BigAir Group Limited

2016 Annual Report

Contents

Corporate Governance Statement is available on
the company website and is lodged with ASX.

BigAir Group Limited

Consolidated Entity

ABN 57 098 572 626

Annual report
for the financial year ended 30 June 2016

Dear Shareholders

The past year has been a busy one for BigAir Group, establishing additional foundations for our growth while investing deeply to ensure our business customers experience the best possible performance and service, now and in the future.

BigAir's three operating divisions of Fixed Wireless, Community Broadband and Cloud Managed Services provide our foundation to continue building a profitable, scalable and substantial business, year after year. In fact, we have now completed nine consecutive years of growth in underlying earnings. The growth rate of our underlying EBITDA has been particularly strong with a five year compound annual growth rate of 33%.

This letter highlights how we performed in the year and sets out the next steps in our plan to achieve BigAir's vision to be the #1 managed technology solutions provider servicing mid-market customers.

Strong Performance for Shareholders

I am pleased to report that once again the Company has produced its best results on record with Group revenue and other income up 27% to $80.7m, Underlying EBITDA up 18% to $22.3m and Underlying Net Profit After Tax up 7% to $9.0m.

While the overall FY16 result was strong, the second half was particularly strong with underlying EBITDA for 2H16 up 21.8% to $12.2 million (1H16: $10.1 million). A number of consolidation activities were finalised in the second half resulting in a reduction in operating costs (including premises consolidation) and an expansion of overall Group EBITDA margins. In addition Group Operating cash flows (before Interest and Taxes) improved by 60% in the second half and payments for PP&E investments declined by almost 50% resulting in strong free cash flow generation. BigAir also repaid $2.1 million of borrowings in 2H16 and Net Debt remains modest at <1.2 x underlying EBITDA.

With improving earnings and attractive growth ahead, the company continued with its dividend policy and declared a fully franked dividend of 1.3 cents per share, up 8% on the previous year. At the request of shareholders, we have also introduced a Dividend Reinvestment Plan, making it easy and more cost-effective to continue to invest in our Company.

Cloud Managed Services Capability Growth and New Market Opportunities

Operationally, the past 12 months have included a number of capability enhancing acquisitions in addition to business as usual.

BigAir greatly expanded its range of products and services with the addition of Cloud Managed Services (CMS) in FY15 via the transformational purchase of Cloud provider Oriel in particular. The Company added to this in FY16 with the acquisitions of Applaud IT Pty Ltd (Applaud) and Everywhere Internet Pty Ltd (Everywhere Internet). Applaud brings BigAir significant managed services and cloud services capability together with over 10 years service desk experience.

Everywhere Internet provides additional capability in the Managed WiFi area complementing BigAir's market-leading Community Broadband offerings.

Since the end of FY16 BigAir has made one additional acquisition which certainly deserves a mention. BigAir has acquired school-focused cyber safety and security software solution business CyberHound, adding an important new suite of services to its education sector offering, with particular focus on kindergarten to Year 12. CyberHound currently serves approximately 340 schools and 500 businesses with real scope to grow its footprint in Australia and internationally. BigAir can now offer the education market market-leading campus-wide internet connectivity, managed technology services and management of online risks in schools, all from the one provider.

Investing in our Foundations

BigAir continues to invest in its Fixed Wireless network; expanding into more regions, enhancing the capability of its Network Operating Centre and ensuring the core systems are reliable and scalable.

We continue to invest and innovate in Community Broadband, delivering services to remote mining camps, retail & shopping precincts, special events and of course student accommodation. BigAir continues to be the #1 provider of managed WiFi and Internet services to student campuses across Australia, delivering fast, competitively priced and reliable connectivity that enhances the learning experience of tens of thousands of students.

Looking Forward To An Exciting Year

BigAir is now uniquely positioned as an independent infrastructure owner and operator, offering a comprehensive portfolio of connectivity, voice, cloud, security, managed services and IT solutions for our customers. We are able to leverage our core network infrastructure in everything we do for customers, yet also effectively supply and serve an increasingly diverse series of market segments from carriers and service providers, to business, students and education K-12.

BigAir is focused on three key areas in the year ahead:

1. Growing revenue and margin;
2. Enhancing our service and the services offered; and
3. Executing the right acquisitions to grow our service offering and build upon our existing competitive advantages.

On behalf of the Board I would like to thank all of the BigAir Team, for their hard work and application over the past 12 months which has helped deliver the best financial results on record for the Company. I would also like to thank Paul Tyler for his service to the Company as Chairman over the past eight years. The Company has in place a highly capable management team and a growing group of exceptional people who are passionate about driving the business forward. On this foundation, we expect the recent growth and successes of the BigAir business to continue into the coming year.

Thank you also to our shareholders, large and small, for your continued support as we execute the company's growth strategy. The industry we are in is not short of excitement at times and we appreciate your commitment to take this journey with us. As your new Chairman I feel very encouraged by the breadth of opportunity I see before the Company now and look forward to growing the value of BigAir Group with this remarkable team.

Yours sincerely,

Vivian Stewart
Chairman

Directors' Report for the financial year ended 30 June 2016

The directors of BigAir Group Limited ("BigAir") present their Report together with the financial statements of the consolidated entity, being BigAir Group Limited ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2016.

Directors

The following persons were directors of BigAir Group Limited during or since the end of the financial year.

Name	Particulars
Paul Tyler (Independent Non-Executive Chairman) Resigned 29 July 2016	B.Eng, MBA. Over 20 years international experience in the Telecommunications industry holding executive roles in Nokia, Nokia Siemens Networks and Alcatel. Currently President of the Asia Pacific Region at Nokia and previously Managing Director of Nokia Siemens Networks for Australia, New Zealand and the Pacific Islands. Chairman of the BigAir Board of Directors and member of Audit and Risk Committee and Nomination and Remuneration Committee.
Jason Ashton (CEO and Managing Director)	B.Sc, M. Comm. CEO and Managing Director of BigAir Group Limited. Jason is a co-founder of BigAir and has led the business since its IPO in 2006. Jason previously co-founded corporate ISP Magna Data. 25 years experience in Internet and Telecommunications.
Nigel Jeffries (Non-Executive Director)	B. Comm. New Zealand based investor and Senior Executive of ASX and NZX listed technology company Trade Me Group Ltd (TME) leading Trade Me Property. 25 years' experience in senior executive and CEO positions in Information and Technology sector. A successful track record in leading high growth businesses through organic and acquisitive strategies. Educated at Massey University NZ and Stanford university US. Chairman of Audit and Risk Committee and member of Nomination and Remuneration Committee.
Vivian Stewart (Non-executive Director) Appointed Chairman 29 July 2016	B.A.(Hons), MBA. Extensive background in IT&T industry, venture capital and corporate advisory. Co-founded two IT&T companies. Founder & Managing Director of Callafin - an independent corporate advisory firm specialising in sale, merger and acquisition transactions and related capital strategy. Chairman of Nomination and Remuneration Committee and member of the Audit and Risk Committee.

The above named directors held office of the Company during and since the end of the financial year unless otherwise stated.

Directorships of other listed companies

None of the directors held directorships of other listed companies in the 3 years immediately before the end of the financial year.

Directors' Report (continued)

Company Secretary

Name	Particulars
Charles Chapman (CFO and Company Secretary)	Chartered Accountant (CA), Certified Information Systems Auditor (CISA). Extensive experience working in senior executive roles providing operational and strategic leadership to both listed and private unlisted companies. Long service with PricewaterhouseCoopers, leading the provision of audit services for some of the firm's flagship clients. Driving force behind online share trading in South Africa with the listed PSG Group. Currently Chief Financial Officer of the Group.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this directors' report, on pages 12 to 18.

Principal activities

BigAir owns and operates Australia's largest metropolitan fixed wireless broadband network. The Australian business market comprises nearly one million businesses and BigAir's network provides near blanket coverage across its major cities and now includes extensive regional coverage. BigAir provides data solutions through its Channel partners that include Tier 1 and Tier 2 carriers and IT service companies and also through its own Corporate solutions team that can design and manage large corporate communication networks.

The BigAir Cloud Managed Services division provides customers with innovative, fully integrated Cloud, Managed Services and Unified Communications Solutions, designed to satisfy business requirements in delivering reliable, feature rich, business grade services, backed by industry leading service and support.

The BigAir Community Broadband division is the leading provider of outsourced managed Internet services in the tertiary student accommodation market within Australia. BigAir is able to provide a complete end to end solution for student accommodation providers including both wireless and wired infrastructure delivering high speed broadband along with its advanced billing systems and 24/7 operational support systems. The Community Broadband division also supplies managed communications and WiFi solutions into Retirement Living Villages, Shopping Centres, local councils and remote mining camps.

BigAir's competitive infrastructure advantage includes its state-of-the-art carrier-grade fixed wireless network which allows installation of dependable symmetric broadband services at speeds up to and beyond 1000Mbps with installation taking as little as a few hours. The fixed wireless network is also available in combination with traditional fixed line infrastructure such as fibre to provide critical network and application infrastructure with complete technology and carrier diversity.

Review of Operations and Key Financial Highlights

BigAir Group Limited (ASX: BGL) is pleased to announce its results for the 12 months ended 30 June 2016 (FY16) that saw the Group deliver its ninth straight year of record results.

Directors' Report (continued)

FY16 Highlights included:

- Group revenue and other income up 27% to $80.7 million
- Reported NPAT up 112% to $10.3 million
- Underlying[1] EBITDA up 18% to $22.3 million
- 2H16 Group underlying EBITDA of $12.2 million (31% Revenue)
- Underlying NPAT up 7% to $9.0 million
- Fixed Wireless Revenue up 6% to $25.1 million & underlying EBITDA up 16% to $16.0 million
- 2H16 Group Operating Cashflow (before Interest and Tax) of $9.2 million
- Final FY16 dividend up 8% to 1.3 cents per share fully franked
- Completed Oriel & Applaud integration - 2H16 CMS recurring[2] EBITDA margin of 24% (up 32% on 1H)
- Completion of CyberHound acquisition (leading Managed Security Service Provider)

The growth in revenue and earnings achieved over the past year reflects BigAir Group's ongoing expansion into the Cloud and Managed Services markets along with continued organic growth in its existing Community Broadband and Fixed Wireless divisions.

BigAir has a largely unique solution in the marketplace combining our advanced and highly flexible infrastructure solutions along with our own private Cloud and Managed Service offerings. This has underpinned our growth strategy and enabled us to deliver a ninth straight year of record financial results.

While the overall FY16 result was strong, the second half was particularly strong with underlying EBITDA for 2H16 up 21.8% to $12.2 million (1H16: $10.1 million). A number of consolidation activities were finalised in the second half resulting in a reduction in operating costs (including premises consolidation) and an expansion of overall Group EBITDA margins. In addition Group Operating cash flows (before Interest and Taxes) improved by 60% in the second half and payments for PP&E investments declined by almost 50% resulting in strong free cash flow generation.

Significant changes in the state of affairs

Strategic acquisitions

On 8 July 2015, the Group entered into a share sale agreement to acquire all of the shares in Applaud IT Pty Ltd ("Applaud"). Applaud was founded in January 2005 primarily as a Managed Services Provider, specialising in Service Desk and Network Operations Centre capabilities. It has since extended that capability to provide an assortment of Integration, Consulting and Cloud Services capable of providing 'turn key' IT Service and Support to the mid-market segment. Its primary industry verticals include Human Resources, Private Healthcare, Supply Chain and Not For Profits.

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[1] BigAir Group Limited considers underlying EBITDA and underlying NPAT to be a more suitable indicator of operating performance since it is not affected by non-recurring costs and amortisation of acquired customer bases associated with business combinations.

[2] Recurring is ex-Procurement (does not include non-recurring product sales)

Directors' Report (continued)

On 4 December 2015, the Group entered into a share sale agreement to acquire all of the shares in Everywhere Internet Holdings Pty Ltd and Everywhere Internet Systems Pty Ltd ("Everywhere Internet"). Everywhere Internet has provided internet services to Australian companies since 2005 and is a leading provider of Managed WiFi services.

Dividends

In respect of the financial year ended 30 June 2016, a fully franked dividend of $2,352,291 was declared on 26 August 2016 with a payment date of 30 September 2016. The Company paid a fully franked dividend of $2,097,917 in relation to the previous financial year.

Events arising since the end of the reporting period

BigAir Group Limited entered into a binding share sale agreement to acquire all of the shares in CyberHound. The acquisition was completed on 1 July 2016. BigAir has acquired CyberHound using a combination of new equity and cash. The total purchase price will be capped at no more than $7 million, which is comprised of up to $4 million in cash and up to $3 million in BGL shares. CyberHound is expected to deliver revenues of between $5 million and $6 million and Net Profit before Tax (NPBT) in excess of $1m in FY17.

Apart from the matters mentioned above, there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in the future financial years.

