

# Appendix 4D

29 February 2016

## Half year reporting period ending 31 December 2015

The following information is provided to ASX under listing rule 4.2A.3.

### 1. Reporting period

- a. Current Period: 6 months ended 31 December 2015
- b. Prior Period: 6 months ended 31 December 2014

### 2. Results for announcement to the market

	Item	31 December 2015 \$	31 December 2014 \$	Change %
Revenue from ordinary activities	2.1	\$566,805	\$351,783	61%
Profit/(Loss) after tax attributable to members	2.2	(\$7,095,726)	(\$2,854,869)	(148%)
Net Profit/(Loss) attributable to members	2.3	(\$7,095,726)	(\$2,854,869)	(148%)
Dividend	2.4	ZipTel Limited did not declare a dividend during the current reporting or corresponding previous reporting period.		
The record date for determining entitlements to the dividend	2.5	Not applicable		
Explanatory information	2.6	<p><i>Overview</i></p> <p>For the Half Year Ended 31 December 2015, ZipTel Limited ("ZipTel" or the 'Company') the Company was focused on growing the user base of its revolutionary mobile communications application <b>Zipt</b>.</p> <p>During the half year, ZipTel announced it had signed a core group of Global Ambassadors to drive and accelerate further downloads and user engagement of Zipt.</p> <p>The Company also announced an Enterprise Agreement with leading global satellite communications service provider SpeedCast to white label Zipt and provide a calling and messaging solution to remote satellite locations and sea vessels under the product name "SpeedTalk".</p> <p>The Company invested in the development of the upgraded Zipt 2.0 platform.</p> <p><i>Revenue</i></p> <p>Although the Company's focus was growing the user base for Zipt and not monetisation, the Company was buoyed by Zipt delivering \$383,798 during the half year period. More than 5 million users installed Zipt on their mobile phones during the period and Monthly Active Users peaked at 3.1 million during December 2015. Note Zipt had not been launched in the corresponding prior period. In addition, AussieSim contributed \$132,969, down from \$304,842 in the prior period as the Company continues to focus on Zipt as its core product offering.</p> <p><i>Explanation of loss</i></p> <p>During the period, the Company issued equity incentives to the value of \$2,377,610. These grants were made to employees, directors and consultants including the Zipt Global Brand Ambassadors. The scrip based agreements with the Ambassadors is expected to result in materially lower Costs Per Install using the Ambassadors' reach to drive their fan base to install Zipt without cash outlay by the Company.</p>		

*Explanation of loss – continued*

In the lead-up to the launch of the Zipt Global Brand Ambassador Campaign, the Company incurred \$2,190,833 in marketing and distribution costs to drive and promote the Zipt brand, up significantly on the prior period (2014: \$299,704) when Zipt was still in planning.

During the period, the Company incurred significant one-off research and development costs (\$917,471, 2014:nil) to upgrade the Zipt platform ('Zipt 2.0'). Zipt 2.0 will result in substantial reductions in the operating costs of Zipt in the order of 40%. In this regard, the Company will be filing a research and development tax incentive claim.

Zipt 2.0 also brings the Zipt In-app Ambassador Portal, a world first which allows users to interact with the Ambassadors and provides access to exclusive content. The Ambassador Portal also provides Zipt with a further key competitive feature edge over other product offerings.

*Outlook*

During the next 6 months ZipTel will obtain its 10 million install target for Zipt and transition to a focus on monetisation. The key initiatives in this regard are the Global Brand Ambassador Campaign launching on 1 March 2016 and the SpeedTalk Enterprise White Label which will be deployed during March 2016.

The Company will continue to refine and iterate Zipt to move towards profitability, as well as seeking new opportunities for white label agreements in the enterprise market.

### 3. Net tangible assets per security

	31 December 2015	31 December 2014
Net tangible asset per share (cents per share)	1.78 cents	10.6 cents

### 4. Details of entities over which control has been gained or lost during the period

There were no entities over which control has been gained or lost during the period.

### 5. Details of individual and total dividends or distributions and dividends or distribution payments

Not applicable.

### 6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

Not applicable.

### 7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities

Not applicable.

### 8. For foreign entities, which set of accounting standards is used in compiling the report

The Company is not a foreign entity.

