board will be paid subsequent to the balance date.

#### ***iBoss acquisition:***

On 10 July 2014 My Net Fone announced that it had reached an agreement to purchase the business and intellectual property of wholesale telecommunications enabler iBoss for \$1.4m. This transaction was completed on 18 July 2014 and was funded out of existing cash reserves.

The iBoss asset is a sophisticated software platform, which manages billing, communications activity, provisioning and operations and provides an essential link between wholesale telecommunications operators and their suppliers.

The acquisition comes with its own infrastructure and is supported by an experienced and highly skilled team.

While the acquisition is not in itself financially material, it is expected to be earnings accretive in the first year and brings to the business a completely new capability which can be significantly built on in the future.

#### ***Issue of options:***

On 1 July 2014 the company issued 440,000 options to staff, with an exercise price of \$3.00 and an expiry date of 31 August 2016.

### **Future developments**

The Board is committed to growing the company organically as well as by way of targeted acquisitions.

The Company has a strict policy around the evaluation of acquisition targets and we will continue to look to build through leveraging synergies, adding products and services through the acquisition of intellectual property and avoiding companies that are pure re-sellers of other networks.

**For the year ended 30 June 2014**

**Environmental issues**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Dividends paid or recommended**

Fully franked dividends paid or declared for payment during the financial year are as follows:

	<b>\$000</b>	<b>Franking</b>
<b>Dividends paid:</b>		
2013 Final dividend of 2.0 cents per share paid on 13 September 2013	1,249	100%
2014 Interim dividend of 2.0 cents per share paid on 12 March 2014	1,249	100%
<b>Dividends recommended (subsequent to year end):</b>		
2014 Final dividend of 2.5 cents per share recommended on 12 August 2014	1,562	100%

The 2014 final dividend is to be paid on 11 September 2014 to shareholders registered as at 26 August 2014.

**Options**

No options were granted by the Company to the Directors during the year or since the end of the financial year.

***Shares under option or issued on exercise of options***

During the year no options were exercised by Directors.

At the date of this report, the unissued ordinary shares of My Net Fone Limited under options which were granted in the 2014 financial year are as follows:

<b>Grant date</b>	<b>Date of expiry</b>	<b>Exercise price</b>	<b>Number under option</b>
15 November 2013	31 December 2015	\$1.70	270,000

Subsequent to year end the company issued options under the employee option plan to executives and staff, details are as follows:

<b>Grant date</b>	<b>Date of expiry</b>	<b>Exercise price</b>	<b>Number under option</b>
1 July 2014	31 August 2016	\$3.00	440,000

**For the year ended 30 June 2014**

**Remuneration Report Audited**

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308 (3C) of the Act.

**Introduction**

The Remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

For the purposes of this report, the term “executive” includes the Chief Executive Officer (CEO), executive directors and other senior executives of the Company or the Group.

***Non-executive directors***

Terry Cuthbertson	Chairman
Michael Boorne	Director
Andy Fung	Director

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***Executive directors***

Rene Sugo	Chief Executive Officer
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***Other KMPs***

Matthew Gepp	Chief Financial Officer – employment started 29 April 2013, appointed CFO 28 August 2013
Catherine Ly	Company Secretary & Treasurer

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There were no changes to KMP between the reporting date and date the financial report was authorised for issue.

**Remuneration governance**

***Remuneration Committee***

Due to the size of the Company and the Board a formal Remuneration Committee has not been established, the functions of the Remuneration Committee are undertaken by a full Board.

The Board approves the remuneration arrangements of the CEO and other executives and all awards made under short and long term incentive plans.

The Board also sets the aggregate remuneration of non-executive directors, which is then subject to shareholder approval.

**For the year ended 30 June 2014**

## **Remuneration Report (continued)**

### ***Use of remuneration consultants***

The Company does not currently engage remuneration consultants. The remuneration committee may consider the use of remuneration consultants in the future as the company grows.

### ***Remuneration report approval at the 2013 AGM***

The 2013 remuneration report received positive shareholder support at the 2013 AGM with a vote of 98.2% in favour.

### **Executive Remuneration arrangements**

#### ***Remuneration principles and strategy***

My Net Fone Limited's executive remuneration strategy is to recognise that in the early stages of growth the company needs to contain operating costs and the salaries established for the executive directors are negotiated at rates below market levels that would normally be available to persons with such experience and qualifications. The Board has established salary arrangements for the key executives which are commensurate with their level of experience. The Board will continually review its approach to setting remuneration levels by balancing short and long term benefits and linking remuneration to performance.

#### ***Details of short term incentive (STI) plans***

As part of their respective employment agreements the CEO, CFO and other senior managers are eligible for a cash bonus subject to the attainment of clearly defined objectives.

Non-executive directors are not eligible for an STI.

STIs for the previous and current financial years are based on meeting agreed net profit after tax targets as set by the Board and are subject to Board approval.

STI amounts paid in FY14 are in relation to the company performance in FY13.

#### ***Details of long term incentives (LTI) plans***

The Board may issue options to executive and other employees under the company Employee Option Plan in order to align remuneration with the creation of shareholder value over the long term. As such, LTI awards are only made to executives and other key employees who have an impact on the Group's performance.

**For the year ended 30 June 2014**

**Remuneration Report (continued)**

**Remuneration Details of Key Management Personnel for the Year Ended 30 June 2014**

Details of the nature and amount of benefits and payments for each director and KMP of the Company for the 2013 and 2014 financial years are as follows:

		Short term benefits		Post-employment benefits	Share based payments	Total
		Cash salary & fees	STI/Bonus	Super-annuation	Options	
		\$	\$	\$	\$	
Directors:						
Mr T Cuthbertson	2014	90,593	-	8,380	-	98,973
	2013	70,593	-	6,353	-	76,946
Mr M Boorne	2014	69,093	-	6,391	-	75,484
	2013	49,093	-	4,418	-	53,511
Mr A Fung	2014	59,093	-	5,466	-	64,559
	2013	49,093	-	4,418	-	53,511
Executive Directors:						
Mr R Sugo	2014	294,599	55,571	27,250	-	377,420
	2013	275,229	-	24,771	-	300,000
Other KMP:						
Mr M Gepp (i)	2014	192,204	-	17,779	8,550	218,533
	2013	26,154	-	2,354	-	28,508
Ms C Ly	2014	142,954	-	13,223	8,550	164,727
	2013	138,790	-	12,491	-	151,281
<b>Total</b>	2014	<b>848,536</b>	<b>55,571</b>	<b>78,489</b>	<b>17,100</b>	<b>999,696</b>
	2013	608,952	-	54,805	-	663,757

(i) Mr Gepps employment started on 29 April 2013. He was appointed CFO on 28 August 2013.

**For the year ended 30 June 2014**

## **Remuneration Report (continued)**

### **Key Terms of Employment Agreements**

The Company has entered into an Executive Employment Agreement with Rene Sugo. The remuneration and terms of employment for other Key Executives are also set out in written agreements. Each of these employment agreements are unlimited in term but may be terminated by written notice by either party and by the Company making payment in lieu of notice.

Each of these agreements sets out the arrangements for total fixed remuneration, performance-related cash bonus opportunities, superannuation, termination rights and obligations and eligibility to participate in the employee equity-based incentive scheme. Executive salaries are reviewed annually. The executive employment agreements do not require the Company to increase base salary, incentive bonuses or to continue the participants' participation in equity-based incentive programs.