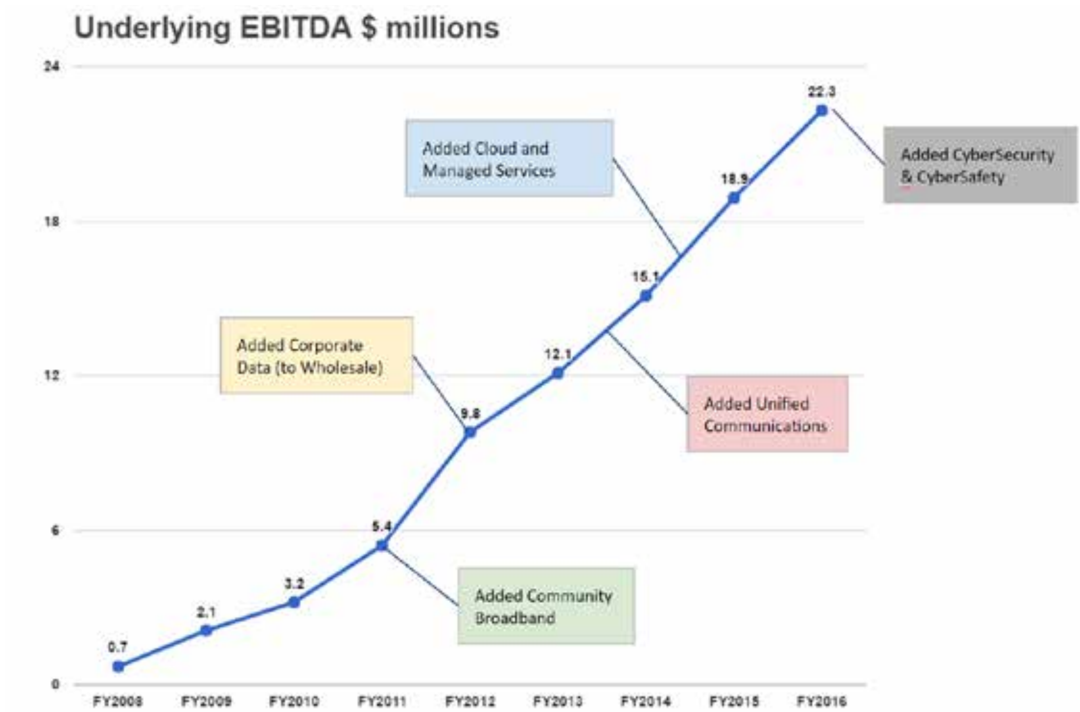
Business Outlook and Likely Developments

Management focus for FY17 will be on driving the addition of new mid-market customers while continuing to improve margins. We also plan to continue investing in a number of areas including:

- Fixed Wireless network and CMS expansion driven by new contract wins
- Community Broadband driven by ongoing market expansion
- Ongoing development of the BigAir UC platform (R&D)
- Enhancement of the CyberHound SaaS platform (R&D)
- Meeting Data Retention Compliance Obligations.

BigAir has successfully acquired a number of strategic businesses over the past five years and successfully integrated those businesses to drive earnings growth via at first scaling up BigAir's fixed wireless and student accommodation platforms, and then adding new capabilities to extend BigAir's service offering.

Directors' Report (continued)



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Our acquisition strategy remains focused on identifying complementary services and customers with a strong fit with our target customer segment (medium enterprise). The addition of CyberHound Pty Ltd ("CyberHound") to the Group last month is a fantastic recent addition as it provides BigAir with deep CyberSecurity and CyberSafety solutions along with a behavioural analytics platform.

As the market continues to consolidate and our larger competitors come under increasing pressure we will continue to find ways to differentiate our bundled "solutions" and focus on specific vertical segments so that we can continue to enjoy profitable growth and above average margins.

Unissued shares under option

There are no unissued ordinary shares of the Group under option at the date of this report.

Shares issued during or since the end of the year as a result of exercise

During or since the end of the financial year, the Group issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Issued To	Date Options Granted	Issue Price of Shares ($)	Number Under Option
Employees	23 December 2011	0.282	133,333

Directors' Report (continued)

Environmental Legislation

The Group is not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnification of Officers and Auditors

During the year, the Company confirmed a contract insuring the directors, the Company secretary and all executive officers of the Company against a liability incurred by a director or officer to the extent permitted by the Corporations Act 2001. The insurance cover is effective from 1 November 2015 for a period of 12 months.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Director	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Paul Tyler	11	10	2	2	2	2
Vivian Stewart	11	11	2	2	2	2
Nigel Jeffries	11	11	2	2	2	2
Jason Ashton	11	11	2	2	-	-

A is the number of meetings the Director was entitled to attend.
B is the number of meetings the Director attended.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares and performance and service rights of the Company as at the date of this report:

Directors' Report (continued)

Director	Fully Paid Ordinary Shares Number	Performance Rights	Service Rights
Jason Ashton	10,488,751	295,887	-
Nigel Jeffries	500,000	-	41,637
Vivian Stewart	1,703,648	-	42,134
Paul Tyler	1,676,735	-	82,744

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 9 to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' report.

Remuneration report (audited)

The Directors of BigAir Group Limited ('the Group') present the Remuneration Report for non-executive directors, executive directors and other key management personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

Directors' Report (continued)

The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration;
b. Details of remuneration;
c. Service agreements;
d. Share-based remuneration;
e. Bonuses included in remuneration; and
f. Other information.

(a) Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

BigAir Group Limited has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group. The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration
  - Fixed Remuneration is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location;

- Short term incentives
  - STI performance criteria are set by reference Group, Regional and Individual performance targets relevant to the specific position; and

- Long term incentives
  - LTI targets are linked to both BigAir Group **internal** (Earnings per Share (EPS) growth) and **external** (relative Total Shareholder Return (TSR)) outperformance measures.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, share options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Directors' Report (continued)

Short term incentive (STI)

The STI arrangements at BigAir Group are designed to reward executives for the achievement against annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the Nomination and Remuneration Committee and approved by the Board.

Any STI award in excess of the 100% budget opportunity is individually approved by Nomination and Remuneration Committee. All STI awards to the CEO and other KMP are approved by Nomination and Remuneration Committee and the Board.

The KPI's for the Executive Team are summarised as follows:

Performance area:

- Financial – revenue and net profit after tax targets; and
- Non-financial - strategic goals set by each individual business unit based on job descriptions.

The STI program incorporates both cash and share-based components for the executive team and other employees. The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

Long term incentive (LTI)

The LTI provides an annual opportunity for selected executives to receive an equity award deferred for three years that is intended to align a significant portion of an executives overall remuneration to shareholder value over the longer term. All LTI awards remain at risk and subject to clawback (forfeiture or lapse) until vesting and must meet or exceed EPS growth rates and/or relative TSR performance hurdles over the vesting period

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $
Revenue	79,743,639	62,650,228	41,741,070	29,911,909	22,906,677
Net profit / (loss) before tax	13,311,892	7,892,394	8,188,528	6,992,015	6,005,507
Net profit / (loss) after tax	10,274,515	4,845,605	5,342,983	4,751,323	4,225,483

Directors' Report (continued)

	30 June 2016 cents per share	30 June 2015 cents per share	30 June 2014 cents per share	30 June 2013 cents per share	30 June 2012 cents per share
Share price at start of year	61.0	91.0	60.0	37.5	31.0
Share price at end of year	61.0	61.0	91.0	60.0	37.5
Interim dividend	-	-	-	-	-
Final dividend	1.3	1.2	1.1	1	1
Basic earnings per share	5.8	2.8	3.1	2.9	2.8
Diluted earnings per share	5.8	2.8	3.1	2.9	2.8

Voting and comments made at the company's 2015 Annual General Meeting

BigAir Group Limited received more than 99% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM on its remuneration report.

(b) Details of remuneration

The following persons acted as directors of BigAir Group Limited during or since the end of the financial year:

Paul Tyler (Chairman, Non-executive director) – Resigned 29 July 2016

Nigel Jeffries (Non-executive director)

Vivian Stewart (Non-executive director) – Appointed as Chairman 29 July 2016

Jason Ashton (Chief Executive Officer).

The highest remunerated KMP of the Group during or since the end of the financial year are:

Jason Ashton (Chief Executive Officer)

Charles Chapman (Chief Financial Officer & Company Secretary)

Scott Mason (Chief Marketing and Sales Officer)

Tony Tilbrook (Chief Technology Officer – Design and Construction)

Aidan Mountford (Chief Operating Officer – Network Services)

Scott Atkinson (Chief Technology Officer – Cloud and Managed Services).

Directors' Report (continued)

Remuneration packages contain the following key elements:

(a) Short term employment benefits (Fixed remuneration and Short term incentives);
(b) Equity issued share-based payments (Issued as part of the Employee Share Scheme);
(c) Post-employment benefits (Superannuation of 9.5% of gross salary);
(d) Long term incentives; and
(e) Termination benefits.

The directors and KMP received the following amounts as compensation for their services as directors and KMP of the Group during the financial year:

2016 Remuneration	Short-Term Employment Benefits		Employee Share Issue Payments ($)	Post-Employment Benefits – Superannuation ($)	Share-Based Payments ($)	Total ($)
	Salary & Fees ($)	Cash Performance Bonus (i) ($)				
Non-Executive Directors						
Paul Tyler	94,634	-	-	8,990	15,932	119,556
Vivian Stewart	50,052	-	-	4,755	7,984	62,791
Nigel Jeffries	50,052	-	-	-	8,149	58.201
Key Management Personnel						
Jason Ashton	285,953	147,200	-	41,313	57,639	532,105
Charles Chapman	228,104	108,489	-	32,337	41,850	410,780
Scott Mason	200,000	59,282	-	24,632	29,431	313,345
Tony Tilbrook	157,500	33,485	-	18,144	22,483	231,612
Aidan Mountford	210,958	54,494	-	25,218	38,071	328,741
Scott Atkinson	189,000	55,013	-	23,181	26,980	294,174
Total	**1,466,253**	**457,963**	-	**178,570**	**248,519**	**2,351,305**

Directors' Report (continued)

2015 Remuneration	Short-Term Employment Benefits		Employee Share Issue Payments ($)	Post-Employment Benefits – Superannuation ($)	Share-Based Payments ($)	Total ($)
	Salary & Fees ($)	Cash Performance Bonus (i) ($)				
Non-Executive Directors						
Paul Tyler	90,128	-	-	8,270	7,883	106,281
Vivian Stewart	47,669	-	-	4,374	5,723	57,766
Nigel Jeffries	47,669	-	-	-	5,911	53,580
Key Management Personnel						
Jason Ashton	272,521	62,266	2,000	27,510	20,444	384,741
Charles Chapman	213,248	41,001	2,000	22,480	3,696	282,425
Scott Mason*	165,918	-	2,000	15,833	-	183,751
Tony Tilbrook*	150,000	-	2,000	12,825	-	164,825
Aidan Mountford*	209,842	12,153	2,000	12,724	-	236,719
Scott Atkinson*	180,000	33,333	2,000	20,267	2,464	238,064
Total	**1,376,995**	**148,753**	**12,000**	**124,283**	**46,121**	**1,708,152**

* Appointed as key management personnel during the 2015 financial year and remuneration is from date of appointment to 30 June 2015.

(i) In the current financial year, cash performance bonuses paid to executive directors were as a result of the employee reaching certain revenue and net profit after tax targets, as well as participating in the Employee Share Scheme. This is consistent with the prior year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration	STI	LTI
Key Management Personnel			
Jason Ashton	59%	30%	11%
Charles Chapman	61%	29%	10%
Scott Mason	70%	21%	9%
Tony Tilbrook	74%	16%	10%
Aidan Mountford	70%	18%	12%
Scott Atkinson	70%	20%	10%

Directors' Report (continued)

Since the long-term incentives are provided exclusively by way of options and rights, the percentages disclosed also reflect the value of remuneration consisting of options and rights, based on the value expensed during the year.

(c) Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base Salary	Term of Agreement	Notice Period
Jason Ashton	$287,671	Unspecified	Three months
Charles Chapman	$231,896	Unspecified	One month
Scott Mason	$200,000	Unspecified	One month
Tony Tilbrook	$157,500	Unspecified	One month
Aidan Mountford	$210,958	Unspecified	One month
Scott Atkinson	$189,000	Unspecified	One month

The base salary in the above table differs from the salary and fees in the 2016 remuneration table due to an increase in entitlements from 1 January 2016 and allowances paid. There are no provisions for termination payments provided under these contracts.

Under the BigAir Group Limited constitution, one-third of the non-executive directors stand for re-election at each annual general meeting. The non-executive directors do not have employment contracts with the Group, and there is no requirement to provide notice prior to resignation.

(d) Share based remuneration

Performance Rights and Service Rights

The Group's current long-term incentive structure is in the form of a performance rights plan. Under the rules of the performance rights plan, participants may be granted rights to fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions.

As part of the BigAir Equity Incentive Plan, unquoted Performance Rights and Service Rights were issued during the financial year. The Performance Rights have a 2.5-3 year term of service ending on 29 December 2017 and a CAGR EPS hurdle. The Service Rights have a 3 year term of service ending on 29 December 2017. There is no dividend participation as they are rights.

Directors' Report (continued)

FY16 Performance Rights Grant	Number of Right Grants	Fair Value per Right at Grant Data ($)
Non-Executive Directors		
Paul Tyler	46,350	0.7825
Vivian Stewart	24,515	0.7825
Nigel Jeffries	22,388	0.7825
Key Management Personnel		
Jason Ashton	161,022	0.7825
Charles Chapman	97,352	0.7825
Scott Mason*	83,962	0.7825
Tony Tilbrook*	66,120	0.7825
Aidan Mountford*	88,562	0.7825
Scott Atkinson	79,344	0.7825
Total	**669,615**	

(e) Bonuses included in remuneration
Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, has been included in the remuneration table on page 15. No part of the bonus is payable in future years.

(f) Other information: Hedging of securities
In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or Director share plan.

End of audited remuneration report.

Rounding of amounts: BigAir Group Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1.

