

Freshtel Holdings Limited

Annual Report 2014

## CHAIRMAN'S STATEMENT

As reported last year, the board started the 2014 year with minimum staff and greatly reduced overheads.

The Balance Sheet is very clean and the VOIP business continues to be outsourced.

The Board's focus has been solely to identify a future business to provide both existing and new shareholders with an attractive growth orientated business.

In 2014 the company reported a loss of \$32,663 compared to a loss of \$162,775 in 2013.

In order to improve our cash positions share placements raised \$ 58,000 on the 8th July 2013 and a further \$417,715 on the 8<sup>th</sup> May 2014..

Your directors decided to permanently waive all accrued and unpaid directors fees meaning that directors have received no fees since June 2011.

Mr Alex Alexander resigned from the board in May 2014, and we thank him for his contribution. The board welcomes back Dr Ken Carr who rejoined the board in May 2014.

2014 again proved to be a difficult year in which the directors have spent a lot of time and effort without being able to achieve the desired result.

We continue to examine and explore all opportunities and proposals that will provide existing and new shareholders with an attractive growth orientated business. In September 2014 we entered into a further NDA and when and if appropriate will advise the shareholders and the market of any positive outcome .

I would like to thank my other directors who have continually contributed their time and expertise in an effort to progress the company fortunes.

Your directors have a strong commitment to finalise a project in 2015.

Peter Buttery  
Chairman

**Freshtel Holdings Limited ABN 92 111 460 121**  
and Controlled Entities

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

**Freshtel Holdings Limited ABN 92 111 460 121**  
and Controlled Entities

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# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## Freshtel Holdings Limited's Corporate Governance Arrangements

The objective of the Board of Freshtel Holdings Limited is to create and deliver long-term shareholder value through a range of diversified but interrelated extractive, manufacturing and retailing activities. While each area of the company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Freshtel Holdings Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Freshtel Holdings Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2014.

### Board Composition

The Board comprises 3 directors, all of whom are non-executive and meet the Board's criteria to be considered independent. The names of the non-executive/independent directors are:

- Mr Matt Ranawake
- Dr Ken Carr appointed 2<sup>nd</sup> May 2014
- Mr Peter Buttery - Chairman

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2014, along with their biographical details, is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. Nevertheless, directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number

## **Freshtel Holdings Limited ABN 92 111 460 121**

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of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

### **Ethical Standards**

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy, which is available at [www.freshtel.com.au](http://www.freshtel.com.au).

The Code of Conduct policy requires all directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

### **Share Ownership and Share Trading Policy**

Details of directors' individual shareholdings in Freshtel Holdings Limited are provided in the remuneration report.

The Board's policy regarding directors and employees trading in Freshtel Holdings Limited shares is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the company's share price. A detailed description of the Board's policy regarding directors and employees trading in Freshtel Holdings Limited shares is available from the Board's Code of Conduct policy.

Directors and key management personnel (KMP) are prohibited from limiting risk attached to incentives paid in the form of options or rights by use of derivatives or other means. Further information on the Board's policy regarding the use of hedging arrangements by directors over Freshtel Holdings Limited shares is provided in the remuneration report.

### **Board Committees**

To facilitate achieving its objectives, the Board does not maintain separate sub-committees for audit, nomination, remuneration and finance, but retains oversight of these areas at the full board level. Any issues relating to these elements are considered under the standard board agenda.

#### Performance Evaluation

The Board assesses its performance, the performance of individual directors and the performance of its committees annually through internal processes. Directors' individual performances are also evaluated each year against their performance plans, which are reviewed annually. The Board also formally reviews its governance arrangements on a similar basis annually.

### **Board Roles and Responsibilities**

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.

As a part of its corporate governance arrangements, the Board has established a strategy for engaging and communicating with shareholders that includes:

## **Freshtel Holdings Limited ABN 92 111 460 121**

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- regular meetings with institutional shareholders;
- quarterly reporting to all shareholders; and
- actively encouraging shareholders to attend and participate in the company's Annual General Meeting.

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

- commit the necessary time and energy to fulfil their responsibilities as directors; and
- place the interests of the company before their personal interests.

The Chair is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chair discharges their responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other directors and KMP;
- encouraging critical evaluation and debate among directors;
- managing board meetings to ensure that all critical matters are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

### **Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. The Board actively encourages shareholders to attend and participate in the Annual General Meetings of Freshtel Holdings Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

### **Risk Management**

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.

