ZipTel.

ACN 108 042 593

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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CORPORATE INFORMATION

ZIPTEL 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 (Chief Executive Officer and Executive Director)
Mr Keaton Wallace (Executive Director)
Mr Salvatore Vallelonga (Independent Non-Executive Director)

COMPANY SECRETARY

Mr Derek Hall

PRINCIPAL PLACE OF BUSINESS

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REGISTERED OFFICE

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SOLICITORS

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West Perth, Western Australia 6005
T +61 (0) 8 9321 0200

SHARE REGISTER

Security Transfer Registrars
770 Canning Highway,
Nedlands, Western Australia 6153
T +61 (0) 8 9315 2333

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008
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CHAIRMAN'S REPORT

DEAR FELLOW SHAREHOLDERS,

The 2016 Financial Year was challenging for the Emerging Technology Sector and ZipTel was no exception. Despite this environment, the company continued to make solid progress - with the successful launch of the Zipt low bandwidth mobile communications application ("Zipt") and the achievement of more than 10 million installs across the globe; the advancement of SpeedTalk, the white label enterprise solution with our partner SpeedCast; and having Zipt selected by Samsung to be ported to the emerging Tizen operating system. We are keenly focused on realising the significant potential of the Company, in both Enterprise and Consumer segments and ultimately building shareholder value.

FY 2016 HIGHLIGHTS

ENTERPRISE

- Enterprise Agreement with SpeedCast executed on 3 December 2015. The Memorandum of Understanding announced on 15 February 2015 was formalised as a binding commercial agreement (the "Agreement") with SpeedCast to white label the Zipt application as 'SpeedTalk' for an initial period of two years.
- Per the terms of the Agreement, the white label solution was to be delivered 3 months from the Agreement execution date. This process was completed in line with ZipTel's obligations with the White Label Enterprise Solution "SpeedTalk" successfully delivered to SpeedCast as announced on 4 March 2016.
- ZipTel continues to work closely with SpeedCast to schedule the pilot program and subsequent public release of SpeedTalk.
- Further Enterprise Agreements are anticipated following on from the endorsement of the SpeedCast Agreement (and the Samsung Agreement in the Consumer Segment).

CONSUMER

- During the year, over 10 million users across the globe installed Zipt on their mobiles phones.
- This 10 million install milestone for Zipt was achieved 9 months ahead of targets set out in the original Zipt commercialisation strategy of November 2014.
- Global Brand Ambassador Agreements executed with 8 prominent sports stars including Gareth Bale and Virat Kohli; joining existing Ambassador Brett Lee.
- Upgraded Zipt 2.0 platform developed and launched in February/March 2016, building on 9 months of user experience gained from Zipt 1.0.
- World first Zipt Ambassador Portal rolled out as part of the Zipt 2.0 platform launch.

- Subsequent to year end, Zipt was selected by Samsung to be ported to the emerging Tizen platform. Samsung developers will deliver a Tizen version of Zipt to coincide with Samsung mobile handset launch events planned for August 2016.

LAUNCH OF THE ZIPT 2.0 PLATFORM

Building on the successful launch of Zipt 1.0 in June 2015, the upgraded Zipt 2.0 platform was developed to cater for rapid user uptake in new markets.

Zipt 2.0 went live on Android on 19 February 2016 and on iOS on 26 February 2016.

Zipt 2.0 incorporates many new features paired with significantly increased operating capacity. It has demonstrated potential for material loyalty metric improvements over the previous platform.

The new features include the World first in-app Zipt Ambassador Portal and monetisation features designed to drive deeper user engagement, in-app referral, increased virality and revenue streams.

The Global Brand Ambassador Campaign launched on 3 March 2016. This Campaign provides access to the Ambassadors' 110+ million social media followers i.e. massive reach with no cash outlay from ZipTel as the Ambassadors have agreed to scrip deals.

In addition to consumer product enhancements and scalability, Zipt 2.0 provides the Company with a full service integrated communication solution for enterprises. Zipt 2.0 is the basis for the SpeedTalk application developed for SpeedCast.