Signed in accordance with a resolution of the directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the directors,

V Stewart, Chairman
Sydney
26 August 2016

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Sydney NSW 2000

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Auditor's Independence Declaration
To the Directors of BigAir Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of BigAir Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S M Coulton
Partner - Audit & Assurance

Sydney, 26 August 2016

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Sydney NSW 2000

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Independent Auditor's Report
To the Members of BigAir Group Limited

Report on the financial report

We have audited the accompanying financial report of BigAir Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes to the financial report 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 and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 which require us to 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 judgement, 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of BigAir Group 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 2016 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 the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 12 to 18 of the directors' report for the year ended 30 June 2016. 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 on the remuneration report

In our opinion, the remuneration report of BigAir Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S M Coulton
Partner - Audit & Assurance

Sydney, 26 August 2016

Service Pillars
Part 1

Network Infrastructure

BigAir delivers a full range of network services so our customers have the connectivity solutions required to support their growing data, video, application, storage, and communication needs.

We own and operate the leading Fixed Wireless network for business in Australia.

This network is interconnected to other carrier networks and continues to expand across all major cities and regional centres where demand by business for fast internet and connectivity is significant.

Our teams leverage this core asset to differentiate our solutions and deliver the right network infrastructure for businesses requiring greater network agility, security performance, efficiency and reliability.

- Fixed Wireless Network
- Business Internet
- Wide Area Networks
- Local Area Networks
- Fixed Line Connectivity
- MPLS VPN
- VoIP ISDN IP Telephony
- Private Networks
- Wireless LAN

For more information, visit
bigair.com.au/network-infrastructure

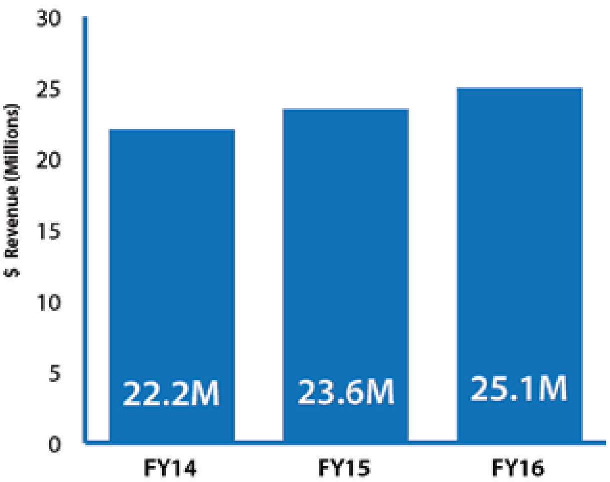
According to the respected Cisco® Visual Networking Index (VNI), global IP traffic will increase nearly threefold over the next 5 years, with IP traffic growing at a compound annual growth rate of 21% in Australia through to 2020*.

In fact, monthly IP traffic will reach 25 GB per capita by 2020, up from 10 GB per capita in 2015.

Such a significant macro trend is being driven by the need for more data, voice, and video to be delivered seamlessly across networks. It's a result of the rapid adoption of cloud-based applications and storage services, plus the growth in remote working environments, and it all provides BigAir with significant tail-winds as we continue to excel in delivering network infrastructure solutions to mid-market enterprises across Australia.

Our teams are able to design, deliver and support the right mix of terrestrial and wireless solutions where other providers may struggle. It's a competitive edge that sees us remain a price maker as demonstrated by 97c of every additional $1 in new revenue over the past 2 years being converted directly into EBITDA.

Revenue Growth in Network Infrastructure



* Cisco® Visual Networking Index (VNI).

BigAir Tops Eureka Tower

Eureka Tower is a 297.3-metre skyscraper located in the Southbank precinct of Melbourne, Victoria, Australia.

It was the world's tallest residential tower when built and boasts 91 floors. The reach this height enjoys across Melbourne provides BigAir with an excellent point from which to enhance our Fixed Wireless network.

However, this required a few brave souls in our installation crew to make the journey up to the very top.

Armed with technology and tenacity, they safely upgraded a Fixed Wireless link that has provided a backhaul between two critical POPs since 2008. It has boosted our network performance, and enhances our commercial advantage in Australia's fastest growing city.

Directors' Declaration

The directors of BigAir Group Limited declare that:

1. the financial statements and notes of BigAir Group Limited, as set out on pages 24 to 91, are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations; and
    b. give a true and fair view of the financial position as at 30 June 2016 and the performance for the year ended on that date of the consolidated group;
2. the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016;
3. in the directors' opinion, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable; and
4. the consolidated financial statements comply with International Financial Reporting Standards as stated in Note 1 to the financial statements.

This declaration is made in accordance with a resolution of the board of directors.

V Stewart
Chairman

Sydney
26 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

		Consolidated	
	Note	2016 $	2015 $
Revenue	4	79,743,639	62,650,228
Cost of sales	5	(38,980,315)	(27,111,723)
Gross Profit		40,763,324	35,538,505
Other revenue	4	20,496	10,262
Other income	4	903,099	825,631
Employee benefits expense	5	(14,183,232)	(9,368,465)
General administration expenses		(7,425,953)	(8,628,670)
Depreciation and amortisation expenses	5	(8,281,483)	(6,514,433)
Occupancy expenses		(1,153,631)	(1,069,921)
Finance costs	5	(1,604,225)	(1,001,669)
Profit before adjustment to contingent consideration and tax		9,038,395	9,791,240
Adjustments to contingent consideration	5	4,273,497	(1,898,846)
Profit before income tax		13,311,892	7,892,394
Income tax expense	6	(3,037,377)	(3,046,789)
Profit for the year		10,274,515	4,845,605
Other comprehensive income		-	-
Total comprehensive income for the year		10,274,515	4,845,605
Earnings per share			
- Basic (cents per share)	23	5.8	2.8
- Diluted (cents per share)	23	5.8	2.8

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position as at ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current Assets			
Cash and cash equivalents	29(a)	2,111,736	2,653,421
Trade and other receivables	10	7,673,037	6,276,358
Current tax assets	19	1,186,090	1,129,146
Other assets	11	1,249,058	1,277,785
Total current assets		12,219,921	11,336,710
Non-current assets			
Other non-current assets	12	2,225,935	924,766
Property, plant and equipment	13	34,812,746	31,402,111
Deferred tax assets	19	-	107,428
Goodwill	14	44,839,799	44,020,009
Other intangible assets	15	6,437,046	4,495,395
Total non-current assets		88,315,526	80,949,709
Total assets		100,535,447	92,286,419
Liabilities			
Current liabilities			
Trade and other payables	16	9,768,331	14,827,462
Income received in advance	17	1,767,446	903,629
Borrowings	18	4,104,474	2,886,378
Provisions	20	2,028,130	1,793,523
Total current liabilities		17,668,381	20,410,992
Non-current liabilities			
Trade and other payables	16	-	7,758,182
Income received in advance	17	1,355,234	1,268,752
Borrowings	18	25,099,900	16,247,422
Deferred tax liabilities	19	831,463	-
Provisions	20	463,793	597,754
Total non-current liabilities		27,750,390	25,872,110
Total liabilities		45,418,771	46,283,102
Net assets		55,116,676	46,003,317
Equity			
Share capital	21	34,919,488	34,225,311
Share option reserve	22	288,907	46,323
Retained earnings		19,908,281	11,731,683
Total equity		**55,116,676**	**46,003,317**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Consolidated			
	Share capital	Share based payments reserve	Retained earnings	Total
	$	$	$	$
Balance at 30 June 2014	33,240,044	252,599	8,787,674	42,280,317
Total comprehensive income for the period	-	-	4,845,605	4,845,605
Issue of shares on business acquisition	102,981	-	-	102,981
Issue of shares to employees	203,000	-	-	203,000
Issue of share capital under share-based payment	679,286	(239,390)	-	439,896
Employee share-based payments	-	33,114	-	33,114
Dividends	-	-	(1,901,596)	(1,901,596)
Balance at 30 June 2015	34,225,311	46,323	11,731,683	46,003,317
Total comprehensive income for the period	-	-	10,274,515	10,274,515
Issue of shares on business acquisitions	637,772	-	-	637,772
Issue of share capital under share-based payment	56,405	(20,463)	-	35,942
Employee share-based payments	-	263,047	-	263,047
Dividends	-	-	(2,097,917)	(2,097,917)
Balance at 30 June 2016	34,919,488	288,907	19,908,281	55,116,676

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2016

		Consolidated	
	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		86,889,310	68,204,008
Payments to suppliers and employees		(72,033,730)	(50,064,220)
Interest received		20,496	10,262
Finance costs		(1,604,225)	(1,001,669)
Income taxes paid		(1,840,738)	(3,637,949)
Net cash from operating activities	29(e)	11,431,113	13,510,432
Cash flows from investing activities			
Purchase of capital items		(13,081,808)	(11,809,103)
Purchase of intangible assets		(1,327,365)	(838,750)
Payment for subsidiaries, net of cash acquired		(5,610,659)	(4,305,327)
Net cash used in investing activities		(20,019,832)	(16,953,180)
Cash flows from financing activities			
Proceeds from issue of share capital		33,116	439,896
Proceeds from borrowings		15,217,506	5,383,176
Repayment of borrowings		(5,146,932)	(307,973)
Dividends paid		(2,056,656)	(1,862,274)
Net cash from financing activities		8,047,034	3,652,825
Net (decrease)/increase in cash and cash equivalents		(541,685)	210,077
Cash and cash equivalents at the beginning of the financial year		2,653,421	2,443,344
Cash and cash equivalents at the end of the financial year	29(a)	2,111,736	2,653,421

This statement should be read in conjunction with the notes to the financial statement.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

1. General information and statement of compliance

BigAir Group Limited (the Company) is the Group's ultimate parent company. BigAir Group Limited is a public company listed on the Australian Securities Exchange (trading under the symbol 'BGL'), incorporated and domiciled in Australia.

Registered office and principal place of business
The Forum Level 1
203 Pacific Highway
St Leonards NSW 2065
Tel: (02) 9993 1300

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). BigAir Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 30 June 2016 (including comparatives) were approved and authorised for issue by the board of directors on 26 August 2016.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2016, current liabilities exceed current assets by $5m. However it is noted that current liabilities include a one off provision of $2.5m for the earnout of Oriel Technologies Pty Ltd. In addition, current liabilities include $1.8m of income received in advance. Based on forecast profitability, positive operating cash flows and ability to raise additional equity and debt, management believe that the Group has adequate resources to support the going concern assumption.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

2.1. New and amended standards adopted by the Group

We adopted AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality effective from 1 July 2015. The adoption of these amendments had no impact on our financial results.

There have been no other changes to our accounting policies.

2.2. Accounting standards issued but not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

a) AASB 9 Financial Instruments (Effective from 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018.

We are currently assessing the impact of the new impairment model on our financial results.

b) AASB 15 Revenue from Contracts with Customers

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
    - establishes a new control-based revenue recognition model;

2.2. Accounting standards issued but not yet effective and have not been adopted early by the Group (cont)

- changes the basis for deciding whether revenue is to be recognised over time or at a point in time;
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing); and
- expands and improves disclosures about revenue.

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018.

We are currently assessing the impact of the new revenue standard on our financial results particularly where revenue relates to both the sale of goods and the provision of related services to ensure that revenue is appropriately allocated to the components and recognised accordingly.

c) AASB 16 Leases (Effective from 1 July 2019)

AASB 16 replaces the current guidance in AASB 117 Leases. The new standard significantly changes accounting for lessees requiring recognition of all leases on the balance sheet, including those currently accounted for as operating leases. A lessee will recognise liabilities reflecting future lease payments and 'right-of-use assets', initially measured at a present value of unavoidable lease payments. Depreciation of leased assets and interest on lease liabilities will be recognised over the lease term.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases and account for them as operating leases or finance leases.

There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The new standard will apply to the Group from 1 July 2019. Earlier adoption is permitted but only in conjunction with AASB 15: Revenue from Contracts with Customers.

We are currently assessing the impact of the new leasing standard on our financial results.

d) Other

We do not expect any other recently issued accounting standards to have a material impact on our financial results upon adoption.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies

(a) Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated 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.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BigAir Group Limited ('the Company') as at 30 June 2016 and the results of all subsidiaries for the year then ended. BigAir Group Limited and its subsidiaries together are referred to in these financial statements as 'the Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(c) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group will report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. The measurement period is the period from the date of acquisition to the date the Group obtain complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

(d) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(d) Foreign currency translation (cont)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates at the date when fair value was determined.

(e) Segment reporting

Identification of reportable segments

The Group identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of product category and service offerings. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the product or service;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

(i) Fixed Wireless for Business

BigAir's competitive infrastructure advantage includes its state-of-the-art carrier-grade fixed wireless network which allows installation of dependable symmetric broadband services at speeds up to and beyond 1000Mbps with installation taking as little as a few hours. The network consists of high speed wireless infrastructure located at points of presence (POPs) that are typically premium rooftop locations in CBD areas and also on communication towers in outer metropolitan and regional areas. Each base station can support hundreds of concurrent customers. Office buildings are connected to this network using carrier-grade wireless equipment with different types of equipment used for different customer applications. This division targets both the direct and wholesale corporate communications market. The fixed wireless network is also available in combination with traditional fixed line infrastructure such as fibre to provide critical network and application infrastructure with complete technology and carrier diversity.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(e) Segment reporting (cont)

(ii) BigAir Community Broadband

The BigAir Community Broadband division is the leading provider of outsourced managed Internet services in the tertiary student accommodation market within Australia. BigAir is able to provide a complete end to end solution for student accommodation providers including both wireless and wired infrastructure delivering high speed broadband along with its advanced billing systems and 24/7 operational support systems. The Community Broadband division also supplies managed communications and WiFi solutions into Retirement Living villages, Shopping Centres, local councils and remote mining camps.