The main business of the company that of VOIP telephony has been outsourced. Consequently any fluctuations in the business from any source will not affect the financial position of the company.

In addition to their regular reporting on business risks, risk management and internal control systems, the acting Chief Financial Officer also provides the Board with written assurance that the directors' declaration provided with the annual report is founded on a sound system of risk management and internal control, and that this system is operating effectively in all material respects in relation to the financial reporting risks. This assurance is provided prior to the meeting at which the directors are due to authorise and sign the company's financial statements.

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### **Remuneration Policy**

The Board has set a fixed amount for directors which are accrued monthly. The Board has decided that accrued director's fee amounts will only be paid to directors when the company makes a successful capital raising in conjunction with an investment proposal. Commencing Feb 1<sup>st</sup> 2013 the company has not accrued a monthly fee for directors.

The Board has sub-contracted the accounting and management functions of the company at a fixed monthly fee.

There are no current share option plans, no bonus payments and no payments which would result in FBT obligations.



# Freshtel Holdings Limited ABN 92 111 460 121

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### DIRECTORS REPORT

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

#### Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- the operation of the sub-contracted VOIP business
- the search for an appropriate investment opportunity

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

#### Operating Results and Review of Operations for the Year

##### Operating Results

The consolidated loss of the consolidated group amounted to \$32,663 after providing for income tax. This represented a 67% improvement on the results reported for the year ended 30 June 2013. The significant improvement was largely from decreased operating costs due to the write back of accrued director's fees. The write back means that no fees have been charged to the business by directors since June 2011.

##### Review of Operations

With the VOIP business being sub-contracted out for the full year the Board and the Company was able to concentrate its efforts on finding a suitable investment project. A number of opportunities were investigated during the year and efforts will continue into the new year. Of the investment prospects investigated some moved into negotiation stage with Non-Disclosure agreements signed, but none have reached the point as at this report where it is appropriate that the market be informed. There are several opportunities under active investigation at this time. During the year two placements of ordinary shares were issued. See Note 12 for details.

##### Information on the Directors

###### Mr Matt Ranawake BBus., MBA, CPA, FAICD

###### Non-Executive Director

Mr Ranawake was elected to the board on 23 November 2010 Mr Ranawake has over 20 years of experience in the telecommunications industry in Asia Pacific, Australia, India and China, combined with a strong background in Finance, Mergers & Acquisitions, Information Systems, Sales, Change Management, Strategy and Business Development acquired across a number of industries. Currently he is the Chief Financial Officer of Konekt Limited, a ASX listed workplace health solutions provider. Prior to that he was the CFO of Consistel Group in Singapore where he was instrumental in raising funds from Intel Capital and JAFCO Asia. Prior to joining Consistel, Matt was the CFO of LongReach Group Limited, an ASX listed Australian telecommunications equipment manufacturer and vendor, where he was involved in raising capital and managing its merger. He has held senior management positions in Telstra Corporation, British Telecom and Marconi. Matt also has several years of experience in gas, electric and petroleum industries.

###### Mr Peter Buttery FCA MAICD

###### Chairman and Non-Executive Director

Mr. Buttery was elected to the Freshtel board on 23 November 2010 Mr. Buttery is a qualified Chartered Accountant and was a Partner of Deloitte for 28 years until 1998 and was the audit partner responsible for several listed companies and advised on corporate finance strategies. From 1998 he acted as a financial strategy consultant and company director and is a member of the Australian Institute of Company Directors. Previously he held positions with listed entities include being Chairman of Ribloc Group Ltd, Chairman of Chariot Internet Ltd, Chairman of Chevalier Pipe Technologies GMBH, Chairman of Norditube Technologies AB, Director of Enterprise Energy Ltd. He is currently a director of several large family companies and assists in managing their business interests, and investment and property portfolios as well as corporate governance matters.

