

**Freshtel Holdings Limited ABN 92 111460 121  
and Controlled Entities  
Interim Financial Report**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015	% Change
Revenue from ordinary activities	18,859	27,200	(69.3%)
Profit(Loss) after tax from ordinary activities attributable to members	(300,601)	(86,566)	(347.3%)
Profit(Loss) attributable to members	(300,601)	(86,566)	(347.3%)

DIVIDENDS PAID AND PROPOSED

No dividends were paid or declared during the half year.

COMMENTARY ON THE RESULTS FOR THE PERIOD

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

NET TANGIBLE ASSETS PER SHARE

	Half-year Ended 31 December 2016 \$/Share	Half-year Ended 31 December 2015 \$/Share
Net tangible assets per share	0.00010	0.00010

DIVIDEND DETAILS

	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015
<b>Ordinary share capital:</b>	39,977,288	39,377,824
Final dividend paid	-	-
Interim dividend payable	-	-

DIVIDEND REINVESTMENT PLANS

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

There were no investments in associates and joint ventures.

**Freshtel Holdings Limited ABN 92 111460 121  
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**DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2016.

**Directors**

At the end of November Mr Buttery retired as Chairman but remains on the board, and was succeeded by Dr Ken Carr. The names of directors who held office during or since the end of the half-year are:

Mr Peter Buttery

Dr Ken Carr(Chairman)

Mr Matt Ranawake

**Review of Operations**

*Ongoing Voice Over Internet Protocol (VOIP) Operations*

The operation of the VOIP business was leased to Virtual Accounting Solutions Pty Ltd in December 2010 and this company has continued to operate the business through to December 2016.

*Investigation of investment opportunities*

The company has signed a heads of agreement to acquire the telecommunications company Field Solutions and expects to complete the transaction by April 2017..

*Operating Results*

The company recorded revenue from continuing operations of \$18,859 for the half year compared with \$27,098 for the corresponding period.

The Group incurred an after tax loss attributed to members of \$300,601 compared to a loss of \$86,566 for the corresponding period. The increased loss was incurred in raising capital and in acquisition expenses

As of December 31 2016, Freshtel Holdings Limited had cash balances of \$362,010.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2016.

This report is signed on behalf of the directors.



Ken Carr

Dated 28 February 2017

**FRESHTEL HOLDINGS LIMITED  
ABN 92 111460 121  
AND CONTROLLED ENTITIES  
AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF FRESHTEL HOLDINGS LIMITED**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of:

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

*Hall Chadwick*

HALL CHADWICK  
LEVEL 40, 2 PARK STREET  
SYDNEY NSW 2000

*Sandeep Kumar*

**SANDEEP KUMAR**

Partner

Date: 28 February 2017

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**Freshtel Holdings Limited ABN 92 111460 121  
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	<b>Note Consolidated Group</b>	
	<b>Half Year ended</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>\$</b>	<b>\$</b>
Revenue	18,554	27,098
Interest and other income	305	102
Professional fees – audit	(6,909)	(9,672)
Professional fees – others	(49,800)	(44,195)
Director’s fees	(85,410)	-
Occupancy and facilities expense	(36,427)	(14,656)
VOIP operating expense	(18,554)	(27,098)
Acquisition costs	(29,242)	-
Capital raising costs	(93,118)	-
Sub-contract and other expenses	-	(18,145)
<b>Profit(Loss) before income tax</b>	<u>(300,601)</u>	<u>(86,566)</u>
Income tax benefit	-	-
<b>Profit(Loss) for the period</b>	<u>(300,601)</u>	<u>(86,566)</u>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive profit(loss) for the period</b>	<u><u>(300,601)</u></u>	<u><u>(86,566)</u></u>
 <b>Loss per share</b>		
- basic profit(loss) per share (cents)	(0.02)	(0.01)
- diluted profit(loss) per share (cents)	(0.02)	(0.01)

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111460 121  
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Interim Financial Report**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016

	<b>Consolidated Group</b>	
	<b>As at</b>	
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	362,010	54,401
Prepayments	28,718	9,267
<b>TOTAL CURRENT ASSETS</b>	<b>390,728</b>	<b>63,668</b>
<b>TOTAL ASSETS</b>	<b>390,728</b>	<b>63,668</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Trade and other payables	95,586	25,868
Payroll liabilities	17,394	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>112,980</b>	<b>25,868</b>
<b>TOTAL LIABILITIES</b>	<b>112,980</b>	<b>25,868</b>
<b>NET ASSETS</b>	<b>277,748</b>	<b>37,800</b>
<b>EQUITY</b>		
Issued capital	39,858,072	39,377,824
Accumulated losses	(39,640,625)	(39,340,024)
Reserves	60,301	-
<b>TOTAL EQUITY</b>	<b>277,748</b>	<b>37,800</b>

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111460 121  
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Interim Financial Report**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