The Company may terminate the employment of the Key Executives without notice and without payment in lieu of notice in some circumstances. This includes if the executive:

1. commits an act of serious misconduct;
2. commits a material breach of the executive employment agreement;
3. denigrates or engages in any behaviour that may materially damage the reputation of, or otherwise bring the Company into disrepute; or is convicted of any criminal offence which would in the reasonable opinion of the Board of Directors adversely affect the carrying out of the executive's duties.

The Company may terminate the employment of the Key Executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the following table:

<b>Name of Key Executive</b>	<b>Company notice period</b>	<b>Employee notice period</b>	<b>Termination Provision</b>
Rene Sugo	6 months	1 month	6 months base salary
Matthew Gepp	3 Months	3 months	3 months base salary
Catherine Ly	6 months	1 month	6 months base salary

**For the year ended 30 June 2014**

**Remuneration Report (continued)**

**Directors' interests in shares and options of the company or related bodies corporate**

At the date of this Report, the particulars of shares and options held by the directors of the company in the company or in related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

<b>Name of Director</b>	<b>Share holding</b>	<b>Options</b>
Mr Andy Fung	14,488,955	-
Mr Rene Sugo	13,488,955	-
Mr Terry Cuthbertson	1,125,000	-
Mr Michael Boorne	1,019,749	-
<b>Total</b>	<b>30,122,659</b>	<b>-</b>

*This concludes the remuneration report, which has been audited.*



**For the year ended 30 June 2014**

**Directors Benefits**

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

**Indemnifying Officers or Auditor**

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

**Proceedings on Behalf of Company**

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

**Non-Audit Services**

During the prior year MNSA Pty Ltd Chartered Accountants, the Group's auditor provided non-audit services in the form of due diligence services. No non-audit services were provided during the current financial year.

The total amount received by MNSA Pty Ltd Chartered Accountants for these non-audit services was \$Nil (2013:\$14,031).

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for audits imposed by the Corporations Act 2001. The nature and scope of the non-audit service was such that auditor independence was not compromised.

**Auditor's Independence Declaration**

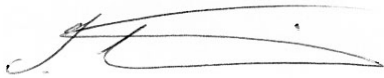
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and can be found on page 56 of the financial report.

**Rounding off**

The Group is of a kind referred to in ASIC Class order 98/100 dated 10 July 1988 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**For the year ended 30 June 2014**

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



**Terry Cuthbertson**  
Chairman



**Rene Sugo**  
Director

Sydney, 12 August 2014

# Corporate Governance Statement

# My Net Fone Limited

## Corporate Governance Statement

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The Board of Directors of My Net Fone Limited is responsible for the corporate governance practices of the consolidated entity. The Board guides and monitors the business and affairs of My Net Fone Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practices adopted by the Company, which comply with the ASX Corporate Governance Council Principles and Recommendations (2nd Edition, August 2007) unless otherwise stated.

### Principle 1: Lay solid foundations for management and oversight

The board's primary role is the protection and enhancement of long term shareholder value. To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting senior executive and director remuneration, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial reporting. The board has delegated responsibility for the day to day operation and administration of the Company to the Chief Executive Officer.

### Principle 2: Structure the board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of My Net Fone Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The membership of the board during the year ended 30 June 2014, including independent status, and date of appointment was as follows:

Name	Status	Date of Appointment
Terry Cuthbertson	Non-Executive Independent Chairman	08 March 2006
Michael Boorne	Non-Executive Independent Director	19 December 2006
Andy Fung (i)	Non-Executive Director	01 March 2012
Rene Sugo	Executive Director	08 March 2006

- (i) Andy Fung resigned as Executive Director on 29 February 2012 and was appointed as Non-Executive Director as of 1 March 2012. Mr Fung has been a Director of the Group since 8 March 2006.

Recommendation 2.1 requires that a majority of the Board should be independent directors. The Company does not comply with this recommendation. The Board is 50% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Board's level of expertise without burdening shareholders with the additional costs associated with adding further independent Directors.

Recommendation 2.2 requires the Chairman be an independent Director. The Company complies with this recommendation. The Company believes that when the Chairman is a significant driver behind the business as well as being a shareholder, he adds much value to the Company.

# **My Net Fone Limited**

## **Corporate Governance Statement**

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Recommendation 2.3 requires that the role of the Chairman and Chief Executive Officer of the Company is not exercised by the same individual. The Company complies with this recommendation.

### **Independent Directors**

An independent director is considered independent:

- a) who is not a member of management
- b) who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company
- c) is not a significant supplier to the Company
- d) has no material contractual relationship with the Company other than as a director, and
- e) is free from any interest or business or other relationship, which could materially interfere with the director's ability to act in the best interests of the Company.

Based on the above criteria, two Non-Executive Directors including the Chairman were considered independent during the financial year.

### **Independent Professional Advice and Access to Company Information**

Each director has the right of access to all relevant Company information and to the Company's executives and subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense. A copy of advice received by the director is made available to all other members of the Board.

### **Board Processes**

The Board has mandates and operating procedures which are reviewed on a regular basis. The Board has also established a range of policies which govern its operation.

The Board holds a scheduled meeting every month and any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance.

With the exception of the Chief Executive Officer, Directors must retire by rotation and stand for re-election at the AGM each year.

A performance evaluation for the board and senior executives has taken place in the reporting period.

### **The Board Committees**

#### **Nomination Committee**

Recommendation 2.4 states that the board should establish a Nomination Committee. Due to the size of the Company it has not established a formal Nomination Committee and the functions of the Nomination Committee are undertaken by a full Board. The composition of the Board is monitored (both in respect of size and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person.

# My Net Fone Limited

## Corporate Governance Statement

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### Remuneration Committee

Recommendation 8.1 states that the board should establish a Remuneration Committee. Due to the size of the Company it has not established a formal Remuneration Committee and the functions of the Remuneration Committee are undertaken by a full Board. Non-executive directors are remunerated by way of director fee and superannuation contributions.

The Chairman and the other Non-Executive Director of My Net Fone Limited are also Directors of several listed and non-listed companies and are further remunerated by those Companies. Further detail is provided in the Directors' Report.

### Audit Committee

Due to the size of the Company it has not established a formal Audit Committee and the functions of the Audit Committee are undertaken by a full Board. The Board is responsible for considering the effectiveness of the systems and standards of internal control, financial reporting and any other matter at the request of the Board. The external auditors attend meetings by invitation to report to the Board.

The Audit responsibilities of the Board are to ensure that:

- relevant, reliable and timely information is available to the Board to monitor the performance of the Company
- external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs
- management process support external reporting in a format which facilitates ease of understanding by shareholders and institutions
- the external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit involving:
  - review of the terms of engagement, scope and auditor's independence;
  - recommendation as to the appointment, removal and remuneration of an auditor;
  - review of the provision of non-audit services provided by the external auditor ensuring they do not adversely impact on audit independence.
- a review of the Company's risk profile and an assessment of the operation of the Company's internal control system is performed.

