

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

Freshtel Holdings Limited ABN 92 111 460 121
and Controlled Entities

TABLE OF CONTENTS

Financial Report	
Corporate governance statement	3
Directors report	7
Auditor's independence declaration	12
Directors' declaration	13
Independent audit report	14
Consolidated statement of comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	19
Notes to the financial statements	20

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 2015.

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
- 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 2015, 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 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.

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

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

- 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:

- 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.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

Remuneration Policy

The Board has agreed not to pay directors any remuneration for the year ended 30 June 2015. Commencing 1 Feb 2014 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 which has been unchanged since 2010..

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

Related Party Transactions

There have been no related party transactions in the year ended 30 June 2015.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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 2015.

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 \$188,079. A sum of \$36,749 was spent on due diligence in relation to a proposed acquisition.

Review of Operations

With the VOIP business being sub-contracted out for the full year the Board and the Company was able to concentrate its efforts on finding a suitable investment project.

During the last 12 months the directors have conducted due diligence on several interesting prospects two of which progressed to the drafting of implementation agreements.

The directors held a view that until there was a final signed legally binding agreement it was not appropriate to advise the market of our negotiations.

The board has currently three signed NDA's where due diligence is being conducted and projects evaluated prior to more formal negotiations being documented.

The company has also received approaches from Australian based and international entities wishing to merge their operations with a current listed entity. All of these approaches have been and are still being evaluated and when and if appropriate the market will be informed.

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. Until recently he was 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

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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.

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

Non-Executive Director (appointed 2nd 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 2014 and re-joined on the above date.

Company Secretary

Graham Henderson B.Econ, B.A., M.A., M.Hist.

Mr Henderson has worked for Freshtel Holdings Limited for the past 5 years and was appointed as the Company Secretary on 23 September 2010.

Meetings of Directors

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

Directors' Meetings

	Number eligible to attend	Number attended
Peter Buttery	6	6
Ken Carr	6	6
Matt Ranawake	6	6

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 \$18,367.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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 2015 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 2015. 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:

- Dr Kenneth Carr (appointed 2 May 2014)
- Mr Peter Buttery (appointed 23 November 2010, appointed as Chairman 26 July 2012)
- Mr Matt Ranawake (appointed 23 November 2010)

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.

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

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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 2014 and closed at \$0.002 (0.2 cents) on 30 June 2015.

Remuneration of directors and senior management

2015	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments	Total
	Salary & fees	Bonus	Non-monetary	Superannuation		Options & rights	
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors	-	-	-	-	-	-	-
Mr Matt Ranawake							
Dr Kenneth Carr							
Mr Peter Buttery	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Other key management personnel							
Mr Graham Henderson	60,000	-	-	-	-	-	60,000
							<u>60,000</u>

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	
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Mr Matt Ranawake	-	-	-	-	-	-	-
Dr Kenneth Carr	-	-	-	-	-	-	-
Mr Peter Buttery	-	-	-	-	-	-	-
Other key management personnel							
Mr Graham Henderson	60,000	-	-	-	-	-	60,000
							<u>60,000</u>

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

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 June 2015.

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

25 August 2015

**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**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 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: 25 August 2015

A member of AGN
International Ltd, a
worldwide association
of separate and
independent
accounting
and consulting firms

www.hallchadwick.com.au

SYDNEY • NEWCASTLE • PARRAMATTA • PENRITH • MELBOURNE • PERTH • BRISBANE • GOLD COAST • DARWIN

Liability limited by a scheme approved under Professional Standards Legislation.

Freshtel Holdings Limited ABN 92 111 460 121
and Controlled Entities


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 2015 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 2015, 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:



Peter Buttery

25 August 2015

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

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 2015, 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*.