**9. For all entities, if the +accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.**

The 2015 Half-Year report is based upon accounts that were reviewed by the Company's auditor and are not subject to a modified opinion, emphasis of matter or other matter paragraph.

Yours faithfully

**ZipTel Limited**



Bert Mondello  
Co-Founder / CEO  
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ACN 108 042 593

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2015**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2015 and any announcements to the market during the half-year ended 31 December 2015.

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# CORPORATE INFORMATION

## **ZIPTTEL LIMITED**

ABN 41 108 042 593

## **DIRECTORS**

Mr Joshua Hunt (Non-Executive Chairman)  
Mr Umberto (Bert) Mondello (Chief Executive Officer and Executive Director)  
Mr Keaton Wallace (Executive Director)  
Mr Salvatore Vallelonga (Non-Executive Director)

## **COMPANY SECRETARY**

Mr Salvatore Vallelonga

## **PRINCIPAL PLACE OF BUSINESS**

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Subiaco, Western Australia 6008  
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## **REGISTERED OFFICE**

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## **SOLICITORS**

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## **SHARE REGISTER**

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770 Canning Highway,  
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## **AUDITOR**

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Subiaco, Western Australia 6008  
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# DIRECTORS' REPORT

The directors of ZipTel Limited (the "Company") submit herewith the financial report of the Company and its controlled entities (the "Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report as follows:

The names of the directors of the Company during or since the end of the half-year are:

DIRECTORS	PERIOD OF DIRECTORSHIP
Joshua Hunt (Non-executive Chairman)	Since 12 June 2014
Umberto (Bert) Mondello (Executive Director and Chief Executive Officer)	Since 12 June 2014
Keaton Wallace (Executive Director)	Since 12 June 2014
Salvatore Vallelonga (Non-executive Director)	Since 12 June 2014

## REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

### PRINCIPAL ACTIVITIES

ZipTel Limited (ASX:ZIP) ("ZipTel" and the "Company") is an Australian owned and operated telecommunications business focused on providing international roaming and calling solutions to the consumer, using state of the art technologies developed and wholly owned by ZipTel. ZipTel listed on the ASX in July 2014 with its core focus primarily on the distribution of communications products, both domestically and internationally.

During the half year ended 31 December 2015, ZipTel was focussed on the rollout, development, refinement and user base growth of its mobile communications application 'Zipt'. The Company also has a secondary business line: AussieSim. AussieSim is an international pre-paid travel sim card provider offering consumers up to 95% savings on talk, text and data whilst travelling overseas across more than 180 countries.

### ZIPT

Zipt is a mobile-based communications application, which allows customers to send and receive free calls and SMS internationally. It has the ability to deliver superior crystal clear call quality in 2G and low bandwidth data environments globally where current applications on the market are unable to operate. Zipt's clear point of difference is its IP developed encryption technology ensuring secure line telephony app to app and compression technology that allows calling in low bandwidth environments with minimal data usage. In addition, Zipt boasts a world first in-app Ambassador Portal which allows customers to interact with the Zipt Brand Ambassadors.

Zipt was first launched for use on Android mobile phones on 22 June 2015 with the subsequent launch for iOS mobile phones on 25 September 2015. From the date of the Android launch until the end of the half year, more than 5 million users across the globe have downloaded Zipt. Post the period end, Zipt reached 7 million users, representing rapid take-up of the technology, with a run rate higher than 1 million new users per month. At the current user install run rate, Zipt should exceed its target of 10 million users well ahead of initial forecasts.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

During the half year ended 31 December 2015, the Company posted a net loss after tax of \$7.10M (2014: loss of \$2.85M). Of this current period loss, \$2.38M relates to non-cash share-based payments to directors, employees and consultants. The Company posted total revenue of \$566,805 (2014: \$351,783) of which \$383,798 was contributed by Zipt and AussieSim \$132,969.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the consolidated entity during the financial half-year.

# DIRECTORS' REPORT

## OUTLOOK FOR 2016

The progress of the Zipt app to date has been excellent and has presented the Company with opportunities which may not have been possible without the early successes. These opportunities are near term catalysts for Ziptel.

