

Appendix 4E Preliminary Final Report

Name of entity

ZIPTTEL LIMITED

ABN or equivalent company reference:

41 108 042 593

1. Reporting period

Preliminary report for the financial year ended	30 June 2019
Previous corresponding period is the financial year ended	30 June 2018

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	down	71.9%	to	7
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	19.9%	to	(338)

Net loss for the period attributable to members (<i>item 2.3</i>)	down	19.9%	to	(338)
---	------	-------	----	-------

Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not Applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>): Refer to item 12.		

3. Statement of profit or loss and other comprehensive income

Refer to attached Annual Report for the year ended 30 June 2019.

4. Statement of financial position

Refer to attached Annual Report for the year ended 30 June 2019.

5. Statement of cash flows

Refer to attached Annual Report for the year ended 30 June 2019.

6. Statement of changes in equity

Refer to attached Annual Report for the year ended 30 June 2019.

7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2019	N/A	N/A
Final dividend – year ended 30 June 2019	N/A	N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	N/A	N/A
Preference securities (each class separately)	N/A	N/A
Other equity instruments (each class separately)	N/A	N/A
Total	N/A	N/A

8. Details of dividend or distribution reinvestment plans in operation are described below:

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.008	\$0.010

10. Details of entities over which control has been gained or lost during the period:

Control gained over entities

Name of entities (item 10.1)	N/A
Date(s) of gain of control (item 10.2)	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	N/A

Loss of control of entities

Name of entities (*item 10.4*)

N/A

Date(s) of loss of control (*item 10.5*)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (*item 10.6*).

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.7*)

N/A

11. Details of associates and joint venture entities

Name of associate or joint venture entity (*item 11.1*)

% Securities held (*item 11.2*)

N/A

N/A

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

Group's share of associates' and joint venture entities':

2019
\$

2018
\$

Profit (loss) from ordinary activities before tax

N/A

N/A

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

N/A

N/A

Adjustments

Share of net profit (loss) of associates and JV entities

N/A

N/A

12. Significant information relating to the entity's financial performance and financial position.

Overview

During the year, the Company's focus has been developing opportunities for its platforms, putting plans in place to extend its software development capabilities and reviewing other opportunities.

In order to extend its software development capabilities, the Company completed a placement during the year. The Company will look expand its development offering to other entities, leveraging and consistent with its strong app, software development and telephony experience. Placement proceeds will also be used to review complementary opportunities both for its current platforms and otherwise.

Following on from this, the Company announced the signing of a collaboration agreement with Perth based software development company Lateral Pty Ltd ("Lateral") (ASX: 24 June 2019). Under the collaboration agreement, ZipTel and Lateral will work together to deliver bespoke software development solutions for third parties. ZipTel's specialised experience will add to Lateral's already extensive full-service capabilities.

Together, the companies will look to leverage their capabilities and contacts to generate new business and new engagements which will be profitable and beneficial to both companies. The split of revenue between the companies will

be agreed per engagement, based on the source of the engagement and the development resources used. These efforts have already commenced with first revenues already banked late in the 2019 financial year.

In terms of the Company's platforms, The Company has an agreement with Space Digital Media Limited (SDM) whereby ZipT IP is being integrated into a new global content/social platform – the Convo Mobile Application ("Convo App").

ZipTel continues to support and advise SDM on software development for the Convo App. The Convo App has been refined over the past year incorporating learnings from global soft launches on both the iOS and Android platforms. These refinements have been targeted at improving UI/UX to encourage user acquisition and retention.

The Convo App is live and available on most App stores globally. SDM and ZipTel continue to develop the Convo App with a view to a supported launch into the marketplace. In this regard, SDM has been active in signing publishers onto the platform to drive content within the Convo App – content will be the significant driver for future user acquisitions. The Company expects to update the market on the launch of the Convo App in due course.

Revenue

In FY2019, total revenue was down by 72% to \$7,341 (FY2018: \$26,154) due to Zipt being placed in care and maintenance. This income banked late in the year related to the Company's software development activities.

The Company banked other revenue of \$96,009, the majority of which related to a tax credit received under the Australian Government's Research and Development (R&D) Tax Incentive Program.

Explanation of Loss

The Company recorded a loss after tax of \$338,415 (FY2018 loss after tax of \$282,282) from total expenses of \$441,765. Significant expenses were Employee expenses including director fees (\$180k), consulting expenses (\$147k) and general administration costs (\$115k) including ASX and share registry fees. These expenses were all down on the previous period however this was offset by the reduction in other income. Throughout the period, the Company maintained a disciplined approach to costs targeting a minimal monthly cash burn.

Cash Position

Cash at the end of the year was \$1.60M.

Outlook

ZipTel has extended its software development capabilities and intends to ramp up these activities. Concurrently, ZipTel continues to review opportunities both for its current platforms and otherwise. The Board is committed to assessing each of these opportunities in an efficient and cost-effective manner.

- 13. The financial information provided in the Appendix 4E is based on the Annual Report for the year ended 30 June 2019 (attached), which has been prepared in accordance with Australian accounting standards.**

- 14. Commentary on the results for the period.**

Refer to explanation item 12.

- 15. Information on Audit.**

This Appendix 4E is based on the audited Annual Report for the year ended 30 June 2019.

For personal use only

For personal use only



ACN 108 042 593

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2019

TABLE OF CONTENTS

TABLE OF CONTENTS	1
CORPORATE INFORMATION	2
CORPORATE GOVERNANCE STATEMENT	3
DIRECTORS' REPORT	4
REMUNERATION REPORT	8
AUDITOR'S INDEPENDENCE DECLARATION	14
INDEPENDENT AUDITOR'S REPORT	15
DIRECTORS' DECLARATION	19
CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	20
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	21
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
CONSOLIDATED STATEMENT OF CASH FLOWS	23
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	24
ADDITIONAL SECURITIES EXCHANGE INFORMATION	43

For personal use only

CORPORATE INFORMATION

ZIPTTEL LIMITED

Trading on the Australian Securities Exchange with the code ASX:ZIP

ABN 41 108 042 593

www.ziptel.com.au

DIRECTORS

Mr Josh Hunt (Independent Non-Executive Chairman)

Mr Umberto (Bert) Mondello (Non-Executive Director)