FINANCIAL RESULTS

The Company's focus in FY16 was the development and delivery of Zipt and SpeedTalk applications, based on the proprietary low bandwidth Zipt 2.0 platform.

In FY2016, total revenue was up by 53% to $762,388 (FY2015:$498,981) due directly to revenues generated by Zipt.

The Company recorded a loss after tax of $14,009,805 (FY2015 loss after tax of $5,687,639) due to investment in the new platform and mass user acquisition campaigns for Zipt in key markets. Notably, a large component of the loss is attributable to non-cash share based payments of $8,479,391.

Overall, the Company has demonstrated meaningful use of its funds since listing, with the vast majority of spending directly attributable to research and development activities. As a result, the Company can claim a material portion of its expenditure as eligible under the Australian Government Research and Development Tax Incentive Scheme.

The anticipated deployment of the SpeedTalk application will also have an impact on the Group's overall performance going forward.

CHAIRMAN'S REPORT

OPERATIONAL PERFORMANCE

Zipt began FY2016 with less than 500k installs and ended the year with more than 10 million – an increase in the order of 1900%. The majority of these installs originated in target regions of the Indian Subcontinent, South East Asia, Latin America and the Middle East where low bandwidth environments are prominent.

The direct result of this mass user acquisition campaign is the selection of Zipt by Samsung to be featured on the emerging Tizen platform. Tizen will be in increasing use in Samsung devices going forward. This is a great opportunity for Zipt to grow in a relatively low competition environment – there are very few applications currently on Tizen and Zipt is one of only 2 featured communications applications.

Now that the mass user acquisition campaigns have resulted in more than 10 million installs and the Samsung opportunity, the Company has moved away from this user acquisition focus to building a sustainable Zipt business model with the key metric of $1 marketing spend to yield $1 of receipts i.e. Net-net Return on Investment.

Zipt performance will be augmented by the Samsung opportunity as users acquired on the Tizen platform will be achieved with zero cost per install.

OUTLOOK

The immediate focus of the Company is the deployment of the SpeedTalk White Label enterprise application. This is a significant monetisation opportunity for the Company which promises repeat, high revenue users with minimal risk due to their corporate profiles.

Deployment of SpeedTalk will open up further opportunities within the enterprise segment with companies in key industries which require low bandwidth, calling and messaging solutions i.e. maritime, airlines, agriculture and remote communications providers.

The Company will continue to iterate and improve Zipt with a monetisation focus, incorporating the learnings of now more than one year of operational uptime.

The Samsung opportunity on Tizen will allow Zipt to grow with and become a key plank for this emerging platform. The Company will leverage this opportunity with its Zipt Ambassadors to build the Zipt brand further, particularly in the Indian Subcontinent.

On behalf of my fellow board members, I thank shareholders for their support. We have excellent opportunities with SpeedTalk and Zipt and we are funded to see them to fruition.

Yours Faithfully

Josh Hunt
Chairman

22 August 2016

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 will be 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 22 August 2016.

DIRECTORS' REPORT

The Directors of ZipTel Limited (the "Company") submit herewith the annual report of the Company and its controlled entity (the "Group") for the financial year ended 30 June 2016. 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 2016 financial year are:

JOSH HUNT
Non-Executive Chairman

Mr Josh Hunt is a lawyer and Principal of project law firm Hunt & Humphry, with experience in providing advice to listed public and private companies and in all aspects of project acquisitions and disposals. Josh has practised corporate and commercial law for over 12 years and has been intimately involved in the formation, acquisition and development of numerous successful companies over this time.

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

Other current directorships in listed entities: None

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

UMBERTO (BERT) MONDELLO
Executive Director and Chief Executive Officer

Mr Bert Mondello first entered the telecommunications industry in 1997, and up until 2002, he managed key retail distribution channels for Optus and Vodafone. During this period, the telecommunications industry evolved significantly, shifting from the basic analogue network to digital and 3G. In 2002, Bert was invited to assist in building the business model and blueprint of Vodafone's outsourced pilot distribution model called Vodafone Alliance. As an equity partner and General Manager of Vodafone Alliance, his responsibility was to build and manage a national business to business sales team.