A member of AGN
International Ltd, a
worldwide association
of separate and
independent
accounting
and consulting firms

www.hallchadwick.com.au

SYDNEY • NEWCASTLE • PARRAMATTA • PENRITH • MELBOURNE • PERTH • BRISBANE • GOLD COAST • DARWIN

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 2015 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 (b) in the financial report, which indicates that the consolidated entity incurred a net loss of \$188,079 during the year ended 30 June 2015 and has negative cash flow from operating activities of \$177,328. This condition, along with other matters as set forth in Note 1 (b), indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.



Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Date: 25 August 2015

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
Continuing operations			
Revenue	3	68,067	107,610
Other revenue	3	1,406	932
Directors fees written back prior years		-	165,680
Professional services expense		(90,105)	(95,200)
Capital investment expense		(36,479)	(44,137)
VOIP Operations cost	3	(68,067)	(107,610)
Occupancy and facilities expense		(31,112)	(24,980)
Listing and registry expense		(31,789)	(34,958)
Other expenses		-	-
Loss before income tax		(188,079)	(32,663)
Income tax benefit		-	-
Net loss for the year		(188,079)	(32,663)
Total comprehensive loss for the year		(188,079)	(32,663)
Earnings per share			
Basic earnings per share (cents)	7	(0.017)	(0.01)
Diluted earnings per share (cents)	7	(0.017)	(0.01)

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 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	225,206	402,534
Prepayments	9	9,183	9,259
TOTAL CURRENT ASSETS		<u>234,389</u>	<u>411,793</u>
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		<u>234,389</u>	<u>411,793</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	35,285	24,609
TOTAL CURRENT LIABILITIES		<u>35,285</u>	<u>24,609</u>
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		<u>35,285</u>	<u>24,609</u>
NET ASSETS		<u>199,104</u>	<u>387,183</u>
EQUITY			
Issued capital	12	39,377,824	39,377,824
Accumulated losses		(39,178,720)	(38,990,641)
TOTAL EQUITY		<u>199,104</u>	<u>387,183</u>

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 2015

	Issued Capital	Accumulated Losses	Total equity
	\$	\$	\$
At 1 July 2013	38,902,109	(38,957,978)	(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	475,715	-	475,715
Balance at 30 June 2014	39,377,824	(38,990,641)	387,183
At 1 July 2014	39,377,824	(38,990,641)	387,183
Loss for the year	-	(188,079)	(188,079)
Total comprehensive loss for the year	-	(188,079)	(188,079)
Balance at 30 June 2015	39,377,824	(39,178,720)	199,104

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 2015**

	Notes	Consolidated Group	
		2015	2014
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		68,067	107,610
Payments to suppliers and employees		(246,801)	(308,928)
Interest received		1,406	932
Net cash used in operating activities	14	(177,328)	(200,386)
Cash Flows from Investing Activities			
Net cash used in investing activities		-	-
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares		-	475,715
Net cash provided by financing activities		-	475,715
Net (decrease)/increase in cash held		(177,328)	275,329
Cash and cash equivalents at the beginning of the year		402,534	127,205
Cash and cash equivalents at the end of the year	8	225,206	402,534

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 2015

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 27 August 2015 by the directors of the company.

a. Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. 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 2015 was \$188,079 (2014: \$32,663).

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 previous 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 full year.
- The company intends to raise capital in July 2016 to ensure funding is in place to cover operating costs for a further year. The company has a successful track record in raising capital from existing shareholders.
- 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 30 September 2016 is \$191,134.

c. Principles of Consolidation

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

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

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

d. Business combinations

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

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

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

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

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

e. Income Tax

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

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

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

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.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g, 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 2015

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 2015

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 2014:

- 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

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

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 to annual reporting periods beginning on or after 1 January 2018).
- The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined 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.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, 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 the Standard, 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 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: PARENT INFORMATION

	2015	2014
	\$	\$

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	234,293	410,872
TOTAL ASSETS	<u>234,293</u>	<u>410,872</u>

LIABILITIES

Current liabilities	(34,077)	(22,578)
Non-current liabilities	-	-
TOTAL LIABILITIES	<u>(34,077)</u>	<u>(22,578)</u>