The Community Broadband division makes use of high speed backhaul infrastructure delivered using the Fixed Wireless division.

(iii) Cloud Managed Services

The BigAir Cloud and Managed Services division provides customers with innovative, fully integrated Cloud, Managed Services and Unified communications solutions, designed to satisfy business requirements in delivering reliable, feature rich, business grade services, backed by industry leading service and support.

Inter-segment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on management's estimate of time taken to service the business segment or based on the minimum expense required to service the business unit as a stand-alone business. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. No interest is charged on inter-segment loans. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

3. Summary of accounting policies (cont)

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense;
- Deferred tax assets and liabilities; and
- Intangible assets

The following is an analysis of the revenue, results, assets and liabilities for the period, analysed by business segment, being the Group's basis of segmentation. All revenue is earned and all assets are located in Australia.

(f) Revenue

Revenue arises from the sale of goods and the rendering of services. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, price protection, rebates and other similar allowances.

The Group often enters into sales transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction:

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(i) Standard wireless and internet usage

Standard wireless and internet usage charges are billed to subscribers on a monthly basis. These charges are recognised in revenue in the month to which they refer.

(ii) Sale of goods (hardware or software)

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

(iii) Rendering of services

The Group generates revenues from cloud managed services as well as after-sales service and maintenance. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

Revenue from cloud managed services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date.

(iv) Excess internet usage

Excess broadband Internet usage and VOIP (voice over internet protocol) charges billed to subscribers are recognised as revenue over the period during which the services are provided.

(v) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(g) Research and Development tax offset

The Group applies AASB 120 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the Research & Development (R&D) Tax Offset, whereby a credit is recognised in profit before tax over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred. Where R&D costs are capitalised, the government grant income is deferred and recognised over the same period that such costs are amortised.

(h) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

(i) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 25).

(j) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 14 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to section (n) for a description of impairment testing procedures.

(k) Other intangible assets

<u>Intangible assets acquired separately</u>

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. See section (n) for the policy applying to the impairment of long lived assets.

3. Summary of accounting policies (cont)

(k) Other intangible assets (cont)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Customer bases

Customers bases acquired are recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such costs are amortised over the expected period of economic benefit derived from the customer acquired. Customer bases are reviewed for impairment at the end of the financial year. Any impairment charge is recorded separately.

Spectrum licences

Spectrum licence assets acquired as part of a business combination are measured at their fair value at the date of acquisition less accumulated amortisation and impairment charges. The amortisation of spectrum licence assets is calculated on a straight-line basis over the expected useful life of the asset based on the current renewal dates of each licence. The 3.4Ghz spectrum licenses expired on 13 December 2015 and were not renewed.

Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Subscriber acquisition costs recognised as an asset are amortised from the inception of the contract over the lesser of the period of the contract and the period during which the future economic benefits are expected to be obtained, and reviewed for impairment at the end of the financial year (see Note 3(w)).

Subscriber acquisition costs not recognised as an asset are expensed as incurred.

Subsequent measurement

All intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition they are subject to impairment testing as described in Note (n).

3. Summary of accounting policies (cont)

(k) Other intangible assets (cont)

The following useful lives are applied:

• Customer bases	5-13 years
• Subscriber acquisition costs	1-3 years
• Spectrum asset	9 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note (n). Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditure on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(l) Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Costs directly attributable to the development of the broadband infrastructure are recorded as assets. Costs include antennae, base stations, building-wide cabling and other items related to preparing the infrastructure for use.

Maintenance, repairs and minor replacements of the broadband infrastructure are charged to the statement of profit or loss and other comprehensive income when incurred. Major replacements, improvements and upgrades to the infrastructure are capitalised and depreciated over the remaining useful life of the asset.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

3. Summary of accounting policies (cont)

(l) Property, plant and equipment (cont)

The following estimated useful lives are used in the calculation of depreciation:

• Office furniture and fittings	4 years
• Computer and office equipment	3 years
• Broadband infrastructure	5 - 8 years
• Information technology	10 years
• Motor vehicles	5 years
• Leasehold improvements	10 years

(m) Leased assets

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(n) Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined for all cash-generating units and reflect management’s assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

3. Summary of accounting policies (cont)

(o) Financial instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

3. Summary of accounting policies (cont)

(o) Financial instruments (cont)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(p) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(p) Income taxes (cont)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Tax consolidation

BigAir Group Limited and its entire wholly-owned Australian subsidiaries are part of a tax consolidated group under Australian taxation law. BigAir Group Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(p) Income taxes (cont)

Further information about the tax funding arrangement is detailed in Note 6. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Share option reserve – comprises of equity-settled share-based remuneration plans for the Group's employees (see Note 3(t))
- Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date. All transactions with owners of the parent are recorded separately within equity.

(s) Post-employment benefits and short-term employee benefits

Short-term employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

3. Summary of accounting policies (cont)

(s) Post-employment benefits and short-term employee benefits (cont)

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

(t) Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share based payments reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options and rights expected to vest.

Non-market vesting conditions are included in assumptions about the number of share based payments that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options or rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options or rights ultimately exercised are different to that estimated on vesting.

Upon exercise of share options or rights, the proceeds received net of any directly attributable transaction costs up are allocated to share capital.

(u) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

3. Summary of accounting policies (cont)

(u) Provisions, contingent liabilities and contingent assets (cont)

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination (See Note 3(c)). In a business combination, contingent liabilities are recognised on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount recognised on the acquisition date, less any amortisation.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

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

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

3. Summary of accounting policies (cont)

(w) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset by the Group, as the future economic benefits arising as a result of incurring these costs are expected to flow to the Group. Subscriber acquisition costs are those costs that are directly attributable to establishing specific contracts and would not have been incurred had those contracts not been entered into.

Subscriber acquisition costs are amortised from the date of initial recognition over the period during which the future economic benefits are expected to be obtained. This period is the term of the customer contract, as customers are not expected to terminate contracts prior to the end of their contracted term. No adjustment to recorded costs or amortisation was required for the financial year.

Useful lives of property, plant and equipment and intangibles

As described in Note 3(l), the Group reviews the estimated useful lives of property, plant and equipment and intangibles at the end of each financial year. The Group adjusted the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.

Utilisation of tax losses

The Company and its wholly-owned Australian subsidiary elected to join as members of a tax consolidated group under Australian taxation law as of 1 July 2007. Each entity in the tax consolidated group contributed tax losses to the Group. The Group will use the losses by the available fraction of each bundle of losses transferred. The Group has assessed the ability to utilise the losses against future taxable income.

The Group has generated taxable income in the current financial year and it is expected that the remaining losses will be used over the next year.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2016

3. Summary of accounting policies (cont)

(w) Significant management judgement in applying accounting policies (cont)

Fair valuation of assets

Assets acquired are measured at fair value on the acquisition date of the total consideration transferred. The Group has purchased capital assets and intangible assets as part of their normal course of operations. The fair value measurement of property, plant and equipment and intangible assets is described in Note 3(k) and 3(l). The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to Note 13, 14 and 15 in regards to impairment testing of assets for the consolidated group.

Capitalised salaries

Field technician's salaries are capitalised to the extent they relate to the installation of broadband equipment. Management have capitalised salaries based on an estimate of installations performed.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 3(c)). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them.

Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Long Service Leave

The calculation of long service leave incorporates a series of assumptions, such as salary inflation and market yields on commonwealth government bonds. Fluctuations in any of the assumptions used to calculate these factors may impact the provision for long service leave.

(x) Comparative figures

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

4. Revenue

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Consolidated 2016 $	Consolidated 2015 $
Sales revenue:		
Fixed wireless	25,151,117	23,668,777
Community broadband	13,459,563	10,748,995
Cloud managed services	41,132,959	28,232,456
	79,743,639	62,650,228
Other revenue:		
Interest from bank deposits	20,496	10,262
Total revenue	79,764,135	62,660,490
Other income:		
R&D income	879,595	800,473
Other income	23,504	25,158
	903,099	825,631

5. Profit for the year before tax

Profit for the year includes the following expenses:

	Note	Consolidated 2016 $	Consolidated 2015 $
Cost of sales (i)		38,980,315	27,111,723
Depreciation of non-current assets	13	6,216,516	5,322,056
Amortisation of subscriber acquisition costs	15	1,073,192	684,382
Amortisation of customer bases	15	951,776	414,095
Amortisation of spectrum asset	15	39,999	93,900
		8,281,483	6,514,433
Impairment of trade receivables (ii)	10	218,543	107,164
(Profit)/Loss on disposal of fixed assets		-	(9,266)
Deal and restructure costs (iii)		3,363,989	1,566,461
Operating lease rental expenses:			
Minimum lease payments		1,848,143	726,730
Finance costs		1,604,225	1,001,669
Adjustments to contingent consideration (iv)		(4,273,497)	1,898,846

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

5. Profit for the year before tax (cont)

	Consolidated	
Employee benefit expense:	2016 $	2015 $
Defined contribution plan	1,053,664	967,065
Share-based payments	263,047	203,000
Other employee benefits	12,866,521	8,198,400
	14,183,232	9,368,465

(i) The cost of sales includes costs attributable to the provision of services that are sold by the Group. These costs include both fixed and variable costs.

(ii) Impairment of trade receivables is included in general administration expenses and is net of reversals of prior year impairment losses reversed.

(iii) Deal and restructure costs for the current year mainly relates to tax and legal fees for the acquisitions, staff redundancies, office removal costs, cancelled services and claim for demolition and make good.

(iv) The adjustment to contingent consideration relates to the reversal of a portion of the earn out provision for Oriel Technologies Pty Limited, for the period ending 30 June 2016.

Service Pillars
Part 2

Cloud & Managed Services

- Cloud Infrastucture
- Cloud Backup
- Desktop-as-a-Service
- Infrastructure-as-a-Service
- WiFi-as-a-Service
- Unified Communications
- WAN Optimisation
- IT Infrastucture Management
- Business Continuity
- Data Infrastructure
- Managed IT Services
- Managed Service Desk
- Disaster Recovery-as-a-Service

BigAir has developed a comprehensive range of Cloud and Managed Services to provide our mid-market customers with best-practice IT while enabling them to focus on their core business activities.

This includes Cloud (IaaS, DaaS etc) and Managed Services that are deployed and delvered by our highly trained teams as they leverage our world class technology partnerships.

A prime example is the recent launch of the BigAir Managed Service Desk solution for customers looking to outsource their day-to-day IT support. This Managed Service leverages cloud-based technology to deliver customers efficiency gains and better use of capital.

According to IDC, one-third of businesses in Asia Pacific will pursue a 'cloud first' strategy in 2016, with cloud-related IT expenditure increasing to 26% of overall budgets.*

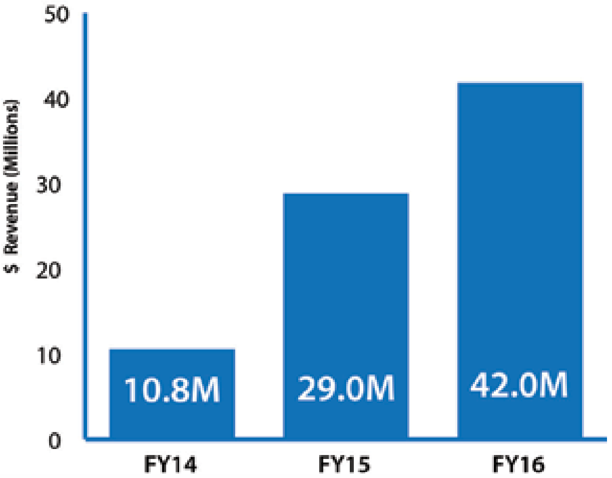
This important transition provides BigAir with an excellent opportunity to tap highly profitable growth as we enhance our offering through recent acquisitions including Oriel, Applaud, and CyberHound (see right).

This strategy is quickly becoming validated by the fact that even traditional outsourcing models of managed services are shifting rapidly to a cloud delivery ecosystem, with more than half of all managed services expected to be delivered this way by the end of 2016.

These market dynamics reflect the rapid maturing of the sector and the propensity of the customer to now see cloud and managed services as a business enhancement opportunity, rather than simply a technical environment.

This augurs well for BigAir with success to date demonstrated by EBITDA growth of 313% over the past 2 years, and recurring EBITDA margin (ex procurement) reaching 24% in 2H16.

Revenue Growth in Cloud & Managed Services



BigAir acquires leading Cybersafety & Managed Security Services Provider

Effective 1 July 2016, BigAir completed the acquisition of CyberHound.

CyberHound is an innovative Managed Security Services Provider who leads the way in providing cybersafety and security services to hundreds of schools and businesses across Australia.

There is growing opportunity in the demand for Internet security services and this acquisition is consistent with BigAir's strategy to offer complementary solutions to its mid-market enterprise customer base.

"I strongly endorse the CyberHound pattern matching solutions to all schools. We have already seen extraordinary benefits in our schools, including the prevention of suicides and the protection of our students from predators." said Lynne Doneley, Executive Officer and Queensland State Executive Officer, Christian Education National (CEN), Associated Christian Schools.

In FY17 CyberHound is expected to generate revenues of between $5 million and $6 million and Net Profit before Tax (NPBT) in excess of $1 million with the acquisition expected to be immediately EPS accretive.