In 2004, his private company iCommunications Pty Ltd was appointed by 3 Mobile to manage part of their Australian business channel. Subsequently in 2009, Vodafone and 3 Mobile merged in Australia and iCommunications became one of the largest Vodafone business channels in the country. As the Managing Director of the company, Bert was responsible for signing up over 50,000 subscribers to the Vodafone and 3 Network over a ten year period. Today it is still one of Vodafone's most prominent and long-standing business partners.

Special responsibilities: Chief Executive

Other current directorships in listed entities: None

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

KEATON WALLACE
Executive Director

Mr Keaton Wallace has had an extensive business career that spans both the private and public sectors over the past 15 years specialising in the execution of strategic commercialisation plans across the Telecommunications and technology sectors. As a Co-Founder of ZipTel, Keaton has overseen the acquisition of over 12 Million users onto ZipTel's core platforms.

Keaton holds a Non-Executive Director position with ABI Limited, a privately owned insurance technology and platform which has experienced outstanding growth during Keaton's tenure. Keaton is a seed investor in Wangle Technologies Limited and has successfully overseen the Company's listing onto the ASX platform (ASX:WGL). He is in charge of business strategy and commercialisation of Wangle's core consumer and enterprise offerings.

Special responsibilities: Executive

Other current directorships in listed entities: Wangle Technologies Limited Non-Executive Director

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

SALVATORE VALLELONGA
Non-Executive Director
Company Secretary (resigned 1 July 2016)

Mr Salvatore Vallelonga is a Chartered Accountant and a director of Plexus Global Consultants Pty Ltd, a Chartered Accounting and business advisory business specialising in the provision of tailored tax and consultative solutions to its SME clients and emerging growth clients. Salvatore is also a director of Plexus Wealth Pty Ltd, which provides financial planning and wealth solutions to clients. Salvatore is a director of numerous private companies and non-profit organisations.

Salvatore has worked closely with his clients in business to business distribution and retail channels in the telecommunication industry, servicing clients working with national and global brands such as Telstra, Vodafone, 3Mobile, Optus, People telecom, M2 Communication and Commander.

DEREK HALL
Company Secretary (appointed 1 July 2016)

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' MEETINGS	
DIRECTORS	NO OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED
Josh Hunt	9	9
Bert Mondello	9	9
Keaton Wallace	9	9
Salvatore Vallelonga	9	9

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	589,156	290,912
Bert Mondello	11,477,500	4,153,750
Keaton Wallace	10,376,000	3,621,250
Salvatore Vallelonga	635,000	225,000

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 11 to 18.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

The Company maintains an option plan for senior management and executives, including Executive Directors, as approved by shareholders at an Annual General Meeting. There are currently 3,300,000 unissued ordinary shares under option under the Company's option plan as at the date of this report.

REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The loss after tax of the consolidated entity for the financial year attributable to the members of ZipTel Limited was $14,009,805 (30 June 2015: loss $5,687,639).

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 balance 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

Disclosure of information regarding likely developments in the operations of the consolidated entity 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 consolidated entity and have accordingly not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the economic entity 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 economic entity.

EVENTS SUBSEQUENT TO BALANCE 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 2016.

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

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of the Company has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $	2015 $
TAXATION SERVICES:		
- Tax compliance services	28,677	30,502
Total remuneration for non-audit services	28,677	30,502

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 2016. 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:

NON-EXECUTIVE CHAIRMAN	Josh Hunt
CHIEF EXECUTIVE OFFICER	Bert Mondello
EXECUTIVE DIRECTOR	Keaton Wallace
NON-EXECUTIVE DIRECTOR	Salvatore Vallelonga

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 motor vehicles and 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.

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 2016 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 period.