Mr Salvatore Vallelonga (Independent Non-Executive Director)

COMPANY SECRETARY

Mr Derek Hall

PRINCIPAL PLACE OF BUSINESS

Suite 3, 138 Main Street

Osborne Park, Western Australia 6017

T + 61 (0) 8 6380 2555

REGISTERED OFFICE

Suite 3, 138 Main Street

Osborne Park, Western Australia 6017

SOLICITORS

HopgoodGanim Lawyers

Level 27, Allendale Square, 77 St Georges Tce,

Perth, Western Australia 6005

SHARE REGISTER

Security Transfer Registrars

770 Canning Highway,

Nedlands, Western Australia 6153

T +61 (0) 8 9315 2333

AUDITOR

Criterion Audit Pty Ltd

1/437 Roberts Rd

Subiaco, Western Australia 6008

CORPORATE GOVERNANCE STATEMENT

1. OUR APPROACH TO CORPORATE GOVERNANCE

(A) FRAMEWORK AND APPROACH TO CORPORATE GOVERNANCE AND RESPONSIBILITY

The Board of ZipTel Limited (“the Company”) is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities - values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board is guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

(B) COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations in the reporting period.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement is available for review on the Company's website (www.ziptel.com.au) and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant disclosures can be found.

The Company's corporate governance policies and charters are available at the Company's website www.ziptel.com.au.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision. This Governance Statement describes ZipTel Limited's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

2. DATE OF THIS STATEMENT

This statement reflects our corporate governance policies and procedures as at 30 August 2019.

DIRECTORS' REPORT

The Directors of ZipTel Limited (the "Company") submit herewith the annual report of the Company and its controlled entities (the "Group") for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

DIRECTORS AND SENIOR MANAGEMENT

The Company Directors held office during the whole of the financial year and since the end of the financial year. The names and particulars of Directors and senior management of the Company at the end of the 2019 financial year are:

JOSH HUNT

Non-Executive Chairman

Mr Josh Hunt has extensive experience in all aspects of mining and energy project acquisitions and disposals including drafting and negotiation of acquisition documents, conducting due diligence into resources assets and general mining legislation compliance throughout Australia. He also advises clients in connection with joint ventures, farm-in agreements, operating agreements and royalty agreements.

Josh has further advised on numerous IPOs and fundraisings and has a wide range of experience in many different types of acquisitions by both public and private companies.

In addition, Josh provides stock exchange and listing rule compliance advice, capital markets, corporate and strategic advice, general securities and commercial law advice.

Josh's experience extends internationally, where he has acted for a number of companies with operations in Africa, South East Asia, Mongolia, the United States, Canada, the United Kingdom and throughout South America.

Special responsibilities: Chairman of the Board, Member of the Nomination Committee

Other current directorships in listed entities: None

Other directorships in listed entities in the previous 3 years: None

UMBERTO (BERT) MONDELLO

Non-Executive Director

Mr Bert Mondello is a Sales and Marketing executive with extensive industry knowledge in telecommunications.

Over the past 20 years, Mr Mondello has worked closely and partnered with a number international telcos all over the world and built one of the largest Vodafone business channels across Australia.

Mr Mondello is a Co-Founder of ZipTel Limited (ASX: ZIP), a publicly listed telecommunications technology business. As its previous CEO, Mr Mondello has been pivotal in challenging the status quo with innovation in new technologies across a myriad of telecommunications products and offerings with a predominant focus in the VoIP and international calling sectors.

Mr Mondello has led ZipTel in the execution of agreements with significant international corporations and the acquisition more than 15 million users globally across ZipTel's core platforms.

Special responsibilities: Member of the Nomination Committee

Other current directorships in listed entities: WestStar Industrial Limited, ServTech Global Holdings Limited, Emerge Gaming Limited

Other directorships in listed entities in the previous 3 years: None

DIRECTORS' REPORT

SALVATORE VALLELONGA

Non-Executive Director

Mr Sal Vallelonga is a co-founding Partner of Plexus Global Consultants and is a Chartered Accountant of some 19 years' standing who holds a Bachelor of Commerce degree.

Mr Vallelonga specialises in providing corporate advisory, business coaching, strategic planning, business optimisation, taxation, accounting and wealth creation solutions to its SME and emerging growth clients. He also excels in succession planning assisting his business clients, with transitioning their business to family members or preparing their business for sale. Mr Vallelonga is a non-executive director of many businesses, and serves on many community based boards and committees.

Special responsibilities: Member of the Nomination Committee, Report and Investigation Officer, Senior Independent Director

Other current directorships in listed entities: None

Other directorships in listed entities in the previous 3 years: None

DEREK HALL

Company Secretary

Mr Hall is a Chartered Accountant, Fellow of the Financial Services Institute and Member of the Institute of Chartered Secretaries and Administrators.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

DIRECTORS	DIRECTORS' MEETINGS	
	NO OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED
Josh Hunt	6	6
Bert Mondello	6	6
Salvatore Vallelonga	6	6

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

DIRECTORS	FULLY PAID ORDINARY SHARES	OPTIONS
Josh Hunt	1,486,516	267,472
Bert Mondello	16,629,167	2,575,833
Salvatore Vallelonga	1,360,437	272,069

DIRECTORS' REPORT

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 8 to 13.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

The Company maintains an option plan for senior management and executives, as approved by shareholders at an Annual General Meeting.

REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activities at the commencement of the financial year are outlined in the Chairman's report and listed below in Events Subsequent to Reporting Date.

OPERATING RESULTS

The loss after tax of the Group for the financial year attributable to the members of ZipTel Limited was \$338,415 (30 June 2018: loss \$282,282).

DIVIDENDS

No dividend has been declared by the Directors for this financial year.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year under review not otherwise disclosed in this report or the accompanying financial report. Reference should be made to the subsequent events note for changes in the state of affairs after Reporting Date.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Disclosure of information regarding likely developments in the operations of the Group in future financial years has been made in part in the Chairman's Report at the beginning of this Annual Report. Any further such disclosure and the expected results of those operations are likely to result in unreasonable prejudice to the Group and have accordingly not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

There were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2019.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2019 and is set out on page 14.

There were no non-audit services provided by the Group's auditor Criterion Audit Pty Ltd during the financial year.