The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions. The Board as a whole monitors the performance of the annual & half-yearly audit performed by the External Auditor. For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

### Principle 3: Promote ethical and responsible decision making

The Board expects all executive and non-executive directors to act professionally in their conduct and with the utmost integrity and objectivity. All executive and non-executive directors must comply with the Company's Code of Conduct and Ethics. (Recommendation 3.1)

The company encourages Directors to have a significant personal financial interest in My Net Fone Limited by acquiring and holding shares on a long-term basis. Insider trading laws prohibit Directors and their associates from dealing in the Company's shares whilst in possession of price sensitive information that is not generally available. Once the Directors have traded in shares or otherwise dealt with any

# My Net Fone Limited

## Corporate Governance Statement

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securities, they should immediately disclose this to the Board and Company Secretary to facilitate appropriate disclosure with the ASX. A Director or an entity controlled by Directors is not permitted to purchase or sell shares in the Company at other times without prior consent of the Board. This policy does not preclude a Director or an entity controlled by a Director from taking up or renouncing an entitlement to the Company's shares or participating in the Company's Share Purchase Plan or the Dividend Reinvestment Plan. (Recommendation 3.2)

### Diversity Policy

Diversity includes, but is not limited to: gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. However, due to the size of the company it is not in a position to justify the establishment of a formal diversity policy.

The Board has developed measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next two years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2014		2015-2016	
	Number	%	Number	%
Females on the Board	0	0	0	0
Females in senior management roles	3	33	5	50
Overall female employees	48	35	55	37

### Trading Policy

The company's policy regarding Directors trading in its securities restricts them from acting on material information until it has been released to the market and adequate time has been given for it to be reflected in the security's prices.

The company has adopted a Securities Trading Policy disallowing directors and employees from dealing in the Company's securities in the period between the end of the Company's half year/full year and the lodgement of those profit announcements with the ASX. Directors and employees also require the approval of the Board prior to trading in the Company's securities.

A copy of the Securities Trading Policy is available on the Company's website at [www.mynetfone.com.au](http://www.mynetfone.com.au) in the Corporate Governance section.

### Principle 4: Safeguard integrity in financial reporting

The Company's Board is committed to ensuring the adoption of processes which are aimed at providing assurance that the financial statements and related notes are in accordance with applicable accounting standards and provide a true and fair view. Compliance with these procedures and policies is subject to review by the external Auditor. The Board also evaluates the performance and independence of the external Auditor on an annual basis.

The Chief Executive Officer and the Chief Financial Officer provide the Board with written confirmation that the Company's financial reports present a true and fair view, in all material respects, of the

# **My Net Fone Limited**

## **Corporate Governance Statement**

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Company's financial condition and that the operational results are in accordance with relevant accounting standards.

### **Principle 5: Make timely and balanced disclosure**

The Company's Board is committed to keeping the investment community including shareholders and regulators fully informed, in a timely and accessible manner, of events and risks that impact the Company. The Board complies with its continuous disclosure obligations, as defined under the Corporations Act and ASX Listing Rules, in respect of price sensitive information which is lodged with the ASX as soon as practicable and before disclosure to external parties.

### **Principle 6: Respect the rights of shareholders**

Shareholders are entitled to vote on significant matters affecting the business which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meeting of My Net Fone Limited to lodge questions to be responded to by the Board and/or the Chief Executive Officer, and are able to appoint proxies.

The Board informs shareholders of all major developments affecting the Company's state of affairs on the Company's website at [www.mynetfone.com.au](http://www.mynetfone.com.au).

A hard copy Annual Report will be mailed to shareholders who have requested to receive one at the close of the financial year. An electronic version of the Annual Report will be available on the Company's website.

The Company Secretary is responsible for ensuring My Net Fone Limited complies with its continuous disclosure obligation and in conjunction with the Chairman, will decide whether any price sensitive information they become aware of should be disclosed to the ASX. Where possible, all continuous disclosure releases to the ASX are approved by the Board. Where time does not permit approval by the Board, the Chairman must approve the release. Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

### **Principle 7: Recognise and manage risk**

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has responsibility for reviewing the risk profile and reporting on the operation of the internal control system.

The Board:

- a. requires executive management to report annually on the operation of internal controls
- b. reviews the external audit of internal controls and liaises with the external auditor; and
- c. conducts any other investigations and obtains any other information it requires in order to assess the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.



## **My Net Fone Limited**

### **Corporate Governance Statement**

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The Board identifies the following business risks as having the potential to significantly or materially affect the company's performance:

- (a) administrative risks including operational, compliance and financial reporting;
- (b) market related risks.

#### **Administrative Risks**

The Chief Executive Officer is responsible for recognising and managing administrative risks including:

- (a) operational;
- (b) compliance; and
- (c) financial reporting

The Chief Executive Officer and the Chief Financial Officer provide a declaration to the Board to certify that the Company's financial statements and notes present a true and fair view in all material respects of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001. In respect of the current financial year all necessary declarations have been submitted to the Board. In addition, the Chief Executive Officer and the Chief Financial Officer will confirm in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **Market Risks**

The Board is primarily responsible for recognising and managing market related risks. In respect of the current financial year, all necessary declarations have been submitted to the Board. The Board performs a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with market risk, fraud, transaction reporting errors, material reporting risks and compliance risk.

#### **Principle 8: Remunerate fairly and responsibly**

The Company's remuneration policy and practices are designed to attract, motivate and retain high quality staff. The Remuneration Report in the Director's Report provides detail of remuneration of Non-Executive and Executive Directors.

The Company's Employee Share Option Scheme was approved by shareholders at the Company's listing on the ASX. It is expected that executives and key senior staff will be issued share options in the future.

# Financial Statements

# My Net Fone Limited

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June:	Notes	Consolidated group	
		2014	2013
		\$000	\$000
Continuing operations			
<b>Revenue</b>	3a	<b>59,306</b>	<b>46,209</b>
Cost of Sales		(35,047)	(28,589)
<b>Gross Profit</b>		<b>24,259</b>	<b>17,620</b>
Finance revenue	3a	97	146
Other income	3b	-	77
Employee expenses	3e	(11,063)	(8,406)
Marketing expenses		(1,122)	(951)
Occupancy expenses		(484)	(599)
Technology and support expenses		(578)	(492)
Depreciation expense		(991)	(681)
Distribution expenses		(169)	(134)
Other expenses	3c	(1,907)	(941)
Acquisition expenses		-	(214)
Interest expense		(41)	(43)
<b>Profit before income tax</b>		<b>8,001</b>	<b>5,382</b>
Tax expense	4	(2,223)	(1,241)
<b>Profit from continuing operations</b>		<b>5,778</b>	<b>4,141</b>
<b>Net profit for the year</b>		<b>5,778</b>	<b>4,141</b>
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>5,778</b>	<b>4,141</b>
<b>Earnings per share from continuing operations</b>			
- Basic earnings per share (cents)	23	9.26	6.98
- Diluted earnings per share (cents)		9.22	6.95