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 start-up 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 entity'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 2016:

FINANCIAL YEAR ENDING 30 JUNE	2016	2015	2014	2013	2012
Revenue ($'000)	762	498	570	2,983	14,872
NPAT ($'000)	(14,010)	(5,688)	(2,445)	(2,225)	(4,064)
Share price at start of year	$0.77	$0.20	$0.001	$0.001	$0.001
Share price at end of year	$0.155	$0.77	$0.20	$0.001	$0.001
Dividend	-	-	-	-	-
Basic EPS (cents per share)	(17.21)	(8.21)	(8.81)	(0.07)	(0.13)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1: Remuneration of the Non-Executive and Executive Directors of the Company for the year ended 30 June 2016.

	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
2016 DIRECTORS	SALARY & FEES ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	TERMINATION BENEFIT ($)	RIGHTS ($)	TOTAL ($)	FIXED REMUNERATION %	LTI %
EXECUTIVE DIRECTORS								
B.Mondello	240,000	0	22,800	0	1,935,000	2,197,800	11	89
K.Wallace	240,000	0	22,800	0	1,935,000	2,197,800	11	89
NON-EXECUTIVE DIRECTORS								
J.Hunt	38,333	0	0	0	193,500	231,833	17	83
S.Vallelonga	38,333	0	0	0	193,500	231,833	17	83
TOTAL	**556,666**	**0**	**45,600**	**0**	**4,257,000**	**4,859,266**	**12**	**88**

Table 2: Remuneration of the Non-Executive and Executive Directors of the Company for the year ended 30 June 2015.

	SHORT TERM BENEFITS		POST-EMPLOYMENT		SHARE BASED PAYMENTS	TOTAL	PERFORMANCE RELATED	
2015 DIRECTORS	SALARY & FEES ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	TERMINATION BENEFIT ($)	RIGHTS ($)	TOTAL ($)	FIXED REMUNERATION %	LTI %
EXECUTIVE DIRECTORS								
B.Mondello	215,000	0	20,425	0	1,254,540	1,489,965	16	84
K.Wallace	215,000	0	20,425	0	1,254,540	1,489,965	16	84
NON-EXECUTIVE DIRECTORS								
J.Hunt	30,000	0	0	0	0	30,000	100	0
S.Vallelonga	30,000	0	0	0	0	30,000	100	0
TOTAL	**490,000**	**0**	**40,850**	**0**	**2,509,080**	**3,039,930**	**17**	**83**

According to the Australian Accounting Standards, the Company's acquisition of AussieSim Pty Ltd during the prior financial year was regarded as a capital transaction of the legal subsidiary instead of a business combination. The new combined group is in substance a continuation of the business of AussieSim Pty Limited. The Table above is remuneration of the Directors of AussieSim Pty Ltd (also the current Directors of ZipTel Limited) during the year ended 30 June 2015.

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

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 balance date relating to executive remuneration are set out below.

Mr Bert Mondello

- Term of agreement: in effect until terminated in accordance with the agreement.
- Termination notice period: 3 months by either party. The Company may elect to pay 3 months base salary and superannuation in lieu of notice.
- Additional termination benefits: statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Mr Keaton Wallace

- Term of agreement: in effect until terminated in accordance with the agreement.
- Termination notice period: 3 months by either party. The Company may elect to pay 3 months base salary and superannuation in lieu of notice.
- Additional termination benefits: statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Non-Executive Directors

- Term of agreement: in effect until terminated in accordance with the agreement.
- Contracted on annual fixed remuneration plus statutory superannuation.
- 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.

	2016 $	2015 $
Purchase from iCommunications Pty Ltd (a company related to Umberto Mondello) for rent and administration services	-	59,504
Purchase from Hunt & Humphry (an entity related to Josh Hunt) for legal services	21,395	42,119
Purchase from Plexus Global Consultants (an entity related to Salvatore Vallelonga) for accounting services	660	55,635
	22,055	157,258

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

OUTSTANDING BALANCES WITH RELATED PARTIES

	2016 $	2015 $
Hunt & Humphry	917	-
Plexus Global Consultants	726	13,420
	1,643	13,420

Outstanding balances are unsecured, interest free and settlement occurs in cash.