On 17 November 2015, ZipTel announced it had signed a core group of Global Brand Ambassadors including Gareth Bale and Virat Kohli, to drive and accelerate further downloads and user engagement of Zipt. The interest Zipt has achieved will be heightened once the Global Brand Ambassador Campaign is launched on 1 March 2016. This Campaign is expected to drive user installs and help to generate revenue for Zipt, all without cash outlay by ZipTel, as the Ambassadors have agreed to share-based payments. A focus of the Campaign will be the world first in-app Ambassador portal where users can interact with the Ambassadors and gain access to exclusive content.

On 3 December 2015, the Company announced an Enterprise Agreement with leading global satellite communications service provider SpeedCast to white label Zipt and provide a calling and messaging solution to remote satellite locations and sea vessels under the product name "SpeedTalk". SpeedTalk will be deployed in the current March 2016 quarter and provides another near term substantial revenue generation opportunity for the Company. With a newly developed Enterprise White Label solution, the Company will pursue opportunities for further agreements in the Enterprise market.

As above, both the Zipt consumer segment and Zipt white label enterprise segment strategies are turning toward monetisation in the near term. Following the completion of significant upgrades to the Zipt operating platform, the Company is primed to implement these strategies.

## 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 31 December 2015.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided on page 5 of this report.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the Corporations Act 2001.



**Umberto Mondello**  
Chief Executive Officer

29 February 2016

## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ZIPTEL LIMITED

As lead auditor for the review of ZipTel Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ZipTel Limited and the entities it controlled during the period.



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 29 February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ZipTel Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ZipTel Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ZipTel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ZipTel Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'BDO' followed by a stylized signature.

Dean Just

Director

Perth, 29 February 2016

# DIRECTORS' DECLARATION

The Directors declare that:

- In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Umberto Mondello**  
Chief Executive Officer

29 February 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
<b>Revenue</b>			
Sale of goods and services	2	516,767	300,257
Other income		50,038	51,526
<b>Expenses</b>			
Cost of sales		(658,292)	(236,228)
Other expenses from ordinary activities			
Administration and Operating Expenses	3	(1,130,403)	(673,057)
Employee benefits	3	(387,730)	(327,638)
Share-based payments	3,5,6	(2,377,610)	(1,669,302)
Marketing and distribution		(2,190,833)	(299,704)
Research and development expenses		(917,471)	-
Finance costs		(2,586)	(1,906)
Exchange gain		2,394	1,183
<b>Total expenses</b>		<b>(7,662,531)</b>	<b>(3,206,652)</b>
Loss before income tax		(7,095,726)	(2,854,869)
Income tax expense		-	-
<b>Loss for the period</b>		<b>(7,095,726)</b>	<b>(2,854,869)</b>
Other comprehensive income		-	-
<b>Total comprehensive expense for the period</b>		<b>(7,095,726)</b>	<b>(2,854,869)</b>
Loss attributable to owners of the Company		(7,095,726)	(2,854,869)
<b>Total comprehensive expense attributable to owners of the Company</b>		<b>(7,095,726)</b>	<b>(2,854,869)</b>
Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share)		(8.91)	(4.43)