For personal use only

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of ZipTel Limited's Directors and its senior management for the financial year ended 30 June 2019. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Remuneration of Non-Executive Directors
- Retirement Benefits
- Remuneration of Directors and senior management
- Relationship between company performance and shareholder wealth
- Remuneration of key management personnel
- Key terms of employment contracts
- Other statutory information.

DIRECTOR AND SENIOR MANAGEMENT DETAILS

The following persons acted as Directors of the company during or since the end of the financial year:

NAME	POSITION
Josh Hunt	Non-Executive Chairman
Bert Mondello	Non-Executive Director
Salvatore Vallelonga	Non-Executive Director

The Company has no executive directors or senior management personnel at this time. Business decisions are considered and made by the Board as a whole. Executive directors and senior management will be engaged in due course when the operations of the business permit.

REMUNERATION POLICY

The Company's remuneration policy is based on the following principles:

- Provide competitive rewards to attract high quality executives;
- Provide an equity incentive for senior executives that will provide an incentive to executives to align their interests with those of the Company and its shareholders; and
- Ensure that rewards are referenced to relevant employment market conditions.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees; and
- Benefits, including the provision of superannuation.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and key management personnel remuneration is separate and distinct.

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of relevant experience and skill, whilst incurring costs which are acceptable to shareholders.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company's Constitution provides that non-executive Directors may collectively be paid from an aggregate maximum fixed sum out of the funds of ZipTel Limited as remuneration for their services as Directors. The aggregate maximum fixed sum has been set at \$250,000 per annum.

DIRECTORS' REPORT

The Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration amount can only be increased by the passing of an ordinary resolution of shareholders. Since the Company's establishment in March 2004, this fixed amount has not been increased.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director is entitled to receive a fee for being a director of the Company.

The remuneration of non-executive directors for the year ended 30 June 2019 is detailed in the remuneration of key management personnel in Table 1 of this report.

RETIREMENT BENEFITS

Consistent with the ASX Corporate Governance Rules which states that non-executive directors should not be provided with retirement benefits other than statutory superannuation, the Company does not provide retirement benefits to its Non-Executive Directors.

REMUNERATION OF SENIOR MANAGEMENT AND EXECUTIVE DIRECTORS

The Company aims to reward senior management and executive directors with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The objective of the remuneration policy is to:

- Reward senior management personnel and executive directors for Company and individual performance;
- Align the interests of the senior management personnel and executive directors with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

In determining the level and make-up of senior management and executive directors' remuneration, the Board reviews reports detailing market levels of remuneration for comparable roles. Remuneration currently consists of fixed and variable elements which are dependent on the satisfaction of such performance conditions as may be imposed by the Board.

Senior Management and Executive Directors are compensated through a variety of components which include:

- Short term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits; and
- Share-based payments.

The relative weighting of fixed and variable components for target performance is set according to the scope of the individual's role. The 'at-risk' component is linked to those roles in which market value provides reasons to provide some individuals with higher levels of remuneration, while also recognising the importance for providing shareholders with value.

To ensure that fixed remuneration for the Company's most senior executives remains competitive, it is reviewed annually based on performance and market data. The Board may, from time to time, in its absolute discretion, make a written offer executives to apply for up to a specified number of Performance Rights.

Cash bonuses granted to executives are based on the respective performance of their regional business unit. Bonuses are paid out at various times during the year as determined by the Board.

REMUNERATION CONSULTANTS

There have been no remuneration consultants used in the year.

DIRECTORS' REPORT

RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND SHAREHOLDER WEALTH

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and key management personnel. Currently, this is facilitated through bonus schemes and the issue of options and performance rights to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

As the Group is currently in the development phase, the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company rather than Group financial performance.

Directors and executives are issued Long Term Incentives ("LTIs") in the form of options and, in some cases, performance rights, to encourage the alignment of personal and shareholder interests.

Rights issued to Directors may be subject to market based price hurdles and vesting conditions and the exercise price of rights is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance rights vest on the achievement of operational milestones, providing those directors holding performance shares an incentive to meet the operational milestones prior to the expiry date of the performance shares.

On the resignation of Directors any vested rights issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as rights. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

In considering the Group's performance and benefits for shareholders' wealth, the Chairman has regard to the following indices in respect of the current financial year and the previous five financial years to June 2019:

FINANCIAL YEAR ENDING 30 JUNE	2019	2018	2017	2016	2015
Revenue (\$'000)	7	26	215	762	498
NPAT (\$'000)	(338)	(282)	(650)	(14,010)	(5,688)
Share price at start of year	\$0.015	\$0.019	\$0.155	\$0.77	\$0.20
Share price at end of year	\$0.012	\$0.015	\$0.019	\$0.155	\$0.77
Dividend	-	-	-	-	-
Basic EPS (cents per share)	(0.22)	(0.19)	(0.75)	(17.21)	(8.21)

DIRECTORS' REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1: Remuneration of the Non-Executive and Executive Directors of the Company for the year ended 30 June 2019.

2019 DIRECTORS	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
	SALARY & FEES (\$)	NON-MONETARY (\$)	SUPER-ANNUATION (\$)	TERMINATION BENEFIT (\$)	RIGHTS (\$)	TOTAL (\$)	FIXED REMUNERATION %	LTI %
NON-EXECUTIVE DIRECTORS								
B.Mondello	48,000	-	-	-	-	48,000	100	-
J.Hunt	48,000	-	-	-	-	48,000	100	-
S.Vallelonga	48,000	-	-	-	-	48,000	100	-
TOTAL	144,000	-	-	-	-	144,000	100	-

Table 2: Remuneration of the Non-Executive and Executive Directors of the Company for the year ended 30 June 2018.

2018 DIRECTORS	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
	SALARY & FEES (\$)	NON-MONETARY (\$)	SUPER-ANNUATION (\$)	TERMINATION BENEFIT (\$)	RIGHTS (\$)	TOTAL (\$)	FIXED REMUNERATION %	LTI %
NON-EXECUTIVE DIRECTORS								
B.Mondello	60,000	-	-	-	-	60,000	100	-
K.Wallace	8,000	-	-	-	-	8,000	100	-
J.Hunt	48,000	-	-	-	-	48,000	100	-
S.Vallelonga	48,000	-	-	-	-	48,000	100	-
TOTAL	164,000	-	-	-	-	164,000	100	-

No options held by Directors and senior management were exercised during the current or previous financial year.