CYBERHOUND

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

6. Income taxes

	Consolidated 2016 $	Consolidated 2015 $
Tax expense comprises:		
Current tax expense	2,769,690	2,596,369
Deferred tax expense/(income)		
-Origination and reversal of temporary differences	181,481	67,827
-Over/under provision in prior year	(133,464)	(106,968)
-Recognition of tax losses	219,670	489,561
	3,037,377	3,046,789

The prima facie income tax income on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2016 $	2015 $
Profit from operations	13,311,892	7,892,394
Income tax expense calculated at 30%	3,993,567	2,367,718
Permanent differences		
Non-deductible amortisation of customer base	48,406	27,320
Share based payment	74,556	41,735
Accounting expenditure subject to R&D	269,094	259,928
Adjustment to contingent consideration	(1,282,049)	569,654
Recognition of tax losses	-	(489,561)
(Over)/under provision in prior year	(133,464)	106,968
Other	67,267	163,027
Current income tax expense	3,037,377	3,046,789

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

There was no income tax recognised directly in equity during the period.

Deferred tax balances

Deferred tax assets arise from the following:

	2016 $	2015 $
Tax losses	13,350	222,982
Temporary differences	697,881	860,491
	711,231	1,083,473

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

6. Income taxes (cont)

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

	Consolidated			
2016	Opening balance $	Recognised in business combination $	Recognised in profit and loss $	Closing balance $
Non-current assets				
Capitalised subscriber acquisition costs	(587,928)	-	(76,252)	(664,180)
Acquired customer bases	(976,045)	(803,776)	237,127	(1,542,694)
Current liabilities				
Provisions	876,071	255,998	(236,667)	895,402
Accruals/income in advance	538,331	-	(89,078)	449,253
Blackhole expenditure	34,017	-	(16,611)	17,406
Tax losses – revenue	222,982	-	(209,632)	13,350
	107,428	(547,778)	(391,113)	(831,463)

Presented in the statement of financial position as follows:

Deferred tax asset	711,231
Deferred tax liability	(1,542,694)
	(831,463)

	Consolidated			
2015	Opening balance $	Recognised in business combination $	Recognised in profit and loss $	Closing balance $
Non-current assets				
Capitalised subscriber acquisition costs	(541,618)	-	(46,310)	(587,928)
Acquired customer bases	(485,597)	(586,956)	96,508	(976,045)
Current liabilities				
Provisions	568,681	295,476	11,914	876,071
Accruals/income in advance	511,637	-	26,694	538,331
Blackhole expenditure	8,981	46,015	(20,979)	34,017
Tax losses – revenue	501,340	-	(278,358)	222,982
	563,424	(245,465)	(210,531)	107,428

Presented in the statement of financial position as follows:

Deferred tax asset	1,083,473
Deferred tax liability	(976,045)
	107,428

6. Income taxes (cont)

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The entity has recorded a profit in the current period in the tax jurisdiction to which the deferred tax asset relates. Financial analysis by the Group supports the recognition of this asset.

Tax consolidation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. The head entity within the tax consolidated group is BigAir Group Limited. The members of the tax consolidated group are identified at Note 26.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, BigAir Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

7. 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 for the year ended 30 June 2016. The total of remuneration paid to key management personnel of the Group is set out below:

	Consolidated	
	2016 $	2015 $
Short term employment benefits	1,924,216	1,525,748
Post-employment benefits	178,570	124,283
Employee share issues	-	12,000
Options	-	22,176
Rights	248,519	23,945
	2,351,305	1,708,152

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

7. Key management personnel compensation (cont)

Contracts for services of key management personnel

Under the Company constitution, one-third of the non-executive directors stand for re-election at each annual general meeting. The executives have in place standard contracts with the Company, which allow either party to give three months' notice to terminate the contract of employment. No termination payments have been provided for under these contracts.

8. Share-based payments

The Group has two ownership-based remuneration plans for directors and employees. The following sets out the rules for the employees and director and executives schemes. These shares have a trading lock of three years.

a) Employees' Share Plan

There were no shares issued under this plan during the year (2015: 263,636).

b) Director and Executives Share Based Payment Plan

The Board may, at its discretion and in accordance with the Company's constitution, the Corporations Act 2001 and the ASX Listing Rules and subject to shareholder approval, issue options and rights to directors and executives to subscribe for shares on terms and conditions as determined by the Board from time to time, based upon performance.

Directors and executives have been issued options and rights to subscribe for ordinary shares in the capital of the Company. Those options have certain conditions including staged vesting rights and continued involvement of directors and executives with the Company for specified periods of time. The options and rights carry no rights to dividends and no voting rights.

Each option will expire on the date specified on the Option Certificate, being, a date at the discretion of the Board but, in any event, not more than 5 years from the date of issue of the option. Options automatically lapse if not exercised before expiry. The exercise price for per option will be the volume weighted average price of the shares over the 30 days immediately prior to the date of issue of the options. There are no loans applicable to the granting of these options. None of the directors and executives have received options under the Executive Share Option Plan previously.

The Group's current long-term incentive structure is in the form of a performance rights plan. Under the rules of the performance rights plan, participants may be granted rights to fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions.

As part of the BigAir Equity Incentive Plan, unquoted Performance Rights and Service Rights were issued during the financial year. The Performance Rights have a 3 year term of service ending on 29 December 2017 and a CAGR EPS hurdle. The Service Rights have a 3 year term of service ending on 29 December 2017. There is no dividend participation as they are rights.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

8. Share-based payments (cont)

Director and executives	Options 2016 No.	Rights 2016 No.
Balance at beginning of the financial year	133,333	560,051
Granted during the financial year	-	669,615
Exercised during the financial year	(133,333)	-
Cancelled or expired during the financial year	-	-
Balance at end of the financial year	-	1,229,666

9. Remuneration of the auditor

	Consolidated 2016 $	Consolidated 2015 $
Audit and review of financial statements:		
Auditors of BigAir Group Limited – Grant Thornton	140,050	135,050
Other services		
Auditors of BigAir Group Limited – Grant Thornton – Taxation compliance	27,500	68,190
Total auditor's remuneration	167,550	203,240

10. Trade and other receivables

	Consolidated 2016 $	Consolidated 2015 $
Trade receivables (i)	7,722,060	6,263,119
Allowance for doubtful debts	(121,301)	(171,860)
	7,600,759	6,091,259
Other receivables	-	161,443
Sundry debtors	72,278	23,656
	7,673,037	6,276,358

(i) The average credit period for corporate clients on rendering of services is 32 days (2015: 31 days). No interest is charged on outstanding amounts. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

10. Trade and other receivables (cont)

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience.

Ageing of past due but not impaired

	Consolidated	
	2016 $	2015 $
60 - 90 days	226,156	356,413
90 + days	707,763	562,986
	933,919	919,399

Movement in the allowance for doubtful debts

	Consolidated	
	2016 $	2015 $
Balance at the beginning of the year	(171,860)	(381,263)
Allowance for doubtful debts acquired	-	-
Impairment losses recognised on receivables (i)	(371,921)	(139,608)
Amounts written off as uncollectable	269,102	316,567
Impairment losses reversed (i)	153,378	32,444
Balance at the end of the year	(121,301)	(171,860)

(i) Net amount of trade receivables impaired for 2016 is $218,543 (2015: $107,164).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	Consolidated	
	2016 $	2015 $
Current	-	10,203
30-60 days	-	29,366
60- 90 days	-	10,854
Over 90 days	121,301	121,437
	121,301	171,860

11. Other current assets

Prepayments	1,249,058	1,277,785

12. Other non-current assets

Rental deposits	272,053	433,423
Other assets	1,953,882	491,343
	2,225,935	924,766

Rental deposits relate to bonds on the office premises and security deposits for the lease of roof space.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

13. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Consolidated		
	Broadband infrastructure at cost $	Office furniture and fittings, leasehold fittings and equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2014	37,114,522	2,831,372	39,945,894
Additions	11,476,652	97,851	11,574,503
Acquisitions through business combinations	29,893	822,271	852,164
Disposals	-	(21,141)	(21,141)
Balance at 30 June 2015	48,621,067	3,730,353	52,351,420
Additions	8,738,143	723,543	9,461,686
Acquisitions through business combinations	26,258	139,207	165,465
Disposals	-	-	-
Cost at 30 June 2016	57,385,468	4,593,103	61,978,571
Accumulated depreciation			
Balance at 1 July 2014	(14,686,505)	(940,748)	(15,627,253)
Depreciation expense	(4,975,544)	(346,512)	(5,322,056)
Disposals	-	-	-
Balance at 30 June 2015	(19,662,049)	(1,287,260)	(20,949,309)
Depreciation expense	(5,640,122	(576,394)	(6,216,516)
Disposals	-	-	-
Balance at 30 June 2016	(25,302,171)	(1,863,654)	(27,165,825)
Net book value			
As at 30 June 2015	28,959,018	2,443,093	31,402,111
As at 30 June 2016	32,083,297	2,729,449	34,812,746

The net effect of the assessment of useful lives was $1,027,450 (2015: $nil) decrease in depreciation expense.

During the period, the Group carried out a review of the recoverable amount of its plant and equipment. There was no evidence of impairment loss arising from this review. There was no depreciation during the period that was capitalised as part of the cost of other assets.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

14. Goodwill

The main changes in the carrying amounts of goodwill result from changes due to finalising acquisition accounting and preliminary accounting for 4 acquisitions. The net carrying amount of goodwill can be analysed as follows:

	Consolidated Goodwill $
Gross carrying amount	
Balance at 30 June 2014	34,123,780
Acquired through business combinations	13,992,964
Adjustment upon finalising acquisition accounting	(1,510,090)
Balance at 30 June 2015	46,606,654
Acquired through business combinations	2,995,315
Adjustment upon finalising acquisition accounting	(2,175,525)
Balance at 30 June 2016	47,426,444
Accumulated impairment	
Balance at 30 June 2014	(2,586,645)
Impairment loss recognised	-
Balance at 30 June 2015	(2,586,645)
Impairment loss recognised	-
Balance at 30 June 2016	(2,586,645)
Net book value	
As at 30 June 2015	44,020,009
As at 30 June 2016	44,839,799

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units (CGU), which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Consolidated	
	2016 $	2015 $
Fixed Wireless	11,515,771	13,465,524
Community Broadband	6,604,845	4,252,411
Cloud Managed Services	26,719,183	26,302,074
Goodwill	44,839,799	44,020,009

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

14. Goodwill (cont)

Impairment testing of goodwill

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed five-year forecast and followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates stated below. The post-tax discount rates applied to the discounted cash flows were 11.07% (2015: 11.29%), for all CGUs. The terminal growth rate applied to all CGU's was 3%. Management consider that as all CGU's operate in the Telecommunications Industry in Australia and provide equivalent products and services in the same markets, that the risk specific to each unit are comparable and therefore a discount rate of 11.07% is applicable to all CGUs. The growth rates reflect the long-term average growth rates for the service lines and industries of the cash-generating units.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

Sensitivity analysis also examined the effect of a change in a key assumption on the tested CGU's. The discount rate would need to increase by 302 basis points or the terminal value growth rate would have to be negative 1.7% before the recoverable amount of any of the CGU's would equal its carrying value.

Further specific sensitivity analysis was performed on the Cloud Managed Services CGU. The revenue growth rate would have to decrease by 550 basis points or the EBITDA margins would have to decrease by 388 basis points before the recoverable amount of the CGU would equal its carrying value.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

15. Other intangible assets

Details of the Group's other intangible assets and their carrying amounts are as follows:

	Subscriber acquisition costs $	Customer bases $	Spectrum asset $	Total $
Gross carrying amount				
Balance at 30 June 2014	3,048,317	6,185,995	376,232	9,610,544
Additions	-	1,956,520	-	1,956,520
Additions from internal capitalisation	838,750	-	-	838,750
Balance at 30 June 2015	3,887,067	8,142,515	376,232	12,405,814
Additions	-	2,679,253	-	2,679,253
Additions from internal capitalisation	1,327,365	-	-	1,327,365
Balance at 30 June 2016	5,214,432	10,821,768	376,232	16,412,432
Accumulated amortisation				
Balance at 30 June 2014	(2,500,897)	(3,974,812)	(242,333)	(6,718,042)
Acquisition adjustment	-	-	-	-
Amortisation expense for the year	(684,382)	(414,095)	(93,900)	(1,192,377)
Balance at 30 June 2015	(3,185,279)	(4,388,907)	(336,233)	(7,910,419)
Amortisation expense for the year	(1,073,192)	(951,776)	(39,999)	(2,064,967)
Balance at 30 June 2016	(4,258,471)	(5,340,683)	(376,232)	(9,975,386)
Net book value				
As at 30 June 2015	701,788	3,753,608	39,999	4,495,395
As at 30 June 2016	955,961	5,481,085	-	6,437,046

(i) The following useful lives are used in the calculation of amortisation:

- Subscriber acquisition costs 1-3 years
- Customer bases 5-13 years
- Spectrum asset 9 years

15. Other intangible assets (cont)

Significant intangible assets

Subscriber acquisition costs
Subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Subscriber acquisition costs are amortised over the lesser of the period of the contract (1-3 years) and the period during which the future economic benefits are expected to be obtained. Customers are not expected to terminate contracts prior to the end of their contracted term.