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### **Dr Kenneth Carr PhD Bus.Adm., Masters Bus.Adm., BSc**

#### **Non-Executive Director (appointed 2<sup>nd</sup> May 2014)**

Dr Carr first joined the Freshtel board in February 2009. He has formerly held CEO and Board positions on several listed entities in Australia and overseas, most recently as CEO of Keycorp Limited. Previously he has held senior executive positions at British Telecom, AT&T, and Lucent Technologies. He spent some time as a Partner at IBM GSA with a primary focus on Telco consulting to all local carriers and overseas entities such as China Mobiles, and Nextel Inc. His main experience is related to corporate restructuring and recovery transformation, which has included several JVs and mergers and acquisitions in many countries. Dr Carr left the board in February 2013 and rejoined on the above date

### **Alex Alexander**

#### **Non-Executive Director (resigned 2<sup>nd</sup> May 2014)**

Mr. Alexander is a founder and Managing Director of Summit Equities Limited ("Summit Equities"), a boutique investment advisory firm with particular focus on resources and commodities. Prior to Summit Equities, Mr. Alexander was a stockbroker with Deutsche Bank Stockbroking and ABN AMRO Bank Stockbroking. Since founding Summit Equities in 2005, Mr. Alexander has had a lead role in a number of capital raisings and corporate transactions in resources and real estate sectors and built a highly successful commodities trading business between Australia and China. Mr. Alexander is a Director of Winmar Resources (ASX:WFE) and a Chairman of Goodrich Resources (ASX:GRX). Mr. Alexander completed a Double Masters Degree in Engineering/Economics and holds a Graduate Diploma in Accounting and a Graduate Diploma in Applied Finance and Investments.

### **Company Secretary**

#### **Graham Henderson B.Econ, B.A.,M.A.**

Mr Henderson has worked for Freshtel Holdings Limited for the past 4 years and was appointed as the Company Secretary on 23rd September 2010.

### **Meetings of Directors**

During the financial year 6 meetings of directors were held. Attendances by each director during the year were as follows:

#### **Directors' Meetings**

	<b>Number eligible to attend</b>	<b>Number attended</b>
Peter BATTERY	4	4
Ken Carr	1	1
Matt Ranawake	4	3
Alex Alexander	4	2

### **Indemnifying Officers**

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums. The company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums for all directors amounted to \$19,691.

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#### **Options**

At the date of this report, there are no unissued ordinary shares of Freshtel Holdings Limited under option schemes.

#### **Proceedings on Behalf of Company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

#### **Non-audit Services**

There were no non-audit services provided by the auditor in the financial year.

#### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 12 of this financial report.

#### **Subsequent Events**

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

#### **REMUNERATION REPORT (AUDITED)**

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Freshtel Holdings Limited directors and its senior management for the financial year ended 30 June 2014. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- remuneration of directors and senior management
- key terms of employment contracts.

#### **Key management personnel details**

The following persons were directors of Freshtel Holdings Limited during or since the end of the financial year:

- Mr Alex Alexander (resigned 2<sup>nd</sup> May 2014)
- Dr Kenneth Carr (appointed 2<sup>nd</sup> May 2014)
- Mr Peter Buttery (appointed 23 November 2010, appointed as Chairman 26 July 2012)
- Mr Matt Ranawake (appointed 23 November 2010)

## Freshtel Holdings Limited ABN 92 111 460 121

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The term 'key management personnel' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Mr Graham Henderson (Company Secretary and acting CFO appointed 10 September 2010)

#### Remuneration Policy

The remuneration policy of Freshtel Holdings Limited has been designed to align director and executive objectives with shareholder value and business objectives. The board of Freshtel Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the nomination and remuneration committee and approved by the board.

The Australian directors receive a superannuation guarantee contribution required by the government, which is currently 9% of their salary or the maximum payable by law, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The nomination and remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

The company rewards executives with level and mix of compensation commensurate with their position and responsibilities within the company, ensuring the compensation is competitive by market standards and ties to achievement of the company's strategies and goals.

The Freshtel share price opened at \$0.002 (0.2 cents) on 1 July 2013 and closed at \$0.002 (0.2 cents) on 30 June 2014.

#### Remuneration of directors and senior management

2014	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments	Total
	Salary & fees	Bonus	Non-monetary	Superannuation		Options & rights	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>	-	-	-	-	-	-	-
Mr Matt Ranawake							
Dr Kenneth Carr							
Alex Alexander	-	-	-	-	-	-	-
Mr Peter BATTERY	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Other key management personnel</b>							
Mr Graham Henderson	60,000	-	-	-	-	-	60,000
							<u>60,000</u>

#### Remuneration of directors and senior management

**Freshtel Holdings Limited ABN 92 111 460 121**

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2013	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments	Total
	Salary & fees	Bonus	Non-monetary	Superannuation		Options & rights	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>							
Mr Matt Ranawake	-	-	-	-	-	-	-
Dr Kenneth Carr	-	-	-	-	-	-	-
Mr Peter Buttery	-	-	-	-	-	-	-
<b>Other key management personnel</b>							
Mr Graham Henderson	60,000	-	-	-	-	-	60,000
							<u>60,000</u>

**Key terms of employment contracts**

The Company has no employees except the directors who are treated as employees in the event of payments being made.