DIRECTORS' REPORT

KEY TERMS OF EMPLOYMENT CONTRACTS

It is Group policy that service contracts for Senior Management and Executive Directors be entered into. A service contract with an executive Director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual. The Executive Directors and senior executives would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

At any time the service contract can be terminated either by the entity or the Executive Director or senior management member providing notice for a period of time in line with market practice at the time the terms are agreed. The Company may make a payment in lieu of notice for the same period of time, equal to 100% of base salary.

An Executive Director or senior executive would have no entitlement to termination payment in the event of removal for misconduct. Major provisions of the agreements existing at Reporting Date relating to executive remuneration are set out below.

Non-Executive Directors

- Term of agreement: in effect until terminated in accordance with the agreement.
- Contracted on annual fixed remuneration.
- Non-Executive Directors are not entitled to a retirement allowance.
- Total compensation for all Non-Executive Directors is not to exceed AUD\$250,000 per year.

OTHER STATUTORY INFORMATION

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group acquired the following goods and services as follows.

	2019 \$	2018 \$
Purchase from HopgoodGanim (an entity related to Josh Hunt) for legal services	4,000	10,096
Purchase from Plexus Global Consultants (an entity related to Salvatore Vallelonga) for accounting services	1,452	7,139
	<u>5,452</u>	<u>17,235</u>

OUTSTANDING BALANCES WITH RELATED PARTIES

	2019 \$	2018 \$
HopgoodGanim	13,200	-
Indomain Enterprises (an entity related to Bert Mondello)	13,200	-
The Cruz Trust (an entity related to Salvatore Vallelonga)	12,000	-
Plexus Global Consultants	363	-
	<u>38,763</u>	<u>-</u>

Outstanding balances are unsecured and settlement occurs in cash.

DIRECTORS' REPORT

EQUITY HOLDINGS

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2019 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2018	ON MARKET PURCHASES FY2019	OTHER CHANGES	HELD AT 30 JUNE 2019
J.Hunt	1,486,516	-	-	1,486,516
B.Mondello	16,629,167	-	-	16,629,167
S.Vallelonga	1,360,437	-	-	1,360,437
TOTAL	19,476,120	-	-	19,476,120

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

No options were granted as remuneration during the period. The number of options of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2019 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2018	ON MARKET PURCHASES FY2019	OTHER CHANGES	HELD AT 30 JUNE 2019
J.Hunt	267,472	-	-	267,472
B.Mondello	2,575,833	-	-	2,575,833
S.Vallelonga	272,069	-	-	272,069
TOTAL	3,115,374	-	-	3,115,374

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

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

On behalf of the Directors,



Bert Mondello
Non -Executive Director

30 August 2019

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Ziptel Limited and its controlled entities for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 30th day of August 2019

For personal use only

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

Independent Auditor's Report

To the Members of Ziptel Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Ziptel Limited ("the Company") and Controlled Entities ("the Consolidated Entity") , which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity 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 2019 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

For personal use only

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Going Concern</p> <p>The Company has had a history of substantial losses for the last number of years. The comprehensive loss for 2019 was \$338,415, for 2018 the loss was \$282,282 and for 2017 it was \$650,167.</p>	<p>We assessed whether there was a material uncertainty as to the ability of the Company to continue as a going concern for at least the next 12 months after the date of the audit report and concluded that no such material uncertainty exists. Our procedures included:</p> <ul style="list-style-type: none">- Reviewing the company's budgets and cash flow forecasts;- Assessing the assumptions within those budgets and forecasts;- Enquiring of management regarding their intentions to increase / decrease operations;- Assessing the company's ability to raise additional capital; and- Enquiring of management regarding contingent liabilities.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free

from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.



CRITERION AUDIT PTY LTD



CHRIS WATTS CA
Director

DATED at PERTH this 30th day of August 2019

For personal use only

DIRECTORS' DECLARATION

The Directors declare that:

The financial statements and notes, as set out on pages 20 to 42 are in accordance with the Corporations Act 2001 including:

- In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and the Company;
- In the Directors' opinion, the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 1 to the financial statements; and
- The Directors have been given the declarations required by section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001



Bert Mondello
Non -Executive Director

30 August 2019

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Revenue			
Sale of goods and services	2	7,341	26,154
Other income	3	96,009	453,128
Expenses			
Cost of sales	4	(1,146)	(29,991)
Other expenses from ordinary activities			
Administration		(114,980)	(152,349)
Research and development		-	(108,293)
Employee benefits	4	(179,628)	(209,285)
Consulting	4	(146,869)	(165,400)
Depreciation and amortisation	4	-	(6,962)
Write off of software licenses		-	(61,062)
Write off of inventories		-	(23,783)
Finance costs		(218)	(5,300)
Exchange gain		1,076	861
Total Expenses		(441,765)	(761,564)
Loss before income tax		(338,415)	(282,282)
Income tax expense	5	-	-
Loss after income tax for the year		(338,415)	(282,282)
Other comprehensive income		-	-
Total comprehensive loss for the year		(338,415)	(282,282)
Loss attributable to owners of the Company		(338,415)	(282,282)
Total comprehensive loss attributable to owners of the Company		(338,415)	(282,282)
Loss per share for the year attributable to the members of ZipTel Limited (cents per share)	13	(0.22)	(0.19)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
Current Assets			
Cash and bank balances	7	1,603,329	1,643,149
Trade and other receivables	8	11,873	9,902
Prepayments		17,778	16,762
Total Current Assets		<u>1,632,980</u>	<u>1,669,813</u>
Total Assets		<u>1,632,980</u>	<u>1,669,813</u>
Current Liabilities			
Trade and other payables	9	<u>107,347</u>	<u>145,392</u>
Total Current Liabilities		<u>107,347</u>	<u>145,392</u>
Total Liabilities		<u>107,347</u>	<u>145,392</u>
Net Assets		<u>1,525,633</u>	<u>1,524,421</u>
Equity			
Issued capital	11	14,383,876	14,052,249
Reserves	12	8,000	-
Accumulated losses		<u>(12,866,243)</u>	<u>(12,527,828)</u>
Capital and reserves attributable to owners of the Company		<u>1,525,633</u>	<u>1,524,421</u>
Total equity		<u>1,525,633</u>	<u>1,524,421</u>