The accompanying notes form part of these consolidated financial statements

**My Net Fone Limited**  
**Consolidated statement of financial position**

As at:	Notes	Consolidated group	
		30 June 2014	30 June 2013
		\$000	\$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5a	7,444	4,813
Trade and other receivables	6	5,294	6,612
Inventories		249	251
Other financial assets	7	298	426
<b>Total current assets</b>		<b>13,285</b>	<b>12,102</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	1,717	1,561
Deferred income tax asset	4c	504	275
Consolidated goodwill	21	9,219	9,219
Other intangible assets	22	2,732	2,280
<b>Total non-current assets</b>		<b>14,172</b>	<b>13,335</b>
<b>Total assets</b>		<b>27,457</b>	<b>25,437</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	8,783	9,544
Deferred revenue	10	1,725	1,145
Deferred consideration		-	2,350
Income tax payable		1,492	501
Finance lease liability	12	88	175
Provisions	11	573	515
<b>Total current liabilities</b>		<b>12,661</b>	<b>14,230</b>
<b>Non-current liabilities</b>			
Finance lease liability	12	16	104
Provisions	11	540	326
<b>Total non-current liabilities</b>		<b>556</b>	<b>430</b>
<b>Total liabilities</b>		<b>13,217</b>	<b>14,660</b>
<b>Net assets</b>		<b>14,240</b>	<b>10,777</b>
<b>Equity</b>			
Issued capital	13a	9,507	9,371
Share based payment reserve		1,157	1,110
Retained earnings		3,576	296
<b>Total equity</b>		<b>14,240</b>	<b>10,777</b>

The accompanying notes form part of these consolidated financial statements

**My Net Fone Limited**  
**Consolidated statement of cash flows**

For the year ended 30 June		Consolidated group	
		2014	2013
Notes		\$000	\$000
<b>Cash flows from operating activities</b>			
	Receipts from customers	65,282	48,627
	Payments to suppliers and employees	(55,269)	(41,586)
	Interest received	97	146
	Interest paid	(41)	(43)
	Income tax paid	(1,462)	(1,103)
	<b>Net cash from operating activities</b>	<b>8,607</b>	<b>6,041</b>
5b			
<b>Cash flows from investing activities</b>			
	Purchase of property, plant and equipment	(898)	(1,299)
	Decrease/(increase) in other financial assets	128	(279)
	Payment for acquisition of subscriber bases	(320)	(2,280)
	Acquisition of subsidiary net of cash acquired	-	(4,520)
	Payment of deferred consideration for subsidiary acquired	(2,350)	(2,350)
	<b>Net cash (used in) investing activities</b>	<b>(3,440)</b>	<b>(10,728)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from issue of share capital	-	5,010
	Proceeds from exercise of share options	136	-
	Dividends paid	(2,497)	(1,769)
	Proceeds from borrowing - Finance leases	-	438
	Repayment of borrowings - Finance leases	(175)	(159)
	<b>Net cash (used in) from financing activities</b>	<b>(2,536)</b>	<b>3,520</b>
	Net increase (decrease) in cash and cash equivalents	2,631	(1,167)
	Cash and cash equivalents at 1 July	4,813	5,980
	<b>Cash and cash equivalents at 30 June</b>	<b>7,444</b>	<b>4,813</b>
5a			

The accompanying notes form part of these consolidated financial statements

**My Net Fone Limited**  
**Consolidated statement of changes in equity**

Attributable to owners of the company

For the year ended 30 June 2014

	Ordinary share capital	Share-based payment reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
<b>As at 1 July 2012</b>	<b>4,361</b>	<b>1,099</b>	<b>(2,905)</b>	<b>2,555</b>
Total comprehensive income for the year	-	-	4,141	4,141
Dividends recognised for the year	-	-	(940)	(940)
Proceeds from issue of shares	5,010	-	-	5,010
Share based payment transactions	-	11	-	11
<b>Balance at 30 June 2013</b>	<b>9,371</b>	<b>1,110</b>	<b>296</b>	<b>10,777</b>
Total comprehensive income for the year	-	-	5,778	5,778
Dividends recognised in the year	-	-	(2,498)	(2,498)
Proceeds from issue of share options	136	-	-	136
Share based payment transactions	-	47	-	47
<b>Balance at 30 June 2014</b>	<b>9,507</b>	<b>1,157</b>	<b>3,576</b>	<b>14,240</b>

The accompanying notes form part of these consolidated financial statements

# Notes to the Consolidated Financial Statements

# **My Net Fone Limited**

## **Notes to the consolidated financial statements**

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### **1. Corporate Information**

These consolidated statements and notes represent those of My Net Fone Limited and controlled entities (The Consolidated Group).

The separate financial statements of the parent entity, My Net Fone Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on **12 August 2014** by the directors of the company.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### **2. Summary of significant accounting policies**

#### **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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the 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 otherwise stated.

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. New and amended accounting policies adopted by the Group**

The Group adopted the following Australian Accounting Standards arising from related Amending Standards with a mandatory application date of 1 January 2013:

(i) 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. This Standard does not significantly impact the Group’s financial statements.

(ii) 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's financial statements.

To facilitate the application of AASBs 10 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 do not significantly impact the Group's financial statements.

(iii) AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (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.

This Standard results in more detailed fair value disclosures, but does not significantly impact on the amounts recognised in the Group's financial statements.

(vi) AASB 119 (September 2011) includes changes to the criteria for determining when termination benefits should be recognised as an obligation. This Standard does not significantly impact the Group's financial statements.

**c. 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:

(i) AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010 (applicable for annual reporting periods commencing on or after 1 January 2017)).

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

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

(iii) Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

(iv) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

**d. Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by My Net Fone Limited at the end of the reporting period. A controlled entity is any entity over which My Net Fone Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

**e. Business combination**

Business combinations occur where an acquirer obtains control over one or more business and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method. Consideration transferred for the acquisition comprises the fair value of the assets transferred, liability incurred and the equity interests issued by the acquirer. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition related costs are expensed as incurred.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred, over the acquisition-date fair values of identifiable net assets.

**f. Going concern**

The financial report has been prepared on a going concern basis. This presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the normal course of business.

For the year ended 30 June 2014 the Group generated profit after tax of \$5.8m (2013: \$4.1m), as at the balance date the Group's total assets exceeded total liabilities by \$14.2m (2013: \$10.8m).

Included in the current liabilities is \$1.7m (2013: \$1.1m) of deferred revenue that will be recognised as revenue when customers' credits are progressively used up. This deferred revenue does not represent a future gross cash outflow.

The Directors believe that the going concern basis of accounting is appropriate due to the expected cash flows to be generated by the Group over the next twelve months. The Directors closely monitor cash flows as the Group grows and if revenues do not increase as expected, the directors will look to contain costs. The Directors believe that these actions, if required, will be sufficient to ensure that the company will be able to pay its debts as and when they fall due for the next twelve months.

Notwithstanding the above, the directors acknowledge that there are a number of risk factors that could materially affect the Group's future profitability and cash flows, which include, but are not limited to:

- (i) **Competition**  
There can be no assurance given in respect of the Group's ability to continue to compete profitably in the competitive markets in which the Group operates. The potential exists for change in the competitive environment in which the Group operates.
- (ii) **Management of growth**  
The Group achieved a profit during the year, however, there is always an inherent risk the Group may have insufficient working capital to meet its business requirements and the expansion of the Group will depend upon the ability of management to implement and successfully manage the Group's growth strategy.
- (iii) **Reliance on key management**  
The responsibility of overseeing the day-to-day operations and strategic management of the Group is substantially dependent upon its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Group if one, or a number of, these employees cease their employment.
- (iv) **New products and technological developments**  
The Group's current core business of broadband telecommunications is highly competitive and is subject to the introduction of new and improved products and services into the market on a regular basis.
- (v) **Broadband Access Arrangements**  
The Group currently has certain access to the Internet backbone network. Terms of the supply of broadband are negotiated regularly. There is no guarantee that future access arrangements will be able to be negotiated on commercially acceptable terms.
- (vi) **Distribution Channels and Device Suppliers**  
The Group benefits from its good working relationship with its distribution channels to promote its products and services and with its device suppliers to provide its VoIP adaptors. There is no guarantee that these relationships will continue in the future.