*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 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
<b>Current assets</b>			
Cash and bank balances		2,767,678	6,278,031
Trade and other receivables		145,345	97,374
Inventories		16,819	24,005
<b>Total current assets</b>		<u>2,929,842</u>	<u>6,399,410</u>
<b>Non-current assets</b>			
Plant and equipment		15,558	24,731
Intangible assets		143,631	162,614
<b>Total non-current assets</b>		<u>159,189</u>	<u>187,345</u>
<b>Total assets</b>		<u>3,089,031</u>	<u>6,586,755</u>
<b>Current liabilities</b>			
Trade and other payables		1,377,900	426,815
Provision for advance billings		15,267	11,940
<b>Total current liabilities</b>		<u>1,393,167</u>	<u>438,755</u>
<b>Non-current liabilities</b>			
Provisions		85,246	84,400
<b>Total non-current liabilities</b>		<u>85,246</u>	<u>84,400</u>
<b>Total liabilities</b>		<u>1,478,413</u>	<u>523,155</u>
<b>Net assets</b>		<u>1,610,618</u>	<u>6,063,600</u>
<b>Equity</b>			
Issued capital	5	13,526,899	12,130,765
Reserves	5	4,235,876	2,989,266
Accumulated losses		(16,152,157)	(9,056,431)
Capital and reserves attributable to owners of the Company		<u>1,610,618</u>	<u>6,063,600</u>
<b>Total equity</b>		<u>1,610,618</u>	<u>6,063,600</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 HALF-YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Company				
	Notes	Issued	Share-based	Accumulated	Total
		Capital	Payments	Losses	
		Reserve			
		\$	\$	\$	\$
<b>Balance at 1 July 2014</b>		<b>7,224,516</b>	<b>180,186</b>	<b>(3,368,792)</b>	<b>4,035,910</b>
Loss for the period		-	-	(2,854,869)	(2,854,869)
<b>Total comprehensive expense for the period</b>		-	-	<b>(2,854,869)</b>	<b>(2,854,869)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contribution of equity, net of transaction costs		4,826,750	-	-	4,826,750
Recognition of share-based payments		-	1,669,302	-	1,669,302
<b>Balance at 31 December 2014</b>		<b>12,051,266</b>	<b>1,849,488</b>	<b>(6,223,661)</b>	<b>7,677,093</b>
Loss for the period		-	-	(2,832,770)	(2,832,770)
<b>Total comprehensive expense for the period</b>		-	-	<b>(2,832,770)</b>	<b>(2,832,770)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contribution of equity, net of transaction costs		79,499	-	-	79,499
Recognition of share-based payments		-	1,139,778	-	1,139,778
<b>Balance at 1 July 2015</b>		<b>12,130,765</b>	<b>2,989,266</b>	<b>(9,056,431)</b>	<b>6,063,600</b>
Loss for the period		-	-	(7,095,726)	(7,095,726)
<b>Total comprehensive expense for the period</b>		-	-	<b>(7,095,726)</b>	<b>(7,095,726)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contribution of equity, net of transaction costs		265,134	-	-	265,134
Recognition of share-based payments		1,131,000	1,246,610	-	2,377,610
<b>Balance at 31 December 2015</b>		<b>13,526,899</b>	<b>4,235,876</b>	<b>(16,152,157)</b>	<b>1,610,618</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		530,996	284,264
Payments to suppliers and employees		(4,360,006)	(1,925,333)
Finance costs		-	(1,906)
Other income		51,129	16,754
Net cash used in operating activities		<u>(3,777,881)</u>	<u>(1,626,221)</u>
<b>Cash flows from investing activities</b>			
Acquisition of financial assets		-	(5,000,000)
Payments of intangible assets		-	(22,615)
Net cash used in/(provided by) investing activities		<u>-</u>	<u>(5,022,615)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		265,134	5,126,750
Share issue transaction costs		-	(742,138)
Repayment of borrowings		-	(157,829)
Net cash provided by financing activities		<u>265,134</u>	<u>4,226,783</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,512,747)</b>	<b>(2,422,053)</b>
Cash and cash equivalents at the beginning of the period		6,278,031	4,889,031
Effects of exchange rate changes		2,394	1,183
Cash and cash equivalents at the end of the period		<u>2,767,678</u>	<u>2,468,161</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### BASIS OF PREPARATION

The consolidated financial statements have 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

### GOING CONCERN

For the half year ended 31 December 2015 the Group recorded a loss of \$7,095,726 and had net cash outflows from operating activities of \$3,777,881.

The Directors are satisfied they will have sufficient working capital to continue as a going concern for the relevant period and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following matters:

- The successful launch of the Zipt mobile application and the revenues generated without the implementation of a monetisation focus;
- The upcoming launch of the Zipt Ambassador Campaign which is expected to result in significant Zipt user uptake and monetisation opportunities in tandem with lower marketing costs;
- The upcoming deployment of the SpeedTalk White Label enterprise application which is a significant monetisation opportunity;
- The Company has on issue 28.8M options which will expire in December 2016 which the Directors expect will be exercised. Should all options be exercised, \$8.6 million will be raised from the conversion of these options.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### NEW AND REVISED ACCOUNTING STANDARDS

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of the adoption of new and revised accounting standards.

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of accounting standards issued not yet effective.

## NOTE 2: SEGMENT REPORTING

### (1) DESCRIPTION OF SEGMENTS

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.

The Group's executive directors examine the Group's performance from a core communications products perspective and have identified two reportable operating segments of its business, being prepaid travel sim card services (AussieSim) and mobile based VOIP communication services (Zipt).