**Director's Shareholding 30<sup>th</sup> June 2014.**

Mr Matt Ranawake	-
Dr Kenneth Carr	-
Mr Peter Buttery	60,106,077

**END OF AUDITED REMUNERATION REPORT**

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors



Peter Buttery

Director

12 September 2014

**FRESHTEL HOLDINGS LIMITED  
ABN 92 111 460 121  
AND CONTROLLED ENTITIES**

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

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

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner

Date: 12 September 2014

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**FRESHTEL HOLDINGS LIMITED  
ABN 92 111 460 121  
AND CONTROLLED ENTITIES**

**DECLARATION BY DIRECTORS**

The directors of the company declare that:

1. The consolidated financial statements, comprising the statement of profit and loss and comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give 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.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The remuneration disclosures included in the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



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Peter Buttery

12 September 2014

**FRESHTEL HOLDINGS LIMITED  
ABN 92 111 460 121  
AND CONTROLLED ENTITIES**

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

**Report on the Financial Report**

We have audited the accompanying financial report of Freshtel Holdings 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 1, 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 company's preparation 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*.

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## *Auditor's Opinion*

In our opinion:

- a. the financial report of Freshtel Holdings 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 1.

## **Report on the Remuneration Report**

We have audited the remuneration report included in pages 9 to 11 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 Freshtel Holdings Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner

Date: 12 September 2014

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## CONSOLIDATED STATEMENT OF PROFIT and LOSS and OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
<b>Continuing operations</b>			
Revenue	3	107,610	128,112
Other revenue	3	932	2,252
Employee benefits expense	11	165,680	(8,720)
(Write back of prior year's directors fees)			
Professional services expense		(95,200)	(96,148)
Capital investment expense		(44,137)	-
VOIP Operations cost	3	(107,610)	(128,112)
Occupancy and facilities expense		(24,980)	(29,586)
Listing and registry expense		(34,958)	(30,573)
Other expenses		-	-
<b>Loss before income tax</b>		(32,663)	(162,775)
Income tax benefit		-	-
<b>Net loss for the year</b>		(32,663)	(162,775)
<b>Total comprehensive loss for the year</b>		(32,663)	(162,775)
<b>Total comprehensive loss attributed to parent entity</b>		(32,663)	(162,775)
<b>Earnings per share</b>			
Basic earnings per share (cents)	7	(0.01)	(0.02)
Diluted earnings per share (cents)	7	(0.01)	(0.02)

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111 460 121**  
and Controlled Entities  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	Consolidated Group	
		2014	2013
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	8	402,534	127,205
Prepayments	9	9,259	9,696
<b>TOTAL CURRENT ASSETS</b>		<b>411,793</b>	<b>136,901</b>
NON-CURRENT ASSETS			
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>411,793</b>	<b>136,901</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	11	24,610	27,090
<b>TOTAL CURRENT LIABILITIES</b>		<b>24,610</b>	<b>27,090</b>
NON-CURRENT LIABILITIES			
Other Payables	11	-	165,680
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>165,680</b>
<b>TOTAL LIABILITIES</b>		<b>24,610</b>	<b>192,770</b>
<b>NET (DEFFICIENCY)/ASSETS</b>		<b>387,183</b>	<b>(55,869)</b>
<b>EQUITY</b>			
Issued capital	12	39,365,457	38,889,742
Accumulated losses		(38,978,274)	(38,945,611)
<b>TOTAL (DEFICIENCY)/EQUITY</b>		<b>387,183</b>	<b>(55,869)</b>