*The above Consolidated Statement of Financial Position should be read
in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Attributable to Owners of the Company

	Notes	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 June 2017		12,982,591	11,470,857	(23,716,403)	737,045
Loss for the year		-	-	(282,282)	(282,282)
Total comprehensive loss for the year		-	-	(282,282)	(282,282)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	11	1,069,658	-	-	1,069,658
Transfer of expired options value		-	(11,470,857)	11,470,857	-
Balance at 30 June 2018		14,052,249	-	(12,527,828)	1,524,421
Loss for the year		-	-	(338,415)	(338,415)
Total comprehensive loss for the year		-	-	(338,415)	(338,415)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	11	309,627	-	-	309,627
Recognition of share-based payments	16	22,000	8,000	-	30,000
Balance at 30 June 2019		14,383,876	8,000	(12,866,243)	1,525,633

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

For personal use only

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		7,670	28,503
Payments to suppliers and employees		(454,202)	(1,065,121)
Other income		96,009	453,128
Net cash used in operating activities	15	<u>(350,523)</u>	<u>(583,490)</u>
Cash flows from investing activities			
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Net proceeds from issue of shares		<u>309,627</u>	<u>1,069,658</u>
Net cash provided by financing activities		<u>309,627</u>	<u>1,069,658</u>
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,643,149	1,353,070
Effects of exchange rate changes		1,076	861
Cash and cash equivalents at the end of the year	7	<u>1,603,329</u>	<u>1,643,149</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other legal requirements.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Australian Accounting Standards set out accounting policies that result in the presentation of reliable and relevant information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements were authorised for issue by the Directors on 30 August 2019. The Directors have the power to amend and reissue the consolidated financial statements.

BASIS OF PREPARATION OF THE FINANCIAL REPORT

The financial report has been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2.

SIGNIFICANT ACCOUNTING POLICIES

(A). BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(B). SEGMENT REPORTING

An operating segment is identified as the component of the Group that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(C). REVENUE RECOGNITION

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

Government Incentives Received

Incentives received for research and development are recognised as revenue in the period in which they are received. The incentives received in the current period are for R&D tax incentives for the 2018 financial year and fulfil all the necessary attached conditions.

(D). INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(E). IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(F). CASH AND CASH EQUIVALENTS

For the purpose of presentation in consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to significant risk of changes in value, and bank overdrafts.

(G). TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and, other than those that meet the definition of equity instruments, are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debts. Loss events include financial difficulty or bankruptcy of the debtor, significant delay in payments and breaches of contracts. The impairment loss, measured as the difference between the debt's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate, is recognised in profit or loss. When the debt becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

(H). INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(I). FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets at either fair value or at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The classification is based on the business model under which the financial asset is managed and its contractual cash flow.

Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that meet the sole payment of principal and interest requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

(J). FINANCIAL LIABILITIES

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method.

(K). TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(L). EMPLOYEE BENEFITS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(M). SHARE-BASED PAYMENTS

Equity-settled share-based payments in return for goods and services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(N). ISSUED CAPITAL

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

(O). LEASES

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

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

(P). GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(Q). PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(R). NEW AND REVISED ACCOUNTING STANDARDS

Standards affecting amounts reported and/or disclosures in the consolidated financial statements

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 16 Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases.	AASB 16 requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	Must be applied for annual reporting periods beginning on or after 1 January 2019. Application date for the company will be 30 June 2020. The Company does not currently have any leasing arrangements in place.

There are no other standards or amendments to standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods.

(S). CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of Trade Receivables

The Group assesses at the end of each reporting period whether there is objective evidence regarding trade receivables and historical collections experience. Provisions are adjusted periodically to reflect the actual and anticipated experience.

Taxation

Balances disclosed in the Financial Statements and the notes thereto related to taxation are based on the best estimates of the Directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payments

The Company measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. Where the instrument is unlisted, the fair value is determined by using a valuation model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. Share-based payment transactions with consultants are measured based on the fair value of services provided or where this cannot be determined, is valued by reference to the fair value of the equity at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: REVENUE

The following is an analysis of the Group's revenue for the year.

	2019 \$	2018 \$
OPERATING ACTIVITIES		
- Revenue from sale of goods	200	34,908
- Revenue from sale of services	7,470	78
Discount and sales refund	(329)	(8,832)
TOTAL REVENUE	7,341	26,154

NOTE 3: OTHER INCOME

The following is an analysis of the Group's other income for the year.

	2019 \$	2018 \$
NON-OPERATING ACTIVITIES		
Interest	24,960	23,198
Government grants / Research and development tax credit	71,049	429,944
TOTAL OTHER INCOME	96,009	453,128

NOTE 4: EXPENSES

	2019 \$	2018 \$
EXPENSES		
Cost of sales	1,146	29,991
EMPLOYEE BENEFITS		
- Employee wages and salaries	44,630	55,561
- Employee benefits expense	134,998	153,724
TOTAL EMPLOYEE BENEFITS	179,628	209,285
- Consulting	146,869	165,400
DEPRECIATION AND AMORTISATION		
- Depreciation of plant and equipment	-	-
- Amortisation of intangible assets	-	6,962
TOTAL DEPRECIATION AND AMORTISATION	-	6,962
IMPAIRMENT EXPENSES		
- Write off of software licenses	-	61,062
- Write off of inventories	-	23,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INCOME TAX

	2019 \$	2018 \$
THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior periods	-	-
TOTAL INCOME TAX BENEFIT	-	-
The prima facie tax on profit/(loss) is reconciled to the income tax as follows:		
	(338,415)	(282,282)
Prima facie tax payable on pre-tax accounting profit from operations at 27.5% (2018: 27.5%)	(93,064)	(77,628)
Add tax effect of:		
- Share based payments	8,250	-
- Other non-deductible expenses	4,203	2,696
- R&D refund (non-assessable)	(19,538)	(118,234)
- Deferred tax assets not brought to account	100,149	193,166
	-	-
Less tax effect of:		
- Deductible capital raising costs	-	-
Income tax expense/(benefit)	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% 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.