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 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	ON MARKET PURCHASES DURING THE YEAR	OTHER CHANGES	BALANCE AT APPOINTMENT/ (RESIGNATION) DATE	HELD AT 30 JUNE 2016
J.Hunt	550,695	38,461	0	n/a	589,156
B.Mondello	9,807,500	170,000	1,500,000	n/a	11,477,500
K.Wallace	8,787,500	88,500	1,500,000	n/a	10,376,000
S.Vallelonga	570,000	65,000	0	n/a	635,000
TOTAL	**19,715,695**	**361,961**	**3,000,000**		**23,077,656**

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 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	ON MARKET PURCHASES DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT APPOINTMENT/ (RESIGNATION) DATE	HELD AT 30 JUNE 2016
J.Hunt	290,912	0	0	n/a	290,912
B.Mondello	4,153,750	0	0	n/a	4,153,750
K.Wallace	3,621,250	0	0	n/a	3,621,250
S.Vallelonga	225,000	0	0	n/a	225,000
TOTAL	**8,290,912**	**0**	**0**		**8,290,912**

The number of performance rights 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 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	GRANTED DURING THE YEAR AS REMUNERATION	CONVERTED TO SHARES DURING THE YEAR	BALANCE AT APPOINTMENT/ (RESIGNATION) DATE	HELD AT 30 JUNE 2016
J.Hunt	0	150,000	0	n/a	150,000
B.Mondello	1,500,000	1,500,000	(1,500,000)	n/a	1,500,000
K.Wallace	1,500,000	1,500,000	(1,500,000)	n/a	1,500,000
S.Vallelonga	0	150,000	0	n/a	150,000
TOTAL	**3,000,000**	**3,300,000**	**(3,000,000)**		**3,300,000**

At a General Meeting of shareholders held on 20 October 2015, shareholders voted to grant a total of 3,300,000 Performance Rights to the Directors as remuneration as detailed above. The Performance Rights vest and convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of 10 million installs for Zipt. This milestone was achieved on 4 April 2016.

Key valuation assumptions made at grant date are summarised below:

The share price at grant date of the Performance Rights was $1.29. On the basis of the above assumptions, the vesting of the entire 3,300,000 Performance Rights was recognised with a corresponding expense of $4,257,000 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Performance Rights that converted to shares during the year relate to a grant of 1,500,000 performance rights to each of Mr Mondello and Mr Wallace on 28 November 2014.

These rights vested following the achievement of the following performance milestone:

- Performance Rights will vest on the date that the Company's market capitalisation is equal to or exceeds $70,000,000 for 21 consecutive trading days.

This milestone was met and the Performance Rights were converted to Ordinary Fully Paid Shares on 4 September 2015. These Performance Rights were fully expensed in the prior year.

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,

Umberto Mondello
Chief Executive Officer

22 August 2016

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Australia

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

As lead auditor of ZipTel Limited for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 22 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of ZipTel Limited

Report on the Financial Report

We have audited the accompanying financial report of ZipTel Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of ZipTel Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the receipt of funds via the Australian Governments Research and Development Tax Incentive Scheme and the future successful raising of necessary funding through debt or equity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of ZipTel Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 22 August 2016

DIRECTORS' DECLARATION

The Directors declare that:

The financial statements and notes, as set out on pages 26 to 50 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

Umberto Mondello
Chief Executive Officer

22 August 2016

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Revenue			
Sale of goods and services	2	762,388	498,981
Other income	3	1,180,822	152,426
Expenses			
Cost of sales	4	(1,176,045)	(623,026)
Other expenses from ordinary activities			
Administration		(899,938)	(668,057)
Research and development		(1,488,777)	-
Employee benefits	4	(898,871)	(811,392)
Marketing and distribution	4	(2,380,505)	(930,556)
Consulting	4	(519,972)	(322,369)
Depreciation and amortisation	4	(55,924)	(55,853)
Occupancy		(50,979)	(77,415)
Write off of inventories	9	-	(40,473)
Share-based payments	19	(8,479,391)	(2,809,080)
Finance costs		(5,194)	(2,729)
Exchange gain		2,580	1,904
Total Expenses		**(15,953,015)**	**(6,339,046)**
Loss before income tax		(14,009,805)	(5,687,639)
Income tax expense	5	-	-
Loss after income tax for the year		**(14,009,805)**	**(5,687,639)**
Other comprehensive income		-	-
Total comprehensive loss for the year		(14,009,805)	(5,687,639)
Loss attributable to owners of the Company		(14,009,805)	(5,687,639)
Total comprehensive loss attributable to owners of the Company		**(14,009,805)**	**(5,687,639)**
Loss per share for the year attributable to the members of ZipTel Limited (cents per share)	16	(17.21)	(8.21)