Customer bases
There are twelve distinguishable intangible assets in the form of customer bases that were acquired on business combinations and accounted for. WHome customer base was acquired by the Group from Skynet Global on 30 June 2006. The Wizz customer base was acquired from Wizz Pty Ltd on 1 April 2010. The Unistar customer base was acquired from Star-Tech Communications on 1 July 2010. The Clever customer base was acquired from Clever Communications Australia Ltd on 23 December 2010. The AccessPlus customer base was acquired from AccessPlus Pty Ltd on 6 January 2011. The Allegro Networks and RadioCorp customer base was acquired from Allegro Communications on 31 May 2012. The Link Innovations customer base was acquired from Link Innovations on 29 June 2012. The Intelligent IP Communications customer base was acquired from Intelligent IP Communications Pty Ltd on 13 September 2013. The BigAir Cloud Managed Services Pty Ltd customer base was acquired from the Anittel Group on 31 January 2014. The Star-Tech Communications Pty Ltd customer base was acquired from Star-Tech Communications Pty Ltd on 30 April 2014. The Oriel Technologies Pty Ltd customer base was acquired from Oriel Technologies Pty Ltd on 19 December 2014. The Integrated Data Labs Pty Ltd customer base was acquired from Integrated Data Labs Pty Ltd on 13 February 2015. The Applaud IT Pty Ltd customer base was acquired from Applaud IT Pty Ltd on 8 July 2015. All customer bases will be fully amortised on a straight line method in a manner that allocates the cost of acquisition over the expected benefit period.

Key assumptions
The key assumptions used to assess amortisation rates are as follows:

Customer bases
- each customer base has been assessed as an individual intangible asset;
- the customers will churn over the next five to thirteen years;
- each customer has been allocated a life cycle;
- the actual customer base is reviewed each reporting period against the original amortisation model and churned customers are removed from the amortisation model; and
- the expected life of a customer is reviewed annually and if required the amortisation rate is amended.

15. Other intangible assets (cont)

The useful lives of customer bases was re-assessed during the year based on actual customer churn rates.

The net effect of the assessment of useful lives was $297,405 (2015: $375,513) decrease in amortisation expense.

Spectrum licence asset
The spectrum licence asset consists of three licenses in the 3.4 GHz frequency range. Each of the licenses expired on 13 December 2015 and were not renewed. These spectrum licence assets acquired as part of the Radio Corp Pty Ltd acquisition are measured at their fair value at the date of acquisition less accumulated amortisation and impairment charges. The amortisation of spectrum licence assets is calculated on a straight-line basis over the expected useful life of the asset based on the current renewal dates of each licence.

During the period, the Group carried out a review of the recoverable amount of its other intangible assets. There was no evidence of impairment loss arising from this review.

16. Trade and other payables

	Consolidated	
	2016 $	2015 $
Trade and other payables - Current		
Trade payables (i)	4,774,764	7,819,023
Sundry creditors	1,130,860	638,364
Accruals	1,118,386	2,358,531
Goods and services tax (GST) payable	292,212	212,187
Amount due on business purchase (ii)	2,452,109	3,799,357
	9,768,331	14,827,462

	Consolidated	
	2016 $	2015 $
Trade and other payables – Non Current		
Amount due on business purchase (ii)	-	7,758,182
	-	7,758,182

(i) The average credit period on suppliers is 40 days (2015: 37 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable timeframe or where there are disputes within the timeframe agreed by the disputing parties.

(ii) The amount above represents an EBITDA earn out for Oriel Technologies Pty Ltd of $2,452,109 for the period ending 30 June 2016. The prior year amount represented a EBITDA earn out for Intelligent IP Communications Pty Ltd of $3,208,454, Oriel Technologies Pty Ltd of $7,758,182 and acquisition payments owing for Integrated Data Labs Pty Ltd of $590,903 for the period ended 30 June 2015.

17. Income received in advance

	Consolidated 2016 $	Consolidated 2015 $
Current		
Income received in advance from customers	1,767,446	903,629
Refer to Note 3(f) (iii) for details.		
Non-Current		
Deferred R&D grant income	1,355,234	1,268,752

18. Borrowings

	Consolidated 2016 $	Consolidated 2015 $
Current		
Lease liability	1,604,474	386,378
Bank loan	2,500,000	2,500,000
	4,104,474	2,886,378
Non-Current		
Lease liability	2,979,957	454,177
Bank loan	22,119,943	15,793,245
	25,099,900	16,247,422

The Group increased its current facility with Westpac to $45m during the financial year. The facility has a term of 4 years and is at a variable interest rate of BBSY plus a margin of 1.26% and line fee of 1%. Tranche A is repayable at the end of the term and Tranche B has quarterly repayments of $625k. The purpose of this facility is to provide funds for acquisitions and required working capital.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

19. Tax

	Consolidated	
Current	**2016 $**	**2015 $**
Current tax asset	1,186,090	1,129,146
Deferred tax liability	(831,463)	-
Deferred tax asset	-	107,428

20. Provisions

	Current Employee benefits $	Non-Current Employee benefits $
Carrying amount 1 July 2015	1,793,523	597,754
Additional provisions	1,892,556	21,266
Amount utilised	(1,657,949)	(155,227)
Carrying amount 30 June 2016	2,028,130	463,793

The Group expects all accrued annual leave entitlements to be taken within the next 12 months. A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of the long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criterion relating to employee benefits has been included in Note 3 of this report.

21. Share capital

	Consolidated			
	2016		2015	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	174,826,438	34,225,311	172,872,340	33,240,044
Issue of shares for business acquisitions	943,662	641,685	130,462	108,283
Transaction costs	-	(3,913)	-	(5,302)
Issue of shares from options exercised	133,334	56,405	1,560,000	679,286
Issue of shares to employees	-	-	263,636	203,000
Balance at end of financial year	175,903,434	34,919,488	174,826,438	34,225,311

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options and rights granted under the Director and Executives Share Based Payment Scheme are contained in Note 8.

Shares were issued to employees under the Employee Share Plan. Share issue amounts were based on the duration of employment with the Group. See Note 8 for details. Shares were issued as part of the acquisition of Intelligent IP Communications Pty Ltd. None of the parent's shares are held by any company in the Group.

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns 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 and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

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

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

22. Share option reserve

	Consolidated	
Employee equity-settled benefits	2016 $	2015 $
Balance at the beginning of the financial year	46,323	252,599
Transfer from reserves to retained earnings	-	-
Transfer to share capital for options exercised	(20,463)	(239,390)
Options and rights expense	263,047	33,114
Balance at the end of the financial year	288,907	46,323

Further information about share-based payments to employees is made in Note 8 to the financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

22. Share option reserve (cont)

Share options

During the financial year 133,333 share options were exercised (2015: 1,560,000 share options were exercised, including 910,000 share options from key management personnel).

23. Earnings per share and dividends

Basic and diluted profit per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted profit per share are as follows:

	Consolidated	
	2016 Cents per share	2015 Cents per share
Basic profit per share from continuing operations	5.8	2.8
Diluted profit per share from continuing operations	5.8	2.8

	Consolidated	
	2016 $	2015 $
Profit for the period attributable to ordinary equity holders of the parent entity	10,274,515	4,845,605

	Consolidated	
	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic profit per share	175,694,530	173,809,681
Weighted average number of ordinary shares for the purposes of diluted profit per share	176,924,196	174,457,765

The incremental shares from the assumed exercise of share rights are included in calculating diluted earnings per share as their conversion is dilutive.

Dividends

	Consolidated	
	2016 $	2015 $
Dividends declared post year end Fully franked final dividend ($0.013 per share)	2,352,291	2,097,917

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

23. Earnings per share and dividends (cont)

The tax rates applicable to the franking credits attached to the interim dividend and to be attached to the final dividend is 30%. The dividend declared for the year ending 30 June 2016 is $2,352,291 (2015: $2,097,917). The franking credits balance is $10,134,657 as of 30 June 2016. (2015: $7,426,528).

Franking Credits

	Parent	
The amount of the franking credits available for subsequent reporting periods are:	**2016** **$**	**2015** **$**
Balance at the beginning of the reporting period	7,426,528	4,058,271
Franking credits that will arise from the payment of the amount of provision for income tax and income tax return refund	1,755,806	4,183,227
Franking debits arising from the payment of dividends	(899,107)	(814,970)
Balance at the end of the reporting period	8,283,227	7,426,528

24. Leases

Leasing arrangements

Operating lease commitments

Operating leases are entered into as a means of acquiring access to space on building rooftops and office premises. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities. A renewal option in connection with the rooftop leases exist.

	Consolidated	
	2016 **$**	**2015** **$**
No longer than 1 year	2,398,440	1,848,143
Longer than 1 year and not longer than 5 years	5,904,782	5,294,483
Over 5 years	1,335,994	815,502
Total minimum lease payments	9,639,216	7,958,128

No liabilities have been recognised in relation to these operating leases. The minimum lease payments made in relation to office premises for the year ending 30 June 2016 were $1,046,812 (2015: $726,730).

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

24. Leases (cont)

Finance lease commitments

The finance leases relate to the leasing of motor vehicles, equipment and the leasing of IP Telephony, hosting servers and infrastructure. Finance lease liabilities (See Note 18) are secured by the related assets held under finance leases.

	Consolidated	
	2016 $	2015 $
No longer than 1 year	1,720,962	433,755
Longer than 1 year and not longer than 5 years	3,228,897	485,515
Total minimum lease payments	4,949,859	919,270
Less amounts representing finance charges		
No longer than 1 year	(197,927)	(47,377)
Longer than 1 year and not longer than 5 years	(167,501)	(31,338)
Present value of minimum lease payments	4,584,431	840,555

25. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	Consolidated	
	2016 $	2015 $
Interest expenses for borrowings at amortised cost		
- Other borrowings at amortised cost	1,372,392	820,726
Interest expenses for finance lease arrangements	231,833	180,943
Total interest expenses for financial liabilities not at FVTPL	1,604,225	1,001,669

Finance income for the reporting periods consist of the following:

	Consolidated	
	2016 $	2015 $
Interest income from cash and cash equivalents	20,496	10,262
Interest income from related party receivable	-	-
Total interest income for financial assets not at FVTPL	20,496	10,262

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

26. Subsidiaries

	Country of incorporation	Ownership interest 2016 %	2015 %
Parent entity			
BigAir Group Limited	Australia	n/a	n/a
Subsidiary			
Veritel Australia Pty Limited	Australia	100	100
AccessPlus Pty Limited	Australia	100	100
Clever Communications Australia Limited	Australia	100	100
Clever Communication Operations Pty Limited	Australia	100	100
Saise Pty Limited	Australia	100	100
Activ Australia Pty Limited	Australia	100	100
Access Providers Group Pty Limited	Australia	100	100
Allegro Networks Pty Limited	Australia	100	100
RadioCorp Pty Limited	Australia	100	100
Link Innovations Pty Limited	Australia	100	100
Intelligent IP Communications Pty Limited	Australia	100	100
BigAir Cloud Managed Services Pty Limited	Australia	100	100
Unistar Enterprises Pty Limited	Australia	100	100
Oriel Technologies Pty Limited	Australia	100	100
Integrated Data Labs Pty Limited	Australia	100	100
Applaud IT Pty Limited	Australia	100	-
Everywhere Internet Holdings Pty Limited	Australia	100	-

(i) The Company and its wholly-owned Australian entity are members of a tax consolidated group.

The subsidiaries all have a financial year end date of 30 June.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

27. Segment reporting

(i) Segment performance

	Fixed Wireless		Community Broadband		Cloud Managed Services		Total	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Revenue								
Sales revenue	25,151,117	23,682,845	13,459,563	10,748,995	41,132,959	28,218,388	79,743,639	62,650,228
Interest revenue	20,496	6,239	-	40	-	3,983	20,496	10,262
Segment revenue	25,171,613	23,689,084	13,459,563	10,749,035	41,132,959	28,222,371	79,764,135	62,660,490
Other income	23,504	14,068	-	-	879,595	811,563	903,099	825,631
Total group revenue and other income	25,195,117	23,703,152	13,459,563	10,749,035	42,012,554	29,033,934	80,667,234	63,486,121

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

27. Segment reporting (cont)

Segment net profit from continuing operations before tax

	Fixed Wireless		Community Broadband		Cloud Managed Services		Total	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
	13,359,033	6,741,361	8,382,883	6,615,613	5,223,915	5,033,592	26,965,831	18,390,566
Reconciliation of segment result to group net profit before tax: i. Amounts not included in segment result but reviewed by the Board:								
Elimination of intersegment profits	5,930,705	4,822,385	(5,846,841)	(4,528,054)	(83,864)	(294,331)	-	-
Corporate charges	(3,220,706)	(2,405,161)	(51,045)	(36,000)	(496,480)	(540,909)	(3,768,231)	(2,982,070)
Depreciation and amortisation	(4,792,843)	(4,075,242)	(748,684)	(740,009)	(2,739,956)	(1,699,182)	(8,281,483)	(6,514,433)
Finance costs	(1,604,225)	(825,284)	-	-	-	(176,385)	(1,604,225)	(1,001,669)
Net profit before tax from continuing operations	9,671,964	4,258,059	1,736,313	1,311,550	1,903,615	2,322,785	13,311,892	7,892,394

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

27. Segment reporting (cont)

(ii) Segment assets

	Fixed Wireless		Community Broadband		Cloud Managed Services		Total	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Segment assets	23,149,241	22,686,577	5,784,887	2,347,170	10,002,575	4,582,684	38,936,704	29,616,431
Segment asset additions for the period:								
Capital expenditure	3,844,443	6,889,671	1,763,607	1,912,670	3,263,505	3,263,505	8,970,343	12,065,846
Acquisitions	-	507,560	8,365	-	157,100	344,604	165,465	852,164
Reconciliation of segment assets to group assets:								
Current tax assets	(1,705,936)	(520,123)	(6,134)	(6,134)	2,898,100	1,655,403	1,186,090	1,129,146
Deferred tax assets/(liabilities)	-	528,221	-	5,315	-	(426,108)	-	107,428
Intangible assets	13,940,807	15,436,992	6,727,848	4,402,741	30,608,190	28,675,672	51,276,845	48,515,404
Total group assets	39,228,555	45,528,897	14,278,573	8,661,762	47,028,318	38,095,760	100,535,447	92,286,419

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

27. **Segment reporting (cont)**

(iii) Segment liabilities

	Fixed Wireless		Community Broadband		Cloud Managed Services		Total	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Segment liabilities	3,794,849	19,738,606	3,253,493	1,380,784	8,334,593	6,029,912	15,382,935	27,149,302

Reconciliation of segment liabilities to group liabilities:

Other financial liabilities	9,211,050	18,656,992	4,929,272	-	15,064,052	476,808	29,204,374	19,133,800
Deferred tax liabilities	83,445	-	(17,204)	-	765,221	-	831,462	-
Total group liabilities	13,089,344	38,395,598	8,165,561	1,380,784	24,163,866	6,506,720	45,418,771	46,283,102

Service Pillars
Part 3

Campus Solutions

BigAir has developed a customised solution for specific vertical markets including student accommodation, shopping malls and retirement villages.