- (vii) **Legislation, Regulation and Policies**  
Any material adverse changes in government or other regulatory organisation policies or legislation which impacts on the telecommunications industry, may affect the viability and profitability of the Group.
- (viii) **Internet Access**  
The use of VoIP technology is dependent on quality and speed of access to the Internet. The market growth of VoIP may be limited by the take up rate of broadband and other fast Internet access or by the quality of such access.

### **g. Reverse acquisition**

In accordance with AASB 3 *Business Combinations*, when My Net Fone Limited (the legal parent) acquired My Net Fone Australia Pty Limited (the legal subsidiary), the acquisition was deemed to be a reverse acquisition since the substance of the transaction was that the existing shareholders of My Net Fone Australia Pty Limited have, through My Net Fone Australia Pty Limited, effectively acquired My Net Fone Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if My Net Fone Australia Pty Limited had acquired My Net Fone Limited, not vice versa as represented by the legal position.

### **h. 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 assure a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Key estimates that have a significant risk of causing adjustments to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

- (i) **Share based payment transactions**  
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an independent valuer using a Black-Scholes model. The accounting estimates and assumptions relating to equity-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may have impact on profit or loss and equity.
- (ii) **Useful lives of property, plant & equipment**  
The Group reviews the estimated useful lives of property, plant and equipment at the end of each financial year. The Group adjusted the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.
- (iii) **Utilisation of tax losses**  
The Company and its wholly-owned Australian subsidiaries elected to join as members of a tax consolidated group under Australian taxation law as of 1 July 2011. Each entity in the tax consolidated group contributed tax losses to the Group. The Group has no tax losses to currently utilize.
- (iv) **Research & Development (R&D) tax concession**  
When calculating the income tax provision for the year, there is an operating assumption that the Research & Development tax concession for 2014 will be the same

as for 2013. The directors believe the estimate is reasonable and conservative. This may be subject to change following the approval of the R&D tax concession application from AusIndustry in due course.

**i. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Rendering of services**

Revenue from telecommunication services are recognised when the services are provided to the customer.

Deferred revenue represents the unused proportion of cash received in advance for call credits determined on a specific account basis at balance date.

**(ii) Interest income / Finance revenue**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

**j. Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term

**k. Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**l. Trade and other receivables**

Trade receivables and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any amounts determined to be uncollectable.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**m. Foreign Currency Transactions and Balances****(i) Functional and presentation currency**

The functional currency of each group entity is measured using the currency of the primary consolidated environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

On consolidation, assets and liabilities have been translated into Australian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences are taken to profit or loss in the consolidated financial report.

**n. Income tax**

The income tax expense (credit) for the year comprises current income tax expense (credit) and deferred tax expense (credit).

Current income tax expense charged to the 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 as unused tax losses if any.

Current and deferred income tax expense (credit) 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.

Tax consolidation:

My Net Fone Limited and its wholly-owned Australian subsidiaries are part of a tax consolidation group under Australian taxation law. My Net Fone Limited is the head entity in the tax consolidation group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidation group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

My Net Fone Limited, as the head entity in the tax consolidated group, recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of all entities in the group.

**o. 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**p. Inventories**

Inventories are measured and recorded at cost and are valued at the lower of cost and net realisable value.

**q. Property, plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**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.

The depreciation rates used for each class of depreciable assets are:

- Furniture & Fittings – over 6 to 10 years
- Office Equipment – over 3 to 5 years
- Network Infrastructure and IT Systems - over 2 to 4 years
- Motor Vehicles - over 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**r. Financial instruments**

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.

**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.



Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Investments in subsidiaries held by the parent

Investments in subsidiaries held by the parent entity are recognised and subsequently measured at cost in the separate financial statements of the Company, less any impairment.

**s. 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 value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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.

**t. Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

**u. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

**v. Employee leave benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one 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 vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**w. Contributed capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**x. Earnings per share**

Basic earnings per share is determined as net profit/(loss) attributable to members of the group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share include options outstanding that will have the potential to convert to ordinary shares and dilute the basic earnings per share.

**y. De-recognition of financial assets and financial liabilities**

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**z. Share-based payment transactions**

The Group provides benefits to its employees and Directors (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees and Directors become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

## My Net Fone Limited

### Notes to the consolidated financial statements (continued)

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

#### 3. Revenue and expenses

For the year ended 30 June	2014	2013
	\$000	\$000
(a) Revenue		
Rendering of services	59,306	46,209
Finance revenue consists of:		
Interest on bank deposits	97	146
(b) Other income	-	77
(c) Other expenses		
Other administrative expenses	1,426	575
Accounting and audit	144	108
Legal and consulting	37	49
Bank and transaction costs	300	209
	<b>1,907</b>	<b>941</b>
(d) Minimum lease payments		
Operating lease - premises	612	433
(e) Employee benefits expense		
Wages and salaries	9,641	7,317
Superannuation	856	674
Share based payments expense	47	11
Other employee benefits expense	519	404
	<b>11,063</b>	<b>8,406</b>

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

For the year ended 30 June

2014	2013
\$000	\$000

#### 4. Income tax

##### a. Income tax expense

The major components of income tax expense are as follows:

Current tax	2,485	1,519
Adjustment in respect of current income tax of previous years	(33)	11
Deferred tax	(229)	(289)
<b>Total</b>	<b>2,223</b>	<b>1,241</b>

##### b. Reconciliation between tax expense and the accounting profit

<b>Profit before income tax</b>	<b>8,001</b>	<b>5,382</b>
At the Group's statutory rate of 30% (2013: 30%)	<b>2,400</b>	<b>1,615</b>
Tax incentives	(181)	(193)
Non-temporary differences	38	97
Origination and reversal of temporary differences	(1)	(14)
Change in recognised deductible temporary differences	-	(275)
Adjustment in respect of prior year	(33)	11
<b>Total</b>	<b>2,223</b>	<b>1,241</b>

##### c. Deferred tax asset

###### Recognised in the accounts:

Relating to carry forward tax losses	-	-
Relating to temporary differences	504	275
	<b>504</b>	<b>275</b>

The total value of temporary differences not brought to account in the current year is \$296k (2013: \$297k)

The Company and its wholly-owned Australian entities are members of a tax consolidated group from 1 July 2011. Transactions within the Group have been eliminated in full on consolidation.