### (2) SEGMENT REVENUE AND RESULTS

	SEGMENT REVENUE		SEGMENT PROFIT	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>CONTINUING OPERATIONS</b>				
AussieSim	132,969	300,257	(1,806)	64,029
Zipt	383,798	-	(139,719)	-
	<u>516,767</u>	<u>300,257</u>	<u>(141,525)</u>	<u>64,029</u>
Other income	50,038	51,526	50,038	51,526
Corporate and administration	-	-	(6,973,497)	(2,940,362)
Depreciation and amortisation	-	-	(28,156)	(28,156)
Finance Costs	-	-	(2,586)	(1,906)
<b>LOSS BEFORE INCOME TAX</b>	<u>566,805</u>	<u>351,783</u>	<u>(7,095,726)</u>	<u>(2,854,869)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before tax earned by each segment without allocation of central corporate and administration costs, employee benefits, depreciation and amortisation, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 2: SEGMENT REPORTING (CONT'D)

### (3) SEGMENT ASSETS AND LIABILITIES

	31 December 2015 \$	30 June 2015 \$
<b>SEGMENT ASSETS</b>		
AussieSim	85,995	254,352
Zipt	235,358	61,171
Total segment assets	321,353	315,523
Cash and corporate assets	2,767,678	6,271,232
<b>TOTAL ASSETS</b>	<b>3,089,031</b>	<b>6,586,755</b>
<b>SEGMENT LIABILITIES</b>		
AussieSim	275,433	173,838
Zipt	1,202,980	349,317
Total segment liabilities	1,478,413	523,155
Cash and corporate liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>1,478,413</b>	<b>523,155</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- (i) all assets are allocated to reportable segments other than cash, GST receivables, office equipment, and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- (j) all liabilities are allocated to reportable segments other than bank overdraft, borrowings, and corporate creditors. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

### (4) INFORMATION ABOUT MAJOR CUSTOMERS

The Group has no external customers that represent more than 10% of total Group revenue. ZipTel Limited is not reliant on any of its major customers.

## NOTE 3: RESULTS OF THE PERIOD

The following items are included in the Group's results for the period:

	2015 \$	2014 \$
<b>EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS</b>		
- Directors' fee and employee wages and salaries	387,730	327,638
- Share-based payments	2,377,610	1,669,302
<b>TOTAL EMPLOYEE, DIRECTOR AND CONSULTANT BENEFITS</b>	<b>2,765,340</b>	<b>1,996,940</b>
<b>ADMINISTRATION AND OPERATING EXPENSES</b>		
- Administration	705,779	345,878
- Consulting	375,489	273,112
- Depreciation of plant and equipment	9,174	9,174
- Amortisation of intangible assets	18,982	18,982
- Occupancy	20,979	25,911
<b>TOTAL ADMINISTRATION AND OPERATING EXPENSES</b>	<b>1,130,403</b>	<b>673,057</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4: DIVIDENDS

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

## NOTE 5: ISSUED CAPITAL

	2015		2014	
	Number of shares	\$	Number of shares	\$
Fully paid ordinary shares	82,343,521	13,526,899	73,309,959	12,051,266

Changes to the Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

2015	Number of shares	\$
<b>FULLY PAID ORDINARY SHARES</b>		
Balance at 31 December 2014	73,309,959	12,051,266
Issue of shares on conversion of options	265,000	79,500
Vesting of performance rights	3,000,000	-
Issue of shares in return for service	434,783	-
Balance at 1 July 2015	77,009,742	12,130,766
Issue of shares on conversion of options(i)	883,779	265,133
Vesting of performance rights (ii)	3,000,000	-
Issue of shares in return for service (iii)	1,450,000	1,131,000
Balance at 31 December 2015	82,343,521	13,526,899

- i) During the current period, option holders exercised 883,779 options at an exercise price of AUD\$0.30 per share to acquire 883,779 fully paid ordinary shares of the Company.
- ii) Terms of the performance rights are detailed in Note 6: Key Management Personnel Compensation.
- iii) On 17 November 2015, the Group signed brand ambassador agreements with a core group of high profile sports stars to promote the Zipt application. 1,450,000 shares have been issued to date under these agreements and a corresponding expense of \$1,131,000 was recognised in the current half year. In addition, a pro rata expense of \$813,305 has been recognised in the current half year and applied against the Option Reserve in relation to future grants of up to 5,000,000 shares to the Ambassadors.