Now BigAir is the largest private ISP supplying managed broadband services to campus accommodation style environments.

Many of these sites have extensive WiFi coverage with up to 300 access points in a single site. All infrastructure is installed and managed by BigAir from our 24/7 Network Operations Centre (NOC).

BigAir services the largest tertiary student accommodation sector in Australia, with approximately 200 sites and more than 35,000 residents under management.

- Student Accommodation
- Mining Villages
- Retirement Villages
- Tourist Parks
- Shopping Malls
- Local Government Facilities
- Major Events
- Fully Managed Networks
- Internet Connectivity
- WiFi Analytics

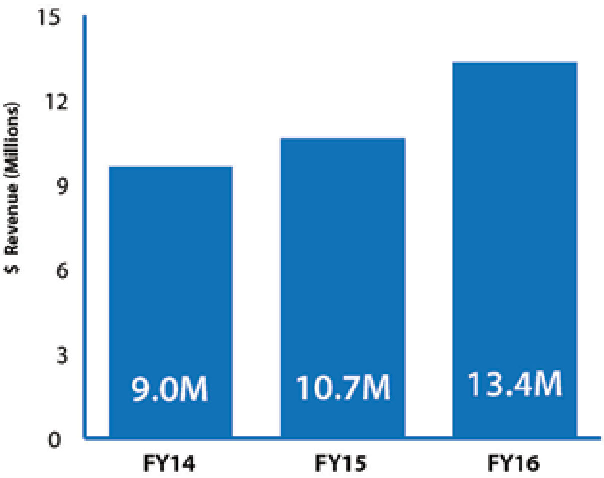
Network infrastructure is the backbone that ensures the successful adoption of technology across campus style environments including tertiary student accommodation, shopping malls, and retirement villages.

With the increased use of video, social networking, online gaming, advanced applications and next-generation smart-phones, network design and support is now even more complex than ever before - often leading to campus managers outsourcing their network and internet management to an ICT provider such as BigAir.

For example, BigAir provides a managed public WiFi solution across 4 shopping centres owned by IPOH, including the iconic QVB Sydney. This network is used by thousands of visitors every day.

Our team also supplied the public WiFi network at the World Square retail precinct in Sydney's CBD, and for over 80 retirement villages and malls. In addition, BigAir manages the network and internet connectivity of over 35,000 people across 200+ student accommodation sites.

Revenue Growth in Campus Solutions



Everywhere Internet

BigAir Group acquired Everywhere Internet during FY 2016. Everywhere Internet has been providing internet services to Australian companies since 2005 and have particular expertise providing WiFi Analytics. This acquisition is a great fit with BigAir now being one of the largest providers of campus and retail internet solutions in Australia.

BigAir helps power the Knowledge Economy

The important transition of Australia's economy to one based on knowledge and education took a stride forward with the opening of a new state of the art 286 room student accommodation facility in Brisbane.

The facility is part of a pipeline of over 2,500 rooms to come from Australian student accommodation provider, The PAD.

As part of their philosophy to provide students with the best-in-class facilities, The Pad has appointed BigAir to install and manage a high speed WiFi network to deliver super fast Internet services to every student in the new Brisbane site.

28. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 26 to the financial statements.

(b) Key management personnel equity holdings

Fully paid ordinary shares of BigAir Group Limited

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Ordinary shares acquired	Disposals	Balance at 30 June
	No.	No.	No.	No.	No.	No.
2016						
Paul Tyler	1,676,735	-	-	-	-	1,676,735
Nigel Jeffries	500,000	-	-	-	-	500,000
Vivian Stewart	2,748,174	-	-	-	(1,044,526)	1,703,648
Jason Ashton	10,488,751	-	-	-	-	10,488,751
Charles Chapman	995,606	-	-	-	-	995,606
Scott Mason	1,299	-	-	-	-	1,299
Aidan Mountford	649	-	-	-	-	649
Tony Tilbrook	2,597	-	-	-	-	2,597
Scott Atkinson	102,957	-	-	-	-	102,957
	16,516,408	-	-	-	(1,044,526)	15,471,882
2015						
Paul Tyler	1,526,735	-	150,000	-	-	1,676,735
Nigel Jeffries	350,000	-	150,000	-	-	500,000
Vivian Stewart	2,598,174	-	150,000	-	-	2,748,174
Jason Ashton	10,286,154	2,597	200,000	-	-	10,488,751
Charles Chapman	833,009	2,597	160,000	-	-	995,606
Scott Mason	-	1,299	-	-	-	1,299
Aidan Mountford	-	649	-	-	-	649
Tony Tilbrook	-	2,597	-	-	-	2,597
Scott Atkinson	-	2,597	100,000	-	-	102,957
	15,594,072	12,336	910,000	-	-	16,516,408

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

28. Related party transactions (cont)

(d) Transactions with other related parties

Transactions between BigAir Group Limited and its related parties
Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

29. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2016 $	2015 $
Cash and cash equivalents	2,111,736	2,653,421

(b) Non-cash financing and investing activities

The Group issued $637,772 in shares as part of the Intelligent IP Communications Pty Ltd acquisition on 21 August 2015. Apart from this transaction, the Group did not have any non-cash financing and investing activities during the year.

(c) Financing Facilities

During the current financial year, the Group refinanced the bank loan facility and entered into an asset finance facility.

(d) Cash balances not available for use

During the current financial year, there were no significant cash and cash equivalent balances that were not available for use.

(e) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated	
	2016 $	2015 $
Profit for the year	10,274,515	4,845,605
Depreciation of non-current assets	6,216,516	5,322,056
Amortisation of non-current assets	2,064,967	1,192,377
Equity settled share-based payment	242,584	676,012
Net gain on disposal of plant and equipment	-	(9,266)

29. Notes to the cash flow statement (cont)

Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease/(increase) in assets:		
Trade and other receivables	(503,788)	727,374
Other current assets	(181,958)	(245,335)
(Increase)/decrease in deferred tax balances	-	(224,573)
(Decrease)/increase in liabilities:		
Trade and other payables	(5,555,368)	2,818,644
Other current liabilities	-	(1,433,256)
Current tax liabilities	(562,551)	(1,233,961)
Provisions	(563,804)	207,383
Deferred tax liabilities	-	867,372
Cash flows provided by operations	11,431,113	13,510,432

30. Financial instruments

(a) Capital risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and a bank loan facility.

(b) Categories of financial instruments

The total for each category of financial instrument, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2016 $	2015 $
Financial assets		
Loans and receivables:		
Trade and other receivables	7,673,037	6,276,358
Cash and cash equivalents	2,111,736	2,653,421
	9,784,773	8,929,779

30. Financial instruments (cont)

Financial liabilities

Financial liabilities measured at amortised cost:

Non-current:		
Trade and other payables	-	7,758,182
Borrowings	25,099,900	16,247,422
Current:		
Trade and other payables	9,768,331	14,827,462
Borrowings	4,104,474	2,886,378
	38,972,705	41,719,444

As at the end of the financial year, the Group also has bank guarantees with Westpac of $320,822, which is included in the cash and cash equivalents balance. Trade receivables and payables are not interest bearing.

(c) Financial risk management objectives

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 30(b). The main types of risks are interest rate risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

30. Financial instruments (cont)

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below. The Group is exposed to market risk specifically to interest rate risk, which result from both its operating and investing activities.

(d) Market risk

The Group's activities do not expose it to market financial risks. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management

The Group is not exposed to foreign currency risk.

(f) Interest rate risk management

The Group is exposed to interest rate risk on cash holdings. The risk is managed by the Group by ensuring that cash holdings must be invested in one of Australia's large 4 banks.

The following tables detail the Group's exposure to interest rate risk:

2016	Weighted average effective interest rate %	Maturity dates Less than 1 year $	1-5 years $	More than 5 years $	Non-interest bearing $	Total $
Financial assets:						
Cash and cash equivalents	0.21%	2,111,736	-	-	-	2,111,736
Trade and other receivables	-	-	-	-	7,673,037	7,673,037
		2,111,736	-	-	7,673,037	9,784,773
Financial liabilities:						
Trade and other payables	-	-	-	-	9,768,331	9,768,331
Borrowings	4.99%	4,104,474	25,099,900	-	-	29,204,374
		4,104,475	25,099,900	-	9,768,331	38,972,705

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

30. Financial instruments (cont)

2015	Weighted average effective interest rate %	Maturity dates Less than 1 year $	1-5 years $	More than 5 years $	Non-interest bearing $	Total $
Financial assets:						
Cash and cash equivalents	0.56%	2,653,421	-	-	-	2,653,421
Trade and other receivables	-	-	-	-	6,276,358	6,276,358
		2,653,421	-	-	6,276,358	8,929,779
Financial liabilities:						
Trade and other payables	-	-	-	-	22,585,644	22,585,644
Borrowings	5.09%	2,886,378	16,247,422	-	-	19,133,800
		2,886,378	16,247,422	-	22,585,644	41,719,444

Sensitivity Analysis

	Consolidated Profit $	Consolidated Equity $
+/- 2% in interest rates	584,088	584,088

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Weekly debtors meetings are held where the ageing of material debtors is reviewed and action agreed and taken if required.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

30. Financial instruments (cont)

(i) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair values and net fair values of financial assets and financial liabilities are determined with reference to the standard terms and conditions.

(j) Other price risk sensitivity

The Group is not exposed to any other price risk.

31. Business acquisitions

(a) Oriel Technologies Pty Ltd

On 18 November 2014, the Group entered into a share sale agreement to acquire all of the shares in Oriel Technologies Pty Ltd ('Oriel'). Founded in 1995, Oriel has grown to become one of Australia's leading and most innovative managed IT service providers, offering bespoke solutions to organisations that seek business-driven IT. Focused on mid-enterprise businesses, all of Oriel's services are designed with business needs in mind and meet the security, compliance, and flexibility standards that Oriel's customers have come to expect. Taking a consultancy-led approach enables Oriel to develop a deep understanding of its customers' corporate environments and tailor solutions accordingly. Oriel enables organisations to prosper in the virtual era whilst driving real business results.

The acquisition of Oriel is consistent with BigAir's strategy to become a more complete technology solutions provider to its current and future customers, particularly those in the medium enterprise market. BigAir has achieved financial success with similar strategic investments in the cloud and managed services markets, namely Intelligent IP Communications and BigAir Cloud Managed Services.

The acquisition of Oriel adds a new dimension to BigAir's cloud and managed services strategy. Oriel's well-established managed services portfolio, which consists of networking, systems, communications, support, Infrastructure as a Service, Desktop as a Service, as well as private, hybrid and public cloud, will allow BigAir to significantly accelerate its plans to broaden its solutions portfolio.

Oriel's breadth of technical capability and mature managed service products provides an exciting platform for BigAir's planned strategic growth in the managed IT services area. BigAir believe Oriel will provide significant cross-selling opportunities across both customer bases, with existing BigAir customers having immediate access to Oriel's extensive solution offerings and managed services portfolio. Oriel's successful business model transformation from IT reseller to a managed services provider with a significant customer base has made it an excellent strategic choice for BigAir, who wishes to expand its reach in the medium enterprise market.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(a) Oriel Technologies Pty Ltd

Oriel has been consolidated into the Group from the date of control, which was 19 December 2014.