DEFERRED TAX BALANCES

Deferred tax assets/(liabilities) arise from the following:

	\$
Opening net deferred tax asset (liability) recognised	-
<i>Adjusted for:</i>	
Prepayments	(4,889)
Unrealised foreign exchange gain	(538)
Offset of deferred tax liability recognised	5,427
Closing net deferred tax asset (liability) recognised	-

UNRECOGNISED DEFERRED TAX ASSETS:

	2019 \$	2018 \$
DEFERRED TAX ASSETS NOT RECOGNISED AT REPORTING DATE:		
- Net carry forward income losses	2,833,762	2,753,815
- Net carry forward capital losses	-	-
- Other unrecognised net deferred tax assets	50,876	66,922
- Offset of deferred tax liabilities	(5,427)	(4,846)
	2,879,211	2,815,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: AUDITOR'S REMUNERATION

	2019 \$	2018 \$
AUDITOR OF THE COMPANY:		
Criterion Audit Pty Ltd		
- Auditing or reviewing the financial report	21,500	26,895

NOTE 7: CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash and bank balances	1,603,329	1,643,149
RECONCILIATION TO CONSOLIDATED STATEMENT OF CASHFLOWS:		
Balances as above	1,603,329	1,643,149
Bank overdraft	-	-
BALANCES PER STATEMENT OF CASHFLOWS	1,603,329	1,643,149

NOTE 8: TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
CURRENT		
Trade debtors	75,555	75,555
Less allowance for doubtful debts	(75,555)	(75,555)
Trade debtors, net	-	-
Goods and services tax recoverable	11,873	9,902
Other receivables	-	-
	11,873	9,902
NON-CURRENT		
Other receivables	-	-

The average credit period on sale of goods is approximately 90 days. The sale of services is collected in advance. No interest is charged on the trade receivables. Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts. Before accepting any new customers, the Group internally assess the potential customer's credit quality and defines credit limits by customer. Limits to customers are reviewed periodically.

	2019 \$	2018 \$
AGEING OF PAST DUE BUT NOT IMPAIRED		
Over 120 days	-	-
AGEING OF IMPAIRED TRADE RECEIVABLES		
Over 120 days	75,555	75,555
MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at beginning of the year	75,555	71,252
Impairment losses recognised on receivables	-	4,303
Amounts written off during the year as uncollectible	-	-
Amounts recovered during the year	-	-
	75,555	75,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: TRADE AND OTHER RECEIVABLES (CONTINUED)

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 end of the reporting period. The Company has fully provided for the outstanding balance at year end. Of the trade receivables balance at the end of the year, there are four (4) customers (2018: four (4) customers) who represent more than 5% of the total balance of trade receivables.

NOTE 9: TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
CURRENT		
Trade payables	91,702	103,310
Sundry creditors	5,626	23,886
Employee related statutory liabilities	10,019	18,196
	<u>107,347</u>	<u>145,392</u>

Trade payables are unsecured and are usually paid within 30 – 60 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

NOTE 10: PROVISIONS

The Company had no accrued employee entitlement balances as at 30 June 2019.

NOTE 11: ISSUED CAPITAL

	2019		2018	
	Number of shares	\$	Number of shares	\$
Fully paid ordinary shares	185,133,899	14,383,876	149,733,899	14,052,249

2019	Number of shares	\$
FULLY PAID ORDINARY SHARES		
Balance at 1 July 2018	149,733,899	14,052,249
Issue of shares under Placement	33,400,000	309,627
Issue of shares in return for service – Contractors	2,000,000	22,000
Balance at 30 June 2019	<u>185,133,899</u>	<u>14,383,876</u>

2018	Number of shares	\$
FULLY PAID ORDINARY SHARES		
Balance at 1 July 2017	89,840,339	12,982,591
Issue of shares under Rights Issue	59,893,560	1,069,658
Balance at 30 June 2018	<u>149,733,899</u>	<u>14,052,249</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote, in proportion to the number of and amounts paid on the shares held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: ISSUED CAPITAL (CONTINUED)

During the year, the Company completed a Placement to sophisticated and professional investors of 33,400,000 New Shares at an issue price of \$0.01 per New Share raising \$334,000 before costs. Associated costs from the capital raising, including the lead managers fee totalled \$24,373 resulting in a raising after costs of \$309,627.

In addition, the Company issued 2,000,000 New Shares and 2,000,000 New Listed Options to contractors in satisfaction of fees for services rendered. Valued as at the date of grant, the New Shares represent an expense of \$22,000 and the New Listed Options Shares represent an expense of \$8,000 to the Company.

During the prior year, the Company completed a non-renounceable pro rata rights issue to Shareholders on the basis of 2 New Shares for every 3 Shares held at an issue price of \$0.02 per New Share, to raise \$1,197,871 and 1 free New Option for every 2 New Shares subscribed for. Associated costs from the capital raising, including the underwriting fee totalled \$128,213 resulting in a raising after costs of \$1,069,658.

	Number of Options	
	2019	2018
MOVEMENTS IN OPTIONS		
Balance at the beginning of the financial year	29,946,780	-
Issue of options in return for service	2,000,000	-
Options exercised during the year	-	-
Issue of options under Rights Issue	-	29,946,780
Options lapsed during the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	31,946,780	29,946,780

	Number of Rights	
	2019	2018
MOVEMENTS IN RIGHTS		
Balance at the beginning of the financial year	1,250,000	1,250,000
Issue of rights in return for service	-	-
Issue of rights in return for service (Ambassadors)	-	-
Rights vested and issued during the year	-	-
Rights waived during the year	-	-
Rights lapsed during the year	(1,250,000)	-
BALANCE AT THE END OF THE FINANCIAL YEAR	-	1,250,000

Rights convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of performance milestones. No new rights were issued during the period, 1,250,000 rights lapsed as milestones were not met, no rights were converted to Ordinary Fully Paid Shares and none were on issue at the end of the period.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: RESERVES

	2019 \$	2018 \$
Option Reserve	-	-
BALANCE AT THE BEGINNING OF THE FINANCIAL YEAR	-	11,470,857
Options granted during the year		
- Share-based payments	8,000	-
- Transfer to expired options value	-	(11,470,857)
Balance at the end of the financial year	8,000	-

As above, during the current year, the Company issued New Listed Options to contractors in return for services rendered. The value of these Options at grant date (\$8,000) was recognised by the Company.