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 2016

	Notes	2016 $	2015 $
Current Assets			
Cash and bank balances	7	1,353,070	6,278,031
Trade and other receivables	8	104,872	97,374
Prepayments		6,868	-
Inventories	9	20,988	24,005
Total Current Assets		1,485,798	6,399,410
Non-current Assets			
Receivables	8	24,001	-
Plant and equipment	10	6,566	24,731
Intangible assets	11	124,856	162,614
Total Non-current Assets		155,423	187,345
Total Assets		1,641,221	6,586,755
Current Liabilities			
Trade and other payables	12	718,583	426,815
Provision for advance billings		13,882	11,940
Total Current Liabilities		732,465	438,755
Non-current Liabilities			
Provisions	13	103,437	84,400
Total Non-current Liabilities		103,437	84,400
Total Liabilities		835,901	523,155
Net Assets		805,320	6,063,600
Equity			
Issued capital	14	12,402,899	12,130,765
Reserves	15	11,468,657	2,989,266
Accumulated losses		(23,066,236)	(9,056,431)
Capital and reserves attributable to owners of the Company		805,320	6,063,600
Total equity		805,320	6,063,600

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 2016

		Attributable to Owners of the Company			
	Notes	Issued Capital $	Share-based Payments Reserve $	Accumulated Losses $	Total $
Balance at 30 June 2014		**7,224,516**	**180,186**	**(3,368,792)**	**4,035,910**
Loss for the year		-	-	(5,687,639)	(5,687,639)
Total comprehensive loss for the year		-	-	(5,687,639)	(5,687,639)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	14	4,906,249	-	-	4,906,249
Recognition of share-based payments	15	-	2,809,080	-	2,809,080
Balance at 30 June 2015		**12,130,765**	**2,989,266**	**(9,056,431)**	**6,063,600**
Loss for the year				(14,009,805)	(14,009,805)
Total comprehensive loss for the year				(14,009,805)	(14,009,805)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	14	272,134	-	-	272,134
Recognition of share-based payments	15	-	8,479,391	-	8,479,391
Balance at 30 June 2016		**12,402,899**	**11,468,657**	**(23,066,236)**	**805,320**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		784,981	522,246
Payments to suppliers and employees		(7,146,507)	(4,016,842)
Finance costs		(8,128)	(1,009)
Other income		1,169,979	136,235
Net cash used in operating activities	18	(5,199,675)	(3,359,370)
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		272,134	5,206,250
Proceeds from convertible loans		-	-
Proceeds from loan by related parties		-	-
Proceeds from borrowings		-	-
Share issue transaction costs		-	(300,000)
Repayment of loan by related parties		-	(150,535)
Repayment of borrowings		-	(8,066)
Net cash provided by financing activities		272,134	4,747,649
Net increase/(decrease) in cash and cash equivalents		(4,927,541)	1,388,279
Cash and cash equivalents at the beginning of the year		6,278,031	4,889,031
Effects of exchange rate changes		2,580	721
Cash and cash equivalents at the end of the year	7	1,353,070	6,278,031

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

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 requirements of the law.

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 22 August 2016. 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.

GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2016 the Group recorded a loss of $14,009,805 and had net cash outflows from operating activities of $5,199,675 and working capital of $753,333.

Subsequent to year end, the Group expects to receive additional funds via the Australian Government's Research and Development ("R&D") Tax Incentive Scheme ("R&D Scheme"). However the Directors recognise that additional funding will be required through the receipt of the R&D Scheme refund and/or funding through debt or equity for the Group to continue to fund its operational and marketing activities during the next twelve months.