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

For the year ended 30 June

2014	2013
\$000	\$000

### 5. Statement of cash flows reconciliation

#### a. Cash and cash equivalents

Cash and cash equivalents balance comprises:

Cash at bank

<b>7,444</b>	<b>4,813</b>
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#### b. Reconciliation of net profit after tax to net cash flows from operating activities:

<b>Profit for the year</b>	<b>5,778</b>	<b>4,141</b>
Adjustments for:		
Depreciation	991	681
Currency gains and losses	4	13
Share based payment expense	47	11
Tax expense	2,223	1,241
Changes in assets and liabilities, net of the effects of acquisitions:		
Change in trade and other receivables	1,518	(1,839)
Change in inventories	2	(80)
Change in trade and other payables	(769)	2,605
Change in deferred revenue	2	92
Change in provisions and employee benefits	273	279
<b>Cash generated from operating activities</b>	<b>10,069</b>	<b>7,144</b>
Tax Paid	(1,462)	(1,103)
<b>Net cash flow from operating activities</b>	<b>8,607</b>	<b>6,041</b>

### 6. Trade and other receivables

Trade receivables	5,313	6,462
Doubtful debts provision	(121)	(92)
Provision for credit notes	(150)	(154)
Other receivables	252	396
	<b>5,294</b>	<b>6,612</b>

### 7. Other financial assets

<b>Term deposits</b>	<b>298</b>	<b>426</b>
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Term deposits relate to cash on deposit securing bank guarantees and are not available for immediate use. Short term deposits are made for fixed terms and earn interest at the prevailing short term rates.

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

### 8. Property, plant and equipment

	Office furniture & fittings and equipment	Motor vehicles	Network infrastructure & equipment	Total
Consolidated	\$000	\$000	\$000	\$000
<b>Cost:</b>				
At 1 July 2012	401	70	1,557	2,028
Acquisitions	147	-	352	499
Additions	200	-	1,120	1,320
Disposals	-	(70)	-	(70)
<b>At 30 June 2013</b>	<b>748</b>	<b>-</b>	<b>3,029</b>	<b>3,777</b>
At 1 July 2013	748	-	3,029	3,777
Acquisitions	-	-	250	250
Additions	138	-	759	897
Disposals	-	-	-	-
<b>At 30 June 2014</b>	<b>886</b>	<b>-</b>	<b>4,038</b>	<b>4,924</b>
<b>Accumulated depreciation:</b>				
At 1 July 2012	(297)	(44)	(879)	(1,220)
Acquisitions	(50)	-	(313)	(363)
Depreciation expense	(81)	(4)	(596)	(681)
Disposals	-	48	-	48
<b>At 30 June 2013</b>	<b>(428)</b>	<b>-</b>	<b>(1,788)</b>	<b>(2,216)</b>
At 1 July 2013	(428)	-	(1,788)	(2,216)
Acquisitions	-	-	-	-
Depreciation expense	(152)	-	(839)	(991)
Disposals	-	-	-	-
<b>At 30 June 2014</b>	<b>(580)</b>	<b>-</b>	<b>(2,627)</b>	<b>(3,207)</b>
<b>Net Book Value:</b>				
At 30 June 2013	320	-	1,241	1,561
<b>At 30 June 2014</b>	<b>306</b>	<b>-</b>	<b>1,411</b>	<b>1,717</b>

Assets are encumbered to the extent disclosed in note 15(b)

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

For the year ended 30 June

2014	2013
\$000	\$000

### 9. Trade and other payables

Trade payables	4,319	6,174
Other creditors and accruals	4,431	3,337
Security deposits held	33	33
	<b>8,783</b>	<b>9,544</b>

### 10. Deferred revenue

Pre-paid calling credits	<b>1,725</b>	<b>1,145</b>
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Deferred revenue relates to cash received in advance from customers with respect to pre-paid calling credits. The balance represents the unused call credits as at balance date.

### 11. Provisions

	Annual leave	Long service leave	Total
	\$000	\$000	\$000
As at 1 July 2013	515	326	841
Arising during the year	732	214	946
Utilised during the year	(674)	-	(674)
<b>As at 30 June 2014</b>	<b>573</b>	<b>540</b>	<b>1,113</b>
Current	<b>573</b>	-	<b>573</b>
Non-current	-	<b>540</b>	<b>540</b>

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2.

### 12. Finance lease liability

	2014	2013
	\$000	\$000
Finance lease liability: Current	<b>88</b>	<b>175</b>
Finance lease liability: Non-current	<b>16</b>	<b>104</b>

Refer to note 15 (b) for the terms and conditions relating to the finance lease obligations.

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

For the year ended 30 June

<b>2014</b>	<b>2013</b>
<b>\$000</b>	<b>\$000</b>

### 13. Issued capital

#### a. Ordinary shares

Shares issued and fully paid

<b>9,507</b>	<b>9,371</b>
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	2014		2013	
	Number of shares	\$000	Number of shares	\$000
Movements in ordinary shares on issue:				
At 1 July	62,250,215	9,371	55,255,555	4,361
Exercise of share options (i)	-	-	500,000	70
Exercise of share options	-	-	200,000	20
Exercise of share options (ii)	210,000	136	-	-
Issued for cash (net of costs)	-	-	6,294,660	4,920
<b>At 30 June</b>	<b>62,460,215</b>	<b>9,507</b>	<b>62,250,215</b>	<b>9,371</b>

- (i) refer note 14b for details of options exercised during the year by directors in the prior year
- (ii) On 23/08/13 and 04/09/13 employees exercised a total of 210,000 options with an exercise price of \$0.65

Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

#### b. Share options

	2014		2013	
	Number	WAEP \$	Number	WAEP \$
Movements in share options on issue:				
<b>Outstanding at 1 July</b>	<b>250,000</b>	<b>0.65</b>	<b>700,000</b>	<b>0.13</b>
Granted during the year	270,000	1.70	250,000	0.65
Exercised during the year	(210,000)	0.65	(700,000)	0.13
Expired during the year	(40,000)	0.65	-	-
<b>Outstanding at the 30 June</b>	<b>270,000</b>	<b>1.70</b>	<b>250,000</b>	<b>0.65</b>
Exercisable	270,000	1.70	250,000	0.65

The outstanding options balance as at 30 June 2014 is represented by 270,000 options issued under a share based payment option scheme to certain executives and employees. These options have an exercise price of \$1.70 and an expiry date of 31 December 2015.



**14. Share based payments**

Outstanding options as at year end:

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Employee option plan	270,000	250,000
Options granted to directors	-	-
<b>Total</b>	<b>270,000</b>	<b>250,000</b>

**a. Employee option plan (EOP)**

The Board may issue options under the EOP to any employee of the Group, including executive directors and non-executive directors. Options will be issued free of charge, unless the Board determines otherwise. Each option is to subscribe for one share and when issued, the shares will rank equally with other shares. Unless the terms on which an option was offered specify otherwise, an option may be exercised at any time after one year from the date it is granted, provided the employee is still employed by the Company.

An option may also be exercised in special circumstances, that is, at any time within 6 months after the employee's death, total and permanent disablement, or retrenchment. An option lapses upon the termination of the employee's employment by the Company and, unless the terms of the offer of the option specify otherwise, lapses three years after the date upon which it was granted. The exercise price per share for an option will be the average closing market price of the Company's share over the five trading days before their issue.

The maximum number of options on issue under the EOP must not at any time exceed 5% of the total number of shares on issue at that time.

**b. Share options granted to directors**

No options were granted to Directors during the year. The following table illustrates the number and weighted average exercise prices (WAEP) of and movements of share options held by directors during the year:

	<b>2014</b>		<b>2013</b>	
	Number	WAEP \$	Number	WAEP \$
Outstanding as 1 July	-	-	500,000	0.14
Granted during the year	-	-	-	-
Exercised during the year	-	-	(500,000)	0.14
Outstanding as at 30 June	-	-	-	-

During 2013, Mr Cuthbertson, the Chairman and a non-executive director exercised 500,000 options with an exercise price of \$0.14. These options were granted to Mr Cuthbertson by shareholders at the AGM held on 26 October 2010.