During the prior year, listed options on issue expired 'out of the money'. The value attribute to these options was transferred from the Option Reserve to Accumulated Losses.

NOTE 13: LOSS PER SHARE

	2019 \$	2018 \$
RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE:		
Loss attributable to owners of the Company	(338,415)	(282,282)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for the purposes of basic loss per share	156,055,328	148,911,185

As the Company has made a loss for the year ended 30 June 2019, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

NOTE 14: DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2019 \$	2018 \$
Loss after income tax	(338,415)	(282,282)
NON CASH ITEMS		
Depreciation and amortisation expenses	-	6,962
Write-off inventories	-	23,783
Write-off software licenses	-	61,062
Share-based payment expenses	30,000	-
Provision for impairment of receivables	-	4,303
Exchange differences (Decrease) / Increase in working capital	(1,076)	(861)
Change in other current assets	(2,987)	35,890
Change in other liabilities	(38,045)	(432,347)
Net cash outflow from operating activities	<u>(350,523)</u>	<u>(583,490)</u>

NOTE 16: SHARE-BASED PAYMENTS

The Company issued 2,000,000 New Shares and 2,000,000 New Listed Options to contractors in satisfaction of fees for services rendered. Valued as at the date of grant, the New Shares represent an expense of \$22,000 and the New Listed Options Shares represent an expense of \$8,000 to the Company.

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to Directors of the Company and the Group is set out below:

	2019 \$	2018 \$
Short term benefits	144,000	164,000
Post-employment benefits	-	-
Share-based payments	-	-
	<u>144,000</u>	<u>164,000</u>

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 18: RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of ZipTel Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Principal Activities	% Equity Interest	
			2019	2018
AussieSim Pty Ltd	Australia	Telecommunication	100%	100%
Zipt Pty Ltd	Australia	Telecommunication	100%	100%
Zipt IP Pty Ltd	Australia	Telecommunication	100%	100%
Roam Like Home Pty Ltd	Australia	Telecommunication	100%	100%

ZipTel Limited is the ultimate legal Australian parent entity and ultimate legal parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTIONS WITH RELATED PARTIES

(1) TRANSACTIONS WITH RELATED PARTIES

The Group acquired the following goods and services as follows.

	2019 \$	2018 \$
Purchase from HopgoodGanim (an entity related to Josh Hunt) for legal services	4,400	10,096
Purchase from Plexus Global Consultants (an entity related to Salvatore Vallelonga) for accounting services	1,452	7,139
	<u>5,452</u>	<u>17,235</u>

All transactions were made on normal commercial terms and conditions and at market rates.

(2) OUTSTANDING BALANCES WITH RELATED PARTIES

	2019 \$	2018 \$
HopgoodGanim	13,200	-
Indomain Enterprises	13,200	-
The Cruz Trust	12,000	-
Plexus Global Consultants	363	-
	<u>38,763</u>	<u>-</u>

All the outstanding balances with related parties are included in trade and other payables in note 9.

NOTE 19: CAPITAL AND LEASING COMMITMENTS

The Group does not have any current operating lease commitments.

NOTE 20: SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. During the year the Company only operated in one segment and that was software and mobile app development.

NOTE 21: RISK MANAGEMENT

(A) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents disclosed in note 7, equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 11 and 12.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: RISK MANAGEMENT (CONTINUED)

Operating cash flows are used to maintain and expand the Group's operational assets, as well as to make the routine outflows of tax and repayment of maturing payables and debt.

In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(B) FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge risk exposures.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, and aging analysis for credit risk. Risk management is carried out by the Board as a whole.

The Group holds the following financial instruments:

	2019	2018
	\$	\$
FINANCIAL ASSETS - CURRENT		
Cash and cash equivalents	1,603,329	1,643,149
Trade and other receivables	11,873	9,902
	<u>1,615,202</u>	<u>1,653,051</u>
FINANCIAL LIABILITIES - CURRENT		
Trade and other payables	107,347	145,392
	<u>107,347</u>	<u>145,392</u>

(C) Market Risk

(i) Foreign Exchange Risk

The Group had US dollar bank accounts at 30 June 2019 with a total balance of A\$21,837 (2018: A\$22,615). The Group has entered into service agreements which were valued in US dollars and UK pound sterling. No financial instruments have been entered into to manage this risk. The table below summarises the impact of +/- 10% strengthening/weakening of the USD against the AUD on the Group post tax profit for the year and equity. The analysis is based on a 10% strengthening/weakening of the USD against the AUD at reporting date with all other factors remaining equal.

	Post tax profit	Equity
	\$	\$
2019		
Impact of a 10% strengthening of the USD on net loss	(2,184)	(2,184)
Impact of a 10% weakening of the USD on net loss	2,184	2,184
2018		
Impact of a 10% strengthening of the USD on net loss	(2,261)	(2,261)
Impact of a 10% weakening of the USD on net loss	2,261	2,261

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: RISK MANAGEMENT (CONTINUED)

(ii) Cash flow and fair value interest rate risk

Cash and cash equivalents bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The Group has cash balances in bank accounts and short term deposits. Due to the short-term nature of these financial instruments, the Group believes that risks related to interest rates are not significant to the Group at this time.

(D) Credit Risk Management

Credit risk refers to the risk that a counter party 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 and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover will be purchased. At the date of reporting, the Group has not acquired any credit guarantee insurance cover on any customer as no such risks have been identified.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Group is not exposed to any credit risk on derivative financial instruments as the Group has not acquired any and does not use them in the course of its normal operations.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: RISK MANAGEMENT (CONTINUED)

(E) Liquidity Risk Management

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

	2019 \$	2018 \$
FINANCIAL LIABILITIES - CURRENT		
Trade and other payables	107,347	145,392
	<u>107,347</u>	<u>145,392</u>

The following table discloses the contractual maturity analysis at the reporting date:

	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
FINANCIAL ASSETS					
Cash and cash equivalents	1,603,329	-	-	-	1,603,329
Trade and other receivables	11,873	-	-	-	11,873
	<u>1,615,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615,202</u>
FINANCIAL LIABILITIES					
Trade and other payables	107,347	-	-	-	107,347
	<u>107,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,347</u>

(F) Fair Value of Financial Instruments

The Group determines the fair values of financial assets and liabilities in accordance with accounting policies as disclosed in Note 1 to the financial statements.