This condition indicates the existence of a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business.

The Directors are satisfied they will be able to raise additional working capital as required 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 upcoming deployment of the SpeedTalk White Label enterprise application which is a significant monetisation opportunity;
- The upcoming rollout of the Tizen version of Zipt, to be delivered by Samsung developers;
- The lodgement of the R&D Scheme claim which is anticipated to result in a refund of ~$2.6M consisting of $1.3M in relation to domestic eligible expenses and $1.3M in relation to overseas eligible expenditure, subject to approval of an overseas application;
- The exercise of up to 29.7M 30c listed options before 31 December 2016 raising up to $8.9M.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

The financial report does not include any adjustments that may be necessary if the Group is unable to continue as a going concern.

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.

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 from sale of goods and service is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances. The Group recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. The Group bases its estimates on historical results and the type of transaction. Marketing analysis and accumulated experience is used to estimate and provide for the probability of the future economic benefits.

For advance billings to customers, provisions for unearned revenue are made for services which have not been rendered as at the end of the reporting period. Expenses directly attributable to the unearned revenue are deferred until the revenue is recognised.

Interest revenue is recognised using the effective interest rate method.

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

(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.

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.

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

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

(J). PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

The estimated useful lives for each class of assets are:

CLASS OF PLANT AND EQUIPMENT	EXPECTED USEFUL LIVES	DEPRECIATION BASIS
Motor vehicles	12 years	Straight line
Office furniture and equipment	3-5 years	Straight line
Telecommunication equipment	4 years	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(K). INTANGIBLE ASSETS

Software and licenses are intangible assets. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years or the authorised lives of licenses.

CLASS OF INTANGIBLE ASSETS	EXPECTED USEFUL LIVES	AMORTISATION BASIS
Software and communication system	4 years	Straight line
Licenses	15 years	Straight line

(L). 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.

(M). 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.

(N). 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.

(O). 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.

(P). 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.

(Q). 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.

(R). 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.

(S). NEW AND REVISED ACCOUNTING STANDARDS

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

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.

<u>New Accounting Standards and Interpretations not yet mandatory or early adopted</u>

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 2016.

The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/ DATE OF ADOPTION BY GROUP
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	There will be no impact on the Group's accounting for financial assets and financial liabilities as the new requirements only affect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2018. Application date for the company will be 30 June 2019. The company does not currently have any hedging arrangements in place.
AASB 15 (issued June 2014) Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	The Group currently raises a provision approximating to unearned revenue at reporting dates.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Application date for the company will be 30 June 2019.
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 2019.

(T). 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.

Estimated Useful Lives of Intangible Assets

The Group reviews annually the estimated useful lives of its intangible assets based on factors such as business plans and strategies, expected level of usage and future technological developments. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of the intangible assets would increase the recorded amortisation and decrease the carrying value of the intangible assets.

Unearned Revenue

Provisions for unearned revenue are made for services which have not been rendered as at the period-end. Management estimates provisions based on marketing analysis as well as historical information. This might suggest that actual unearned revenue amounts may differ from provisions made for the unearned revenue at the period-end. The assumptions made in relation to the current period are consistent with those in the prior year.

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. The fair value is determined by using a valuation model, the basis of which is set out in note 19. 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 instruments at the grant date.

NOTE 2: REVENUE

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

	2016 $	2015 $
OPERATING ACTIVITIES		
- Revenue from sale of goods	198,517	195,509
- Revenue from sale of services	572,882	338,495
Discount and sales refund	(9,011)	(35,023)
TOTAL REVENUE	**762,388**	**498,981**

NOTE 3: OTHER INCOME

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

	2016 $	2015 $
NON-OPERATING ACTIVITIES		
Interest	77,981	152,426
Research and development tax credit	1,102,841	-
TOTAL OTHER INCOME	**1,180,822**	**152,426**