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111 460 121**

and Controlled Entities

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

	Issued Capital	Accumulated Losses	Total equity
	\$	\$	\$
At 1 July 2012	38,654,777	(38,782,836)	(128,059)
Loss for the year	-	(162,775)	(162,775)
Total comprehensive loss for the year	-	(162,775)	(162,775)
Transactions with owners in their capacity as owners			
Ordinary shares issued	247,332	-	247,332
less capital raising costs	(12,367)	-	(12,367)
<b>Balance at 30 June 2013</b>	<b>38,889,742</b>	<b>(38,945,611)</b>	<b>(55,869)</b>
At 1 July 2013	38,889,742	(38,945,611)	(55,869)
Loss for the year	-	(32,663)	(32,663)
Total comprehensive loss for the year	-	(32,663)	(32,663)
Transactions with owners in their capacity as owners			
Ordinary shares issued	497,700	-	479,700
Less Capital Raising Cost	(21,985)	-	(21,985)
<b>Balance at 30 June 2014</b>	<b>39,365,547</b>	<b>(38,978,274)</b>	<b>387,183</b>

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111 460 121**

and Controlled Entities

**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Notes</b>	<b>Consolidated Group</b>	
		2014	2013
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		107,610	128,112
Payments to suppliers and employees		(308,928)	(279,488)
Interest received		932	2,252
Net cash used in operating activities	14	(200,386)	(149,124)
<b>Cash Flows from Investing Activities</b>			
Net cash used in investing activities		-	-
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of ordinary shares	12	475,715	234,965
Net cash provided by financing activities		475,715	234,965
<b>Net increase in cash held</b>		275,329	85,841
Cash and cash equivalents at the beginning of the year		127,205	41,364
<b>Cash and cash equivalents at the end of the year</b>	8	402,534	127,205

The accompanying notes form part of these financial statements.

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue on 12<sup>th</sup> September 2014 by the directors of the company.

#### a. Basis of Preparation

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

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

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

#### b. Going concern basis

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

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2014 was \$32,663 (2013: \$162,775).

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

- In the financial year the company raised funds from share placements resulting in a net cash injection of \$475,715. These capital raisings are intended to provide sufficient funds to continue the search for an investment opportunity while providing ample funds for the running of the existing business for the next two years.
- The budgeted business plan, to which the Board is fully committed, demonstrates the Group will be able to pay its debts as and when they fall due.
- The forecast cash surplus, before investment costs, at 1 November 2015 is \$206,000.

#### c. Principles of Consolidation

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

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Freshtel Holdings Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

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

# Freshtel Holdings Limited ABN 92 111 460 121

## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accounting policies adopted by the Group.

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

#### **d. Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

#### **e. Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# Freshtel Holdings Limited ABN 92 111 460 121

## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **f. Plant and Equipment**

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

##### **Depreciation**

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

##### **g. Financial Instruments**

##### **Recognition and initial measurement**

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

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

##### **Classification and subsequent measurement**

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

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

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

##### **Impairment**

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

##### **h. Impairment of Assets**

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

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



# Freshtel Holdings Limited ABN 92 111 460 121

## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **i. Employee Benefits**

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

##### **j. Provisions**

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

##### **k. Cash and Cash Equivalents**

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

##### **l. Revenue and Other Income**

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

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

##### **m. Trade and Other Receivables**

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

##### **n. Trade and Other Payables**

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

##### **o. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **p. Goods and Services Tax (GST)**

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

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### **New and Amended Accounting Policies Adopted by the Group**

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

There were no changes to the financial statements of the group as a result of adopting these standards.

#### **q. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

#### **r. Critical Accounting Estimates and Judgments**

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

##### **Key estimates**

Impairment – general

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

#### **s. 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:

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).  
The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.  
The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting

**Freshtel Holdings Limited ABN 92 111 460 121**

and Controlled Entities

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- 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.

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

**Freshtel Holdings Limited ABN 92 111 460 121**

and Controlled Entities

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 2: PARENT INFORMATION**

**2014**                      **2013**  
**\$**                              **\$**

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

**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

Current assets	410,872	136,899
<b>TOTAL ASSETS</b>	<b>410,872</b>	<b>136,899</b>

**LIABILITIES**

Current liabilities	(22,578)	(25,977)
Non-current liabilities	-	(165,680)
<b>TOTAL LIABILITIES</b>	<b>(22,578)</b>	<b>(191,657)</b>

**EQUITY**

Issued capital	49,686,873	49,211,159
Accumulated Losses	(49,298,579)	(49,265,916)
<b>TOTAL EQUITY/DEFICIENCY</b>	<b>388,294</b>	<b>(54,757)</b>