**15. Commitments and contingencies**

**a. Operating lease commitments**

Operating leases relate to premises with lease terms remaining between 1 and 3 years. The consolidated entity does not have an option to purchase the leased assets at the expiry of the lease terms.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2014 are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Within one year	562	336
After one year, not more than five years	461	442
More than five years	-	-
	<b>1,023</b>	<b>778</b>

**b. Finance lease commitments**

The Group has used finance leases to acquire Network infrastructure and equipment. Future minimum lease payments under purchase contracts together with the present value of the net minimum lease payments are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Within one year	105	198
After one year, not more than five years	23	111
More than five years	-	-
<b>Total minimum lease payments</b>	<b>128</b>	<b>309</b>
Less amounts representing finance charges	(24)	(30)
<b>Present value of minimum lease payments</b>	<b>104</b>	<b>279</b>
Included in the financial statements as:		
Finance lease liability: Current	88	175
Finance lease liability: Non-current	16	104
<b>Total</b>	<b>104</b>	<b>279</b>

The finance lease obligations consist of one finance lease with a maturity date of August 2015. The finance lease liabilities are secured against the assets to which they relate.

**16. Events after reporting date****a. Dividends**

The dividend as recommended by the Board will be paid subsequent to the balance date.

**b. Acquisition of iBoss**

On 10 July 2014 My Net Fone announced that it had reached an agreement to purchase the business and intellectual property of wholesale telecommunications enabler iBoss for \$1.4m. This transaction was completed on 18 July 2014 and was funded out of existing cash reserves.

**c. Issue of share options under the EOP**

On 1 July 2014 the company issued 440,000 options to staff, with an exercise price of \$3.00 and an expiry date of 31 August 2016.

Since the reporting date, there have been no other significant events, other than those mentioned above, which would impact on the financial position of the Company as disclosed in the Statement of Financial Position as at 30 June 2014, and on the cash flow of the Company for the year ended on that date.

**17. Auditors remuneration**

The Auditor of the Group is MNSA Pty Ltd Chartered Accountants.

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Amounts received or due and receivable by MNSA Pty Ltd Chartered Accountants for:		
Audit and review of the annual report of the entity	85	80
Non-audit services	-	14
	<b>85</b>	<b>94</b>

**18. Director and executive disclosures****a. Details of Key Management Personnel (KMP)**

Mr Terry Cuthbertson	Chairman and non-executive Director
Mr Michael Boorne	Non-executive Director
Mr Andy Fung	Non-executive Director
Mr Rene Sugo	Director & Chief Executive Officer
Mr Matthew Gepp	Chief Financial Officer
Ms Catherine Ly	Company Secretary

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

### b. Compensation of Key Management Personnel

The Group has applied the exemption under Corporations Amendments Regulation 2006 No 4 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These disclosures are provided on in the Directors' Report designated as audited.

### c. Shareholdings of Key Management Personnel

Directors	Year	Balance at the beginning of period	Traded during the year	Options exercised	Balance at end of period
Mr Terry Cuthbertson	2014	1,625,000	(500,000)	-	1,125,000
	2013	1,125,000	-	500,000	1,625,000
Mr Michael Boorne	2014	1,244,749	(225,000)	-	1,019,749
	2013	4,725,533	(3,480,784)	-	1,244,749
Mr Andy Fung	2014	14,488,955	-	-	14,488,955
	2013	14,488,955	-	-	14,488,955
Mr Rene Sugo	2014	14,488,955	(1,000,000)	-	13,488,955
	2013	14,488,955	-	-	14,488,955

The above shareholdings are held directly and indirectly through controlled entities.

### d. Share options of Key Management Personnel

Directors	Year	Balance at the beginning of period	Granted	Options exercised	Balance at end of period
Mr Terry Cuthbertson	2014	-	-	-	-
	2013	500,000	-	(500,000)	-
Mr Michael Boorne	2014	-	-	-	-
	2013	-	-	-	-
Mr Andy Fung	2014	-	-	-	-
	2013	-	-	-	-
Mr Rene Sugo	2014	-	-	-	-
	2013	-	-	-	-
<b>Executives</b>					
Mr Matthew Gepp	2014	-	50,000	-	50,000
	2013	-	-	-	-
Ms Catherine Ly	2014	-	50,000	-	50,000
	2013	100,000	-	(100,000)	-

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

### 19. Controlled entities

The consolidated financial statements include the financial statements of My Net Fone Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Ownership interest	
		2014	2013
My Net Fone Australia Pty Limited	Australia	100%	100%
Symbio Networks Pty Limited	Australia	100%	100%
Symbio Wholesale Pty Limited	Australia	100%	100%
Internex Australia Pty Limited (i)	Australia	100%	100%
Pennytel Australia Pty Limited (ii)	Australia	100%	-
Numbering Services Australia Pty Limited (iii)	Australia	100%	-
Symbio Wholesale (Singapore) Pte Limited	Singapore	100%	100%

- (i) Internex Australia Pty Limited was acquired on 31 December 2012
- (ii) Pennytel Australia Pty Limited was registered on 1 November 2013
- (iii) Numbering Services Australia Pty Limited was registered on 14 February 2014

### 20. Business combinations

#### a. Acquisition of subscriber customer base – Pennytel and Ivoisys

On the 25 October 2013, the Group acquired the telecommunications related business assets and liabilities, including the customer bases of Pennytel Pty Limited (In Provisional Liquidation) and Ivoisys Pty Limited (In Provisional Liquidation) for a cash consideration of \$320,000. This payment was made from free cash flow.

While the acquisition was not in itself material to the business, it is strategically important in that it removes a low cost competitor from the residential VoIP market and brings around 30,000 new customers onto our platform, from which it is expected strong synergies will be realised.

	<b>\$000</b>
Cash consideration:	<b>320</b>
Assets/(liabilities) acquired:	
Plant and equipment	250
Receivables	120
Customer prepayments	(502)
<b>Net liabilities acquired</b>	<b>(132)</b>
Intangible asset recognised	452
	<b>320</b>

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

### 21. Consolidated goodwill

For the year ended 30 June	2014	2013
	\$000	\$000
Internex Australia Pty Limited	4,533	4,533
Symbio Group	4,686	4,686
	<b>9,219</b>	<b>9,219</b>

Having given consideration to the carrying value of goodwill and intangible assets, the Board does not believe there is an indication of impairment as at the balance date.

### 22. Other intangible assets

For acquisitions of subscriber customer base

For the year ended 30 June	2014	2013
	\$000	\$000
Additions - Callstream	585	585
Additions - Gotalk	1,400	1,400
Additions - Buzz Corp	295	295
Additions - Pennytel	452	-
	<b>2,732</b>	<b>2,280</b>

Having given consideration to the carrying value of goodwill and intangible assets, the Board does not believe there is an indication of impairment as at the balance date.