EQUITY

Issued capital	49,686,873	49,686,873
Accumulated Losses	(49,486,658)	(49,298,579)
TOTAL EQUITY/DEFFICIENCY	<u>200,215</u>	<u>388,294</u>

STATEMENT OF COMPREHENSIVE INCOME

Total loss for the year	(188,079)	(32,663)
Total comprehensive loss for the year	<u>(188,079)</u>	<u>(32,663)</u>

NOTE 3: REVENUE AND OTHER INCOME

Consolidated Group

	2015	2014
	\$	\$

Revenue:

Provision of VOIP services	68,067	107,610
Interest received	1,406	932
	<u>69,472</u>	<u>108,542</u>

A change in accounting practice in the current year now shows 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 2015

NOTE 4: INCOME TAX EXPENSE

Income tax recognised in profit or loss	Consolidated Group	
	2015	2014
	\$	\$
Current Tax Expense in respect of year	-	-
Loss from continuing operations	(188,079)	(32,663)
Income tax expense calculated at 30% (2014: 30%)	(56,424)	(9,799)
Tax effects of non-deductibles		
R&D Tax deduction	-	-
Movement of deferred tax assets not recognised	56,424	9,799
Income Tax expense attributable to operating activities	-	-
Unused tax losses for which no deferred tax asset has been recognised at 30%. (2014: 30%)	8,325,131	8,267,545

Gross tax losses carried forward as at 30 June 2015 is \$27,750,436

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 2015.

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

	2015	2014
	\$	\$
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
30 June 2015					
Peter Buttery	60,106,077				60,106,077
30 June 2014					
Peter Buttery	60,106,077				60,106,077

Other KMP Transactions

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

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2015	2014
	\$	\$
Remuneration of the auditor for: auditing or reviewing the financial statements	30,105	29,800

NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2015	2014
	\$	\$
a.Reconciliation of earnings to loss:		
Loss	(188,079)	(32,663)
Loss used to calculate basic EPS	(188,079)	(32,663)
Loss used in the calculation of dilutive EPS	(188,079)	(32,663)
	No.	No.
b.Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,123,676,186	1,000,308,510
c.Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,123,676,186	1,000,308,510
d.Basic and Diluted loss per share (cents)	(0.017)	(0.01)

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2015	2014
	\$	\$
Cash at bank and on hand	225,206	402,534
	225,206	402,534
	225,206	402,534

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	225,206	402,534
	225,206	402,534
	225,206	402,534

NOTE 9 :PREPAYMENTS

D & O Insurance	9,183	9,259
	9,183	9,259

NOTE 10: CONTROLLED ENTITIES

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2015	2014
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.

	Consolidated Group	
	2015	2014
	\$	\$

NOTE 11: TRADE AND OTHER PAYABLES

CURRENT

Trade & other payables	35,285	24,609
	35,285	24,609
	35,285	24,609

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Group	
	2015	2014
	\$	\$
NOTE 12: ISSUED CAPITAL		
1,123,676,186 (2014: 1,123,676,186) fully paid ordinary shares	39,377,824	39,377,824

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

a. Ordinary Shares

At the beginning of the reporting period:	1,123,676,186	948,109,526
Shares issued during the year		
– 8/07/2014		29,000,000
- 2/05/2015		146,566,660
At the end of the reporting period	1,123,676,186	1,123,676,186

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 2015

	Consolidated Group	
	2015	2014
	\$	\$
NOTE 14: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Loss for the year	(188,079)	(32,663)
Non-cash items and changes in assets and liabilities :		
– Non-cash movement in liabilities	-	-
Changes in assets and liabilities :		
– (increase)/decrease in trade and term receivables	-	-
– increase/(decrease) in trade payables and accruals	10,675	(2,480)
– (increase)/decrease in prepayments	76	437
– increase/(decrease) in provisions	-	(165,680)
Cash flow from operations	<u>(177,328)</u>	<u>(200,386)</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:

ii. *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.

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 2015 was approximately 0.5%.

Freshtel Holdings Limited ABN 92 111 460 121

and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.