**STATEMENT OF COMPREHENSIVE INCOME**

Total loss for the year	(32,663)	(162,775)
<b>Total comprehensive loss for the year</b>	<b>(32,663)</b>	<b>(162,775)</b>

**NOTE 3: REVENUE AND OTHER INCOME**

**Consolidated Group**

**2014**                      **2013**  
**\$**                              **\$**

Revenue:

Provision of VOIP services	107,610	128,112
Interest received	932	2,252
	<b>108,542</b>	<b>130,364</b>

A change in accounting practice in the current year now discloses both the revenue and the cost of the VOIP business the operation of which has been leased out.

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 4: INCOME TAX EXPENSE

Income tax recognised in profit or loss	<b>Consolidated Group</b>	
	2014	2013
	\$	\$
Current Tax Expense in respect of year	-	-
Loss from continuing operations	(32,663)	(162,775)
Income tax expense calculated at 30% (2013: 30%)	(9,799)	(48,833)
Tax effects of non-deductibles		
Movement of deferred tax assets not recognised	9,799	48,883
Income Tax expense attributable to operating activities	-	-
Unused tax losses for which no deferred tax asset has been recognised at 30%. (2013: 30%)	8,328,583	8,335,178

Gross tax losses carried forward as at 30 June 2014 are \$27,509.833

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014	2013
	\$	\$
Payments in cash	60,000	60,000

### KMP Shareholdings

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

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
<b>30 June 2014</b>					
Peter Buttery	60,106,077				60,106,077
Alex Alexander	43,383,230			(43,383,230)	

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 30 June 2013

Peter Buttery	60,106,077		60,106,077
Alex Alexander		43,383,230	43,383,230

### Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP (including loans), refer to Note 16: Related Party Transactions.

### NOTE 6: AUDITORS' REMUNERATION

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Remuneration of the auditor for: auditing or reviewing the financial statements	29,800	34,147

### NOTE 7: EARNINGS PER SHARE

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
a.Reconciliation of earnings to loss:		
Loss	(32,663)	(162,775)
Loss used to calculate basic EPS	(32,663)	(162,775)
Loss used in the calculation of dilutive EPS	(32,663)	(162,775)
	<b>No.</b>	<b>No.</b>
b.Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,000,308,510	850,798,213
c.Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,000,308,510	850,798,213
d.Basic and Diluted loss per share (cents)	(0.01)	(0.02)

# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 8: CASH AND CASH EQUIVALENTS

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	402,534	127,205
	402,534	127,205
	402,534	127,205

#### Reconciliation of cash

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

Cash and cash equivalents	402,534	127,205
	402,534	127,205
	402,534	127,205

### NOTE 9 : PREPAYMENTS

D & O Insurance	9,259	9,696
	9,259	9,696

### NOTE 10: CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
Subsidiaries of <i>Freshtel Holdings Limited</i> :			
<i>Freshtel Australia Pty Ltd</i>	Australia	100	100
<i>Freshtel Pty Ltd</i>	Australia	100	100
<i>Voicedot Networks Pty Ltd</i>	Australia	100	100
<i>Virbiage Pty Ltd</i>	Australia	100	100

#### Acquisition of Controlled Entities

There were no acquisitions of controlled entities.

#### Disposal of Controlled Entities

There were no disposals of controlled entities.

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 11: TRADE AND OTHER PAYABLES</b>		
<b>CURRENT</b>		
Trade & other payables	24,610	27,090
	24,610	27,090
Other Payables	-	165,680
	-	165,680
	-	165,680

Accrued director's fees of \$165,680 from previous years were written back in the current year.

**Freshtel Holdings Limited ABN 92 111 460 121**  
and Controlled Entities

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 12: ISSUED CAPITAL</b>		
1,123,676,186 (2013: 948,109,526) fully paid ordinary shares	39,365,457	38,889,742

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

**a. Ordinary Shares**

At the beginning of the reporting period:	948,109,526	824,443,066
Shares issued during the year		
– 13/07/2012	-	123,666,460
– 8/07/2013 (placement of ordinary shares @ \$.002)	29,000,000	-
– 2/05/2014 (placement of ordinary shares @ \$.003)	146,566,660	
At the end of the reporting period	1,123,676,186	948,109,526

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

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

**Capital Management.**

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

The Group's debt and capital includes ordinary share capital supported by financial assets.