### 23. Earnings per share

Earnings and weighted average number of ordinary shares used in calculating basic and diluted earnings per share are:

	2014	2013
	\$000	\$000
Net profit attributable to ordinary equity holders of the Company	5,778	4,141
Weighted average number of shares	Number '000	Number '000
Weighted average number of ordinary shares for basic earnings per share	62,428	59,311
Add effect of dilution:		
- Share options	270	250
Weighted average number of ordinary shares for diluted earnings per share	62,698	59,561

### 24. Segment note

The Group operates in one business segment being telecommunications. The geographical segments are defined based on operating business location being Australia and Singapore.

# My Net Fone Limited

## Notes to the consolidated financial statements (continued)

### 25. Dividends paid and proposed

	Cents per share	\$000	Date of payment
<b>Recognised amounts:</b>			
2013 fully franked final dividend declared and paid	2.0	1,249	19 September 2013
2014 fully franked interim dividend declared and paid	2.0	1,249	12 March 2014
<b>Unrecognised amounts:</b>			
2014 fully franked final dividend declared (i)	2.5	1,562	-

- (i) The final dividend was declared on 12 August 2014. The amount has not been recognised as a liability in the 2014 financial year and will be brought to account in the 2015 financial year. The proposed payment date of the 2014 final dividend is 11 September 2014.

The amount of franking credits available for future reporting periods is \$1,093,611 (2013: \$701,883). The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends proposed will be franked at the rate of 30%.

### 26. Parent entity

Key financial information relating to the parent entity is summarised below:

	2014	2013
	\$000	\$000
<b>Statement of comprehensive income</b>		
Profit/(loss) attributable to the owners of the company	(662)	824
Total comprehensive income/(loss) attributable to the owners of the company	<b>(662)</b>	<b>824</b>
<b>Statement of financial position</b>		
Total current assets	1,207	286
Total non-current assets	15,923	15,810
Total current liabilities	(9,055)	(5,044)
Total non-current liabilities	-	-
<b>Net assets</b>	<b>8,075</b>	<b>11,052</b>
Issued Capital	14,322	14,186
Share based payment reserve	1,157	1,110
Retained earnings	(7,404)	(4,244)
<b>Total equity</b>	<b>8,075</b>	<b>11,052</b>

During the year My Net Fone Limited issued a guarantee to Telstra Corporation Limited. This guarantee covers the primary obligations including any debts of its wholly owned subsidiary Symbio Wholesale Pty Limited. It does not impose any greater liability on My Net Fone Limited than are already in place for Symbio Wholesale Pty Limited.

During the year My Net Fone Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment.

**27. Financial risk management objectives and policies**

The Group's principal financial instruments comprise cash at bank and short term deposits.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

**Interest rate risk**

The company has no interest bearing liabilities. Funds on deposit are disclosed and the respective weighted average interest rate is disclosed below.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and interest revenue through the use of current accounts and short term deposits.

**Credit risk**

The company has no significant exposure to credit risk as the majority of its sales are pre-paid as at year end. However, for credit sales the company only trades with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Moreover, the company considers it is appropriate to provide a provision for doubtful debts for the year ended 30 June 2014.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash	6,320	6,320	4,790	4,790
Weighted average effective interest rate 1.8% (2013: 1.8%)				
Cash at call	1,124	1,124	23	23
Weighted average effective interest rate 3.4% (2013: 4.0%)				
Trade and other receivables	5,294	5,294	6,612	6,612
Other financial assets				
Weighted average effective interest rate 3.3% (2013: 3.5%)	298	298	426	426
<b>Financial liabilities</b>				
<i>On statement of financial position</i>				
Trade payables	8,783	8,783	9,544	9,544



**28. Company details**

The registered office and principal place of business of My Net Fone Limited is:

**Level 2, 10-14 Waterloo Street, Surry Hills, NSW, 2010**

# My Net Fone Limited

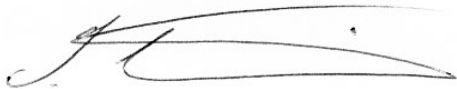
## Directors' Declaration

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In accordance with a resolution of the directors of My Net Fone Limited, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 23 to 54, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
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; and
3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Board



**Terry Cuthbertson**  
Chairman



**Rene Sugo**  
Director

Sydney, 12 August 2014



**MY NET FONE LIMITED ABN 37 118 699 853 and Controlled Entities**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MY NET FONE LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

**MNSA PTY LTD**

**Phillip Miller**  
Director

Dated in Sydney this 12<sup>th</sup> day of August 2014



**MY NET FONE LIMITED ABN 37 118 699 853 and Controlled Entities**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MY NET FONE LIMITED and Controlled Entities**

**Report on the Financial Report**

We have audited the accompanying financial report of My Net Fone Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

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

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

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



### *Independence*

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

### *Auditor's Opinion*

In our opinion:

- a. the financial report of My Net Fone Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the remuneration report of My Net Fone Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

**MNSA PTY LTD**

**Phillip Miller**  
Director

Sydney

Dated this 12<sup>th</sup> day of August 2014

# **ASX**

## **Additional Information**

# My Net Fone Limited

## ASX additional information

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Additional information required by ASX Ltd and not shown elsewhere in this report is as follows.

The information is current as at 8 August 2014.

### (a) Distribution of equity securities

#### (i) Ordinary share capital

62,460,215 fully paid ordinary shares are held by 2,345 individual shareholders.  
All issued ordinary shares carry one vote per share and carry the rights to dividends.

#### (ii) Options

710,000 unlisted options are held by 29 individual option holders.  
Options do not carry a right to vote.

The numbers of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares
1 – 1,000	440
1,001 – 5,000	933
5,001 – 10,000	463
10,001 – 100,000	477
100,001 and over	32
	<b>2,345</b>

The number of security investors holding less than a marketable parcel of ordinary shares is 57.

### (b) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
Avondale Innovations Pty Ltd	12,488,955	20.00
Mr Andy Fung	10,000,000	16.01
Amber (Asia) Pty Ltd	4,488,955	7.19

# My Net Fone Limited

## ASX additional information

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### (c) Twenty largest holders of quoted equity securities

	Fully paid	
	Number	Percentage
Avondale Innovations Pty Ltd	12,488,955	20.00
Mr Andy Fung	10,000,000	16.01
Amber (Asia) Pty Ltd	4,488,955	7.19
L&C Pty Ltd	2,478,430	3.97
BNP Paribas Noms Pty Ltd	1,771,555	2.84
National Nominees Limited	1,427,326	2.29
Kore Management Services Pty Ltd	1,125,000	1.80
RACS SMSF Pty Ltd	1,000,000	1.60
Mr. J. H. Boorne & Mrs J.E. Boorne	885,000	1.42
Boorne Gregg Investments Pty Ltd	845,000	1.35
Lee Superfund Management Pty Ltd	810,000	1.30
Citicorp Nominees Pty Ltd	767,067	1.23
Spektrok Pty Ltd	600,000	0.96
Mr Michael John Boorne	587,249	0.94
Chemco Superannuation Fund Pty Ltd	500,000	0.80
Earglow Pty Ltd	420,000	0.67
Mr Christopher John Ayres	400,000	0.64
G & E Properties Pty Ltd	378,377	0.61
Sandhurst Trustees Ltd	362,746	0.58
HSBC Custody Nominees (Australia) Ltd	321,724	0.52
	<b>41,657,384</b>	<b>66.69</b>

### (d) On-Market Buy Back

There is currently no on-market buy back.