	Consolidated	
	Acquiree's carrying amount $	Fair Value $
Fair value of consideration transferred		
Cash		4,210,000
EBITDA earn-out		6,725,606
		10,935,606
Less:		
Cash and cash equivalents	884,431	884,431
Receivables	2,884,321	2,849,247
Other assets	160,215	160,215
Property, plant and equipment	393,983	370,863
Customer base	-	1,064,779
Deferred tax asset	-	276,680
Deferred tax liability	-	(319,434)
Payables	(4,467,971)	(5,639,257)
	(145,021)	(352,476)
Identifiable assets and liabilities assumed		(352,476)
Goodwill on acquisition		11,288,082

Consideration transferred settled in cash	4,210,000
Cash and cash equivalents acquired	(884,431)
Net cash outflow on acquisition	3,325,569
Acquisition costs charged to expenses	41,936
Net cash paid relating to the acquisition	3,367,505

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(a) Oriel Technologies Pty Ltd (cont)

Consideration transferred

The acquisition of Oriel was settled in cash of $4,210,000. Acquisition-related costs amounting to $41,936 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of 'General administration expense'. The Group acquired Oriel for a purchase price comprising:

- $4,210,000 in cash payable on completion
- Two annual earn out payments based on incremental EBITDA generated:
  - Incremental EBITDA is measured against a baseline EBITDA of $842,000;
  - Earn out payments calculated using a 2.25 times multiple of the increased incremental EBITDA over the 12 months ending 30 June 2015 and 30 June 2016;
  - Earn out payments will be made 50% in cash and 50% in BigAir shares.
- The total acquisition price is capped at $15 million. The upfront cash consideration has been funded with an increased debt facility and the earn out payments will be funded from future operating cash flows.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $2,849,247, with a gross contractual amount of $2,849,247.

Goodwill

Goodwill of $11,288,082 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Oriel's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 30 June 2016. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Oriel's contribution to the Group results

Revenue generated from the acquisition of Oriel included in the consolidated revenue of the Group for the financial reporting year of 30 June 2016 amounted to $18,192,583. Net profit generated from the acquisition of Oriel included in the consolidated profit of the Group for the financial reporting year of 30 June 2016 amounted to $1,420,785.

The values identified in relation to the acquisition of Oriel are final as at 30 June 2016.

31. Business acquisitions (cont)

(b) Integrated Data Labs Pty Ltd

On 19 December 2014, the Group entered into a share sale agreement to acquire all of the shares in Newcastle based telecommunications carrier Integrated Data Labs Pty Ltd ('IDL'). The acquisition was completed on 13 February 2015.

IDL has been consolidated into the Group from the date of control, which was 13 February 2015.

	Consolidated	
	Acquiree's carrying amount $	Fair Value $
Fair value of consideration transferred		
Cash		1,104,000
		1,104,000
Less:		
Other assets	111,482	95,794
Property, plant and equipment	550,957	533,818
Customer base	-	735,177
Deferred tax asset	-	18,797
Deferred tax liability	-	(220,553)
Income received in advance	(150,214)	(150,214)
Payables	(464,087)	(592,486)
	172,380	544,575
Identifiable assets and liabilities assumed		544,575
Goodwill on acquisition		559,425

Consideration transferred settled in cash	1,104,000
Cash and cash equivalents acquired	(124,242)
Net cash outflow on acquisition	979,758
Acquisition costs charged to expenses	7,600
Net cash paid relating to the acquisition	987,358

31. Business acquisitions (cont)

(b) Integrated Data Labs Pty Ltd (cont)

Consideration transferred

The Group has acquired IDL for a total consideration of $1,104,000, which is structured in equal payments of $92,000 per month over 12 months, commencing from 13 February 2015. The monthly payments will be funded from operating cash flow. Acquisition-related costs amounting $7,600 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of 'General administration expense'.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $nil, with a gross contractual amount of $nil.

Goodwill

Goodwill of $559,425 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of IDL's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 30 June 2016. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

IDL's contribution to the Group results

Revenue generated from the acquisition of IDL included in the consolidated revenue of the Group for the financial reporting year of 30 June 2016 amounted to $1,876,671. Net profit generated from the acquisition of IDL included in the consolidated profit of the Group for the financial reporting year of 30 June 2016 amounted to $1,256,362.

The values identified in relation to the acquisition of IDL are final as at 30 June 2016.

(c) Applaud IT Pty Ltd

On 8 July 2015, the Group entered into a share sale agreement to acquire all of the shares in Applaud IT Pty Ltd ("Applaud"). Applaud was founded in January 2005 primarily as a Managed Services Provider, specialising in Service Desk and Network Operations Centre capabilities. It has since extended that capability to provide an assortment of Integration, Consulting and Cloud Services capable of providing 'turn key' IT Service and Support to the mid-market segment. Its primary industry verticals include Human Resources, Private Healthcare, Supply Chain and Not For Profits.

Applaud has been consolidated into the Group from the date of control which was 8 July 2015.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(c) Applaud IT Pty Ltd (cont)

	Consolidated	
	Acquiree's carrying amount $	Fair Value $
Fair value of consideration transferred		
Cash		1,200,000
		1,200,000
Less:		
Cash and cash equivalents	151,441	116,939
Receivables	386,999	345,667
Inventories	1,967	1,967
Other assets	122,675	121,777
Property, plant and equipment	265,189	157,100
Customer base	-	879,296
Deferred tax asset	-	244,109
Deferred tax liability	-	(263,789)
Payables	(2,041,399)	(2,450,971)
	(1,113,128)	(847,905)
Identifiable assets and liabilities assumed		(847,905)
Goodwill on acquisition		2,047,905
Consideration transferred settled in cash		1,200,000
Cash and cash equivalents acquired		(116,939)
Net cash outflow on acquisition		1,083,061
Acquisition costs charged to expenses		39,416
Net cash paid relating to the acquisition		1,122,477

Consideration transferred

The acquisition of Applaud was settled in cash of $1,200,000. Acquisition-related costs amounting to $39,416 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of 'General administration expense'.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $345,667, with a gross contractual amount of $345,667.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(c) Applaud IT Pty Ltd (cont)

Goodwill

Goodwill of $2,047,905 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Applaud's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 30 June 2016. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Applaud's contribution to the Group results

Revenue generated from the acquisition of Applaud included in the consolidated revenue of the Group for the financial reporting year of 30 June 2016 amounted to $5,945,724. Net loss before taxation generated from the acquisition of Applaud included in the consolidated profit of the Group for the financial reporting year of 30 June 2016 amounted to $457,635.

The values identified in relation to the acquisition of Applaud are final as at 30 June 2016.

(d) Everywhere Internet Holdings Pty Ltd

On 4 December 2015, the Group entered into a share sale agreement to acquire all of the shares in Everywhere Internet Holdings Pty Ltd and Everywhere Internet Systems Pty Ltd ("Everywhere Internet"). Everywhere Internet has provided internet services to Australian companies since 2005 and is a leading provider of Managed WiFi services.

Everywhere Internet has been consolidated into the Group from the date of control, which was 4 December 2015.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(d) Everywhere Internet Holdings Pty Ltd (cont)

	Consolidated	
	Acquiree's carrying amount $	Fair Value $
Fair value of consideration transferred		
Cash		750,000
NPAT earn out		-
		750,000
Less:		
Cash and cash equivalents	553,741	553,741
Receivables	48,567	48,567
Inventories	4,968	4,968
Other assets	6,253	6,253
Property, plant and equipment	8,365	8,365
Deferred tax asset	-	11,889
Payables	(803,534)	(831,193)
	(181,640)	(197,410)
Identifiable assets and liabilities assumed		(197,410)
Goodwill on acquisition		947,410
Consideration transferred settled in cash		750,000
Cash and cash equivalents acquired		(553,741)
Net cash outflow on acquisition		196,259
Acquisition costs charged to expenses		4,820
Net cash paid relating to the acquisition		201,079

Consideration transferred

The acquisition of Everywhere Internet was settled in cash of $750,000. Acquisition-related costs amounting to $4,820 are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of 'General administration expense'. The Group acquired Everywhere Internet for a purchase price comprising:

- $750,000 in cash payable on completion;
- One annual earn out payment which is calculated by applying the earn out formula to the NPAT of Everywhere Internet for the earn out period, being from 1 July 2016 to 30 June 2017. The maximum aggregate liability in relation to the earn out payment is the maximum purchase price of $3,500,000 less the $750,000 paid at completion.

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

31. Business acquisitions (cont)

(d) Everywhere Internet Holdings Pty Ltd (cont)

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $48,567, with a gross contractual amount of $48,567.

Goodwill

Goodwill of $947,410 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Everywhere Internet's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units.

Everywhere Internet's contribution to the Group results

Revenue generated from the acquisition of Everywhere Internet included in the consolidated revenue of the Group for the financial reporting year of 30 June 2016 amounted to $903,185. Net profit generated from the acquisition of Everywhere Internet included in the consolidated profit of the Group for the financial reporting year of 30 June 2016 amounted to $468,605.

The initial accounting for this business combination is only provisionally complete as the acquisition occurred on 4 December 2015. The accounting will be finalised within 12 months of the acquisition. The assessment of the fair values of the identifiable net assets acquired of Everywhere Internet is preliminary.

32. Subsequent events

BigAir Group Limited entered into a binding share sale agreement to acquire all of the shares in CyberHound Pty Ltd ("CyberHound"). The acquisition was completed on 1 July 2016. BigAir has acquired CyberHound using a combination of new equity and cash. The total purchase price will be capped at no more than $7 million, which is comprised of up to $4 million in cash and up to $3 million in BGL shares.

There have been no other events subsequent to reporting date.

33. Commitments for expenditure

(a) Capital expenditure commitments

	Consolidated	
	2016 $	2015 $
Broadband infrastructure	1,507,107	768,856

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

33. Commitments for expenditure (cont)

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 24 to the financial statements.

34. Contingent liabilities and contingent assets

The Group has bank guarantees of $320,822 (See Note 30(b)).
The Group has no other contingent liabilities or assets as at the end of the financial year.

35. BigAir Group Ltd parent company information

	Parent Entity	
	2016 $	2015 $
Financial Performance		
Profit for the year	8,529,578	2,047,472
Other comprehensive income	-	-
Total comprehensive income	8,529,578	2,047,472

	Parent Entity	
	2016 $	2015 $
Assets		
Current assets	8,508,861	2,555,609
Non-current assets	74,846,860	71,339,593
Total assets	83,355,721	73,895,202
Liabilities		
Current liabilities	17,594,259	14,833,350
Non-current liabilities	21,218,092	23,976,904
Total liabilities	38,812,351	38,810,254
Equity		
Share capital	34,919,488	34,233,228
Share option reserve	288,907	46,323
Retained earnings	9,334,975	805,397
Total equity	44,543,370	35,084,948

BigAir Group Limited also has capital expenditure commitments, details of which are disclosed in Note 33(a), above.

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 18 August 2016.

ASX additional information as at 30 June 2016

Number of holders of equity securities

Ordinary share capital

- 180,945,451 fully paid ordinary shares are held by 4,985 individual shareholders.

On-market buy-back

The Company has no on-market buy-back.

Substantial shareholders

Ordinary shareholders	Fully Paid Number	Fully Paid Percentage
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,637,577	9.195%
NATIONAL NOMINEES LIMITED	16,502,536	9.120%
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	10,642,778	5.882%
JMAS PTY LTD	10,324,718	5.706%

Voting rights

Ordinary shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
No voting rights.

Distribution of holders of equity securities

Security Classes

Holdings Ranges	Holders	Total Units	%
1-1,000	635	576,584	0.319%
1,001-5,000	1,671	4,683,915	2.589%
5,001-10,000	1,045	8,335,024	4.606%
10,001-100,000	1,504	44,787,753	24.752%
100,001-99,999,999	130	122,562,175	67.734%
Totals	**4,985**	**180,945,451**	**100.000**

ASX additional information as at 30 June 2016

Marketable parcels
The number of holders holding less than a marketable parcel of the company's main class of securities, based on the market price at 18 August 2016 is 252.

Securities exchange

The Company is listed on the Australian Securities Exchange.

Twenty largest holders of quoted equity securities

	Fully Paid	
Ordinary shareholders	**Number**	**Percentage**
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,637,577	9.195%
NATIONAL NOMINEES LIMITED	16,502,536	9.120%
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	10,642,778	5.882%
JMAS PTY LTD	10,324,718	5.706%
BNP PARIBAS NOMS PTY LTD	8,176,890	4.519%
FISON INVESTMENTS PTY LTD	5,042,017	2.786%
CULLINGRAL PTY LIMITED	3,883,982	2.146%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,650,000	2.017%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,095,743	1.158%
DITCHLEY PTY LTD	2,001,933	1.106%
SYMMALL PTY LTD	2,000,000	1.105%
BNP PARIBAS NOMINEES PTY LTD	1,937,071	1.071%
L J CATELAN SUPERANNUATION FUND PTY LTD	1,784,805	0.986%
MR PAUL DAVID TYLER	1,676,735	0.927%
OLD FLETCHER & PARTNERS PTY LTD	1,577,317	0.872%
BLUE STAMP COMPANY PTY LTD	1,416,404	0.783%
FRETENSIS PTY LTD	1,400,000	0.774%
EMICO PTY LTD	1,287,193	0.711%
MR TIMOTHY IAN WATSON & MR JAMES RODERICK WATSON	1,001,856	0.554%
MR CHARLES WHIT CHAPMAN & MRS MORNE CHAPMAN	980,000	0.542%
	94,019,555	51.141

Number of holders of unquoted equity securities
The number of option holders is 9.

Company Secretary
Charles Chapman

Registered office and principle administration office
The Forum Level 1
203 Pacific Highway
St Leonards NSW 2065
Tel: (02) 9993 1300

Share registry
Boardroom Pty Limited
Grosvenor Place, Level 12, 225 George Street, Sydney, NSW, 2000
Tel: (02) 9290 9600

Notes

Executive Management Team

Charles Chapman
Chief Financial Officer

Aidan Mountford
Chief Operating Officer (Networks)

Jason Ashton
Chief Executive Officer

Tony Tilbrook
CTO Construction and Design

Scott Atkinson
CTO Cloud and Managed Services

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