There are no externally imposed capital requirements.

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

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

**NOTE 13: CAPITAL AND LEASING COMMITMENTS**

There are no capital and leasing commitments.



# Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### Consolidated Group

2014  
\$

2013  
\$

#### NOTE 14: CASH FLOW INFORMATION

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

Loss for the year	(32,663)	(162,775)
Non-cash items and changes in assets and liabilities :		
– Non-cash movement in liabilities	-	8,720
Changes in assets and liabilities :		
– (increase)/decrease in trade and term receivables	-	16,500
– increase/(decrease) in trade payables and accruals	(2,480)	(1,873)
– (increase)/decrease in prepayments	437	(9,696)
– increase/(decrease) in provisions	(165,680)	-
Cash flow from operations	<u>(200,386)</u>	<u>(149,124)</u>

#### NOTE 15: EVENTS AFTER THE REPORTING PERIOD

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

#### NOTE 16: RELATED PARTY TRANSACTIONS

Related Parties

The Group's main related parties are as follows:

*Key management personnel:*

Graham Henderson – Company Secretary and Acting CFO.

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation and the Remuneration Report.

There were no transactions with related parties.

#### NOTE 17: FINANCIAL RISK MANAGEMENT

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

##### Capital Risk Management

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

##### Interest Rate Risk

The Board has decided to maintain all financial assets in interest bearing cash accounts. The interest rate for 2014 was approximately 1.5%.

**Freshtel Holdings Limited ABN 92 111 460 121**

and Controlled Entities

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 18: COMPANY DETAILS**

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

Freshtel Holdings Limited  
*2980 Frankston Flinders Road*  
*Balnarring, Victoria 3926.*

**NOTE 19: SEGMENTS**

There Are No Operating Segments

**FRESHTEL HOLDINGS LIMITED**
**ORDINARY SHARES (TOTAL) As of 22 Oct 2014**
**Top Holders Snapshot - Ungrouped**
**Composition : ORD**

Rank	Name	Units	% of Units
1.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	127,640,011	11.36
2.	BRUCAR PTY LTD <SPANGLER SUPER FUND A/C>	94,233,333	8.39
3.	ROGER J LANG NOMINEES PTY LTD <RJL FAMILY A/C>	73,296,803	6.52
4.	CITYSTYLE HOLDINGS PTY LTD <GERDA TWO A/C>	69,306,085	6.17
5.	BOUNDARY NOMINEES PTY LTD <THE BUTTERY SUPER FUND A/C>	55,986,077	4.98
6.	CRESCENZO DI IULIO + LUISA DI IULIO <THE DI IULIO SUPER FUND>	50,000,000	4.45
7.	LIBERTY INVESTMENTS PTY LTD	50,000,000	4.45
8.	TESCO PLC	26,636,423	2.37
9.	S H CHUA NOMINEES PTY LTD <S H CHUA SUPER FUND A/C>	25,901,994	2.31
10.	FIRST INVESTMENT PARTNERS PTY LTD	25,000,000	2.22
11.	MR JAMES MITCHELL ANDERSEN RALPH	20,263,104	1.80
12.	GPV INVESTMENTS PTY LTD <GPV INV PL SUPER FUND A/C>	19,130,000	1.70
13.	WAVENET INTERNATIONAL LIMITED	18,880,485	1.68
14.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	17,664,127	1.57
15.	SANDRA DI IULIO <ADELINA HOLDINGS A/C>	16,666,660	1.48
16.	GUMBALIE PTY LTD <SHORT TERM TRADING A/C>	15,000,000	1.33
17.	MR DAVID NOLAN	15,000,000	1.33
18.	KEITH AND CAROLYN LAMBERT PTY LTD <THE LAMBERT FAMILY S/F A/C>	12,500,000	1.11
19.	PINERY INVESTMENTS PTY LTD <TILLER JOINT VENTURE A/C>	10,920,000	0.97
20.	MRS SANDRA DI IULIO <ADELINA HOLDINGS INVEST A/C>	10,000,000	0.89
<b>Totals: Top 20 holders of ORDINARY SHARES (TOTAL)</b>		<b>754,025,102</b>	<b>67.10</b>
<b>Total Remaining Holders Balance</b>		<b>369,651,084</b>	<b>32.90</b>