<b>Consolidated Group</b>	<b>Issued Capital</b>	<b>Accumulated losses</b>	<b>Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2015</b>	39,377,824	(39,178,720)	-	199,104
Profit for the half year	-	(161,304)		(161,304)
<b>Total comprehensive profit for the half year</b>	-	(161,304)		(161,304)
<b>Balance at 31 December 2015</b>	39,377,824	(39,340,024)	-	37,800
<b>Balance at 1 July 2016</b>	39,377,824	(39,340,024)	-	37,800
Loss for the half year	-	(300,601)	-	(300,601)
<b>Total comprehensive loss for the half year</b>	-	(300,601)	-	(300,601)
Shares issued during the period	599,463	-	-	599,463
Share based costs capitalised	(119,215)	-	-	(119,215)
Options reserve	-	-	60,301	60,301
<b>Balance at 31 December 2016</b>	39,858,072	(39,640,625)	60,301	277,748

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111460 121  
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Interim Financial Report**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED  
31 DECEMBER 2016

	<b>Consolidated Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	18,554	27,098
Payments to suppliers and employees	(217,507)	(108,532)
Interest and other income received	217	102
Net cash used in operating activities	(198,736)	(81,332)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital raising costs	(93,118)	-
Proceeds from Capital Raising	599,463	-
Net Cash used in financing Activities	506,345	-
Net (decrease)increase in cash held	307,609	(81,332)
Cash and cash equivalents at beginning of period	54,401	225,206
Cash and cash equivalents at end of period	362,010	143,874

The accompanying notes form part of these financial statements.

**Freshtel Holdings Limited ABN 92 111460 121  
and Controlled Entities  
Interim Financial Report**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Preparation**

These general purpose interim financial statements for half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements Freshtel Holdings Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 23 February 2016.

**b. Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statement, subject to the following changes:

**c. Fair Value measurements and disclosures**

**Principles of Consolidation**

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

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

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



**Freshtel Holdings Limited ABN 92 111460 121  
and Controlled Entities  
Interim Financial Report**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

**NOTE 2: GOING CONCERN BASIS**

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

The net loss after income tax for the consolidated entity for the half year ended 31 December 2016 was \$300,601 (2015:loss of 86,566).The loss was made partly on normal operations, however the principal component was the expenditure related to capital raising and the preliminary acquisition costs of the Field Solutions Group announced on 23 November 2016 .

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

- (i) the Group has a binding agreement with Field Solutions to acquire the business.
- (ii) The capital raising in the half year by means of the rights issue and share placement provided sufficient funds (\$600,000) to execute the acquisition.
- (iii) The timetable for the acquisition is for completion in April 2017 and involves a further capital raising of up to \$4 million and will result in the combined group with net assets of \$8.8 million.

**NOTE 3: DIVIDENDS**

No dividends have been proposed or declared for the period.

**NOTE 4: BUSINESS COMBINATIONS**

A binding agreement for the acquisition of Field Solutions group was announced on 23 November 2016 with the acquisition to be complete by April 2017

**NOTE 5: OPERATING SEGMENTS**

The consolidated entity has identified its operating segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

**NOTE 6: CONTINGENT LIABILITIES**

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

**NOTE 7: EVENTS AFTER THE END OF THE INTERIM PERIOD**

Since 31 December further progress has been made on the FSG acquisition, detailed in Note 2 above.

**NOTE 8: INTEREST IN SUBSIDIARIES**

**Subsidiary entities :**

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

Freshtel Pty. Ltd.(ACN 101 908 472)

Voicedot Networks Pty Ltd (ACN 111 334 108)

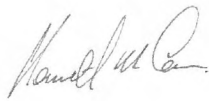
Virbiage Pty. Ltd. (ACN 112 682 774)

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

**Freshtel Holdings Limited ABN 92 111460 121  
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Interim Financial Report**

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

1. The financial statements and notes, as set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Ken Carr

Director

28 February 2017

**FRESHTEL HOLDINGS LIMITED  
ABN 92 111460 121  
AND CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REVIEW REPORT TO  
THE MEMBERS OF FRESHTEL HOLDINGS LIMITED**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Freshtel Holdings Limited which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Half-year Financial Report*

The directors of Freshtel Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim and other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Freshtel Holdings Limited's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Freshtel Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

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**FRESHTEL HOLDINGS LIMITED  
ABN 92 111460 121  
AND CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REVIEW REPORT TO  
THE MEMBERS OF FRESHTEL HOLDINGS LIMITED**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Freshtel Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of Freshtel Holdings Limited 's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the financial report which indicates that the Group has incurred a net loss after tax of \$300,601 and net cash outflows from operating activities of \$198,736 for the half year ended 31 December 2016. As stated in Note 2 these conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.

*Hall Chadwick*

HALL CHADWICK  
LEVEL 40, 2 PARK STREET  
SYDNEY NSW 2000

*S. Kumar*

**SANDEEP KUMAR**

Partner

Date: 28 February 2017