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.

	Number of Options	
	31 December 2015	30 June 2015
<b>MOVEMENTS IN OPTIONS</b>		
Balance at the beginning of the period	29,277,500	28,500,000
Issue of options as remuneration	150,000	1,050,000
Options exercised during the period	(883,779)	(272,500)
Options lapsed during the period	-	-
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>28,543,721</b>	<b>29,277,500</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5: ISSUED CAPITAL (CONT'D)

All options on issue are exercisable on a 1:1 basis for the Company's ordinary shares and carry no rights to dividends and no voting rights. Options are at an exercisable price of \$0.30 each on or before 31 December 2016. During the period 150,000 Options were granted to employees and a corresponding expense of \$153,649 was recognised against the Option Reserve.

	<b>Number of Rights</b>	
	<b>31 December 2015</b>	<b>30 June 2015</b>
<b>MOVEMENTS IN RIGHTS</b>		
Balance at the beginning of the period	3,000,000	-
Issue of rights as remuneration	3,300,000	6,000,000
Rights vested during the year	(4,450,000)	(3,000,000)
Issue of rights in return for service	6,450,000	-
Rights lapsed during the year	-	-
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>8,300,000</b>	<b>3,000,000</b>

All rights on issue convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of performance milestones. During the period, 3,300,000 rights were issued as remuneration and 3,000,000 rights vested, refer to Note 6 for details. In addition, 5,000,000 rights were granted under the Ambassador agreements. The Ambassador rights are subject to delivery of services over the Ambassador Campaign period.

	<b>31 December 2015 \$</b>	<b>30 June 2015 \$</b>
Option Reserve	4,235,876	2,989,266
<b>BALANCE AT THE BEGINNING OF THE PERIOD</b>	2,989,266	180,186
Options granted during the year		
- Share-based payments to directors	279,656	2,809,080
- Share-based payments to employees	153,649	-
- Share-based payments to consultants	813,305	-
Balance at the end of the period	<b>4,235,876</b>	<b>2,989,266</b>

## NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

### (1) SECURITIES GRANTED DURING PERIOD

On 20 October 2015, the Company granted a combined total of 3.3 million Performance Rights to the directors subject to certain performance conditions.

The Performance Rights were valued at \$2,128,500 and accounted as share-based payments in profit or loss in the current half year based on the vesting period relevant to the Performance Rights. The Performance Rights are subject to non-market conditions and their fair value was determined by using a probability based methodology with reference to the share price at grant date. Valuation parameters are listed below:

Grant Date	Spot Price	Number Issued	Value Per Right	Probability	Vesting Period (Years)	Value Vested Current Period	Value Not Vested
20/10/2015	\$1.29	3,300,000	\$1.29	50%	1.5	\$279,656	\$1,848,844

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The vesting conditions relating to these Performance Rights are set out below:

Subject to the Company achieving 10,000,000 installations by third party customers of its Zipt mobile application.

### (2) SECURITIES VESTED DURING PERIOD

On 4 September 2015, 3,000,000 Performance Rights, which were previously granted to Mr Umberto Mondello and Mr Keaton Wallace under the Company's Equity Incentive Plan vested and were converted to Ordinary Fully Paid Shares on a 1:1 basis.

The valuation of these Performance Rights was based on an adjusted form of the Black Scholes Option Pricing Model (BSM) that included a Monte Carlo Simulation model. The Monte Carlo model was modified to incorporate an estimate of the probability of achieving the performance milestones and the number of associated Performance Rights vesting.

Key valuation assumptions made at grant date are summarised below:

	<b>28 November 2014</b>
	<b>Performance Rights</b>
Share price (cents)	0.42
Expected share price volatility	145%
Weighted average risk free interest rate	2.43%
Probability of vesting	100%

An expense of \$2,809,080 was recognised in the year ended 30 June 2015 to account for this grant.

## NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

### Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

### Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

## NOTE 8: CONTINGENCIES

There were no contingencies as at 31 December 2015.

## NOTE 9: 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 31 December 2015.