The Directors consider that the carrying amount of financial assets and financial liabilities in the financial statements approximates their fair values. Fair value is based on a Level 2 hierarchy for loans and borrowings based on market rates for similar assets and liabilities.

The Group does not hold any derivatives, financial assets for trading, nor available for sale financial assets at the reporting date.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: PARENT ENTITY INFORMATION

The following information relates to the parent entity; ZipTel Ltd. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	2019 \$	2018 \$
Current Assets	1,614,167	1,647,696
Non-current Assets	-	-
TOTAL ASSETS	1,614,167	1,647,696
Current Liabilities	107,347	130,713
Non-current Liabilities	-	-
TOTAL LIABILITIES	107,347	130,713
Contributed equity	14,383,876	14,052,250
Reserves	8,000	-
Accumulated Losses	(12,885,056)	(12,535,267)
TOTAL EQUITY	1,506,820	1,516,983
Revenue for the year	-	-
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	(349,789)	(32,699)

NOTE 23: CONTINGENCIES

There were no contingencies as at 30 June 2019.

NOTE 24: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2019.

NOTE 25: COMPANY DETAILS

The registered office and the principal place of business are:

- Suite 3, 138 Main Street Osborne Park WA 6017

ADDITIONAL ASX INFORMATION

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 31 JULY 2019

The fully paid issued capital of the Company consisted of 185,133,899 ordinary fully paid shares held by 1,556 shareholders. Each share entitles the holder to one vote.

There are 31,946,780 options over ordinary shares with an exercise price of \$0.05 and an expiry date of 6 July 2020 held by 131 option holders.

Options do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES AT 31 JULY 2019

SPREAD OF HOLDINGS	HOLDERS	SECURITIES	% OF ISSUED CAPITAL
1 -1,000	454	126,103	0.07%
1,001 -5,000	301	795,457	0.43%
5,001 -10,000	140	1,139,586	0.62%
10,001 -100,000	450	17,237,760	9.31%
100,001 -9,999,999	211	165,834,993	89.58%
TOTAL	1,556	185,133,899	100.00%

UNMARKETABLE PARCELS	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$500 parcel at \$0.012 per unit	41,667	1,194	8,936,356

SUBSTANTIAL SHAREHOLDERS AS AT 31 JULY 2019

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are

SUBSTANTIAL SHAREHOLDER	NUMBER OF SHARES	% HELD
Mr Umberto Mondello and Associated Entities	16,629,167	8.98%

ADDITIONAL ASX INFORMATION

TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 31 JULY 2019

RANK	SHAREHOLDER	DESIGNATION	UNITS	% OF ISSUED CAPITAL
1	UPSKY EQUITY PL	UPSKY INV A/C	9,727,000	5.29%
2	UCM HLDGS LTD		8,307,500	4.52%
3	LIGURIAN HLDGS PL		7,950,000	4.32%
4	KIORAKU PL	KIORAKU A/C	7,950,000	4.32%
5	INDOMAIN ENTPS PL	U C MONDELLO FAM A	7,351,667	4.00%
6	KW INV HLDGS PL	WALLACE FAM A/C	6,530,788	3.55%
7	TRADITIONAL SEC GRP PL	LPR FAM A/C	5,000,000	2.72%
8	LOCCISANO VINCENT JASON		4,933,098	2.68%
9	ANUSIC THOMAS LUKE		4,654,613	2.53%
10	SUNSET CAP MGNT PL	SUNSET S/F A/C	4,000,000	2.18%
11	HSBC CUSTODY NOM AUST LTD		3,804,805	2.07%
12	RE PHILIP UMBERTO		3,001,529	1.63%
13	SAPPER BINYOMIN LEVI	BEN SAPPER A/C	2,500,000	1.36%
14	COSTELLO BENJAMIN JAMES		2,142,857	1.17%
15	GAILFORCE MARKETING & PR	HALE AGENCY S/F A/	2,131,818	1.16%
16	O'BRIEN MARK P + L M M		2,012,000	1.09%
17	RIMOYNE PL		2,000,000	1.09%
18	RE JON PAUL		2,000,000	1.09%
19	KEYSQUARED PL		1,900,000	1.03%
20	DAVEY ADAM STUART	SHENTON PARK INV A	1,685,500	0.92%

ADDITIONAL ASX INFORMATION

TWENTY LARGEST OPTIONHOLDERS OF QUOTED EQUITY SECURITIES

TOP 20 HOLDERS OF OPTIONS AT 31 JULY 2019

RANK	OPTIONHOLDER	DESIGNATION	UNITS	% OF ISSUED CAPITAL
1	UPSKY EQUITY PL	UPSKY INV A/C	3,207,275	10.04%
2	KW INV HLDGS PL	WALLACE FAM A/C	2,414,167	7.56%
3	INDOMAIN ENTPS PL	U C MONDELLO FAM A	2,175,833	6.81%
4	HART ANNA CARINA + PAUL	HART FAM S/F A/C	2,081,268	6.51%
5	KEYSQUARED PL		2,000,000	6.26%
6	SUNDARAMOORTHY ARJUNAN		1,800,000	5.63%
7	ANNA CARINA PL	ANNA CARINA FAM A/	1,400,000	4.38%
8	RE ERIC JOSEPH		1,375,930	4.31%
9	TRAN QUY THIEN BAO		1,175,777	3.68%
10	WALLACE KEATON PAUL		1,029,500	3.22%
11	JOB PAUL RICHARD		1,000,000	3.13%
12	RAVEN INV HLDGS PL	RAVEN INV A/C	954,810	2.99%
13	MONDELLO SAMUEL		950,000	2.97%
14	BASA ROZALIA		800,000	2.50%
15	TYRRHENIAN HLDGS PL	TYRRHENIAN A/C	780,929	2.44%
16	KLOISER-JONES JEREMY S		741,271	2.32%
17	SMITH TYSON KANE		512,434	1.60%
18	JOMOT PL		507,049	1.59%
19	ON TIME TAXIS PL		500,000	1.57%
20	PATH HLDGS PL		500,000	1.57%