NOTE 4: EXPENSES

	2016 $	2015 $
EXPENSES		
Cost of sales	1,176,045	623,026
EMPLOYEE BENEFITS		
- Employee wages and salaries	731,742	677,666
- Employee benefits expense	167,129	133,726
TOTAL EMPLOYEE BENEFITS	**898,871**	**811,392**
Marketing and distribution	2,380,505	930,556
Consulting	519,972	322,369
DEPRECIATION AND AMORTISATION		
- Depreciation of plant and equipment	18,166	18,198
- Amortisation of intangible assets	37,758	37,654
TOTAL DEPRECIATION AND AMORTISATION	**55,924**	**55,853**

NOTE 5: INCOME TAX

	2016 $	2015 $
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:		
Prima facie tax payable on pre-tax accounting profit from operations at 30% (2015: 30%)	(4,202,942)	(1,706,292)
Add tax effect of:		
- Other non-allowable items	2,545,407	849,702
- Deferred tax assets not brought to account	1,657,534	856,590
	-	-
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 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

DEFERRED TAX BALANCES

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

	Opening Balance 1/07/2014 $	Charged to profit and loss $	Closing Balance 30/06/2015 $	Charged to profit and loss $	Closing Balance 30/06/2016 $
Unused tax losses	-	-	-	-	-
Employee Entitlements	-	-	-	-	-
Other Provisions	-	-	-	-	-
Capital Raising Costs	-	-	-	-	-
Capitalised Costs	-	-	-	-	-
Stock	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-

UNRECOGNISED DEFERRED TAX ASSETS:

	2016 $	2015 $
DEFERRED TAX ASSETS NOT RECOGNISED AT REPORTING DATE:		
- Net carry forward income losses	3,228,458	1,756,878
- Net carry forward capital losses		-
- Other unrecognised net deferred tax assets	281,212	576,357
	3,509,670	2,333,235

NOTE 6: AUDITOR'S REMUNERATION

	2016 $	2015 $
AUDITOR OF THE COMPANY:		
- Auditing or reviewing the financial report	31,280	33,078
- Tax compliance services	28,677	30,502
	59,957	63,580

NOTE 7: CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash and bank balances	1,353,070	6,278,031
RECONCILIATION TO CONSOLIDATED STATEMENT OF CASHFLOWS:		
Balances as above	1,353,070	6,278,031
Bank overdraft	-	-
BALANCES PER STATEMENT OF CASHFLOWS	1,353,070	6,278,031

NOTE 8: TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
CURRENT		
Trade debtors	76,334	95,361
Less allowance for doubtful debts	(71,252)	(77,992)
Trade debtors, net	5,082	17,369
Goods and services tax recoverable	63,663	48,271
Other receivables	36,127	31,734
	104,872	97,374
NON-CURRENT		
Other receivables	24,001	-

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.

	2016 $	2015 $
AGEING OF PAST DUE BUT NOT IMPAIRED		
Over 120 days	2,643	11,696
AGEING OF IMPAIRED TRADE RECEIVABLES		
Over 120 days	71,252	77,992
MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at beginning of the year	77,992	47,481
Impairment losses recognised on receivables	-	30,511
Amounts written off during the year as uncollectible	-	-
Amounts recovered during the year	(6,740)	-
	71,252	77,992

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 concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Of the trade receivables balance at the end of the year, there are four (4) customers (2015: three (3) customers) who represent more than 5% of the total balance of trade receivables.

NOTE 9: INVENTORIES

	2016 $	2015 $
Finished goods at net realisable value	20,988	24,005

The cost of inventory recognised as an expense during the period in respect of continuing operations was $17,920 (2015: $21,913). The cost of inventories recognised as an expense was $nil (2015: $40,473) in respect of write-off of inventory that was obsolete and no longer for sale. No inventories at 30 June 2016 (30 June 2015: nil) are expected to be recovered after more than twelve months.

NOTE 10: PLANT AND EQUIPMENT

	2016 $			2015 $		
	Tele-communication equipment	Furniture & Office Equipment	Total	Tele-communication equipment	Furniture & Office Equipment	Total
Cost	67,391	5,148	72,539	67,391	5,148	72,539
Accumulated depreciation	(62,360)	(3,614)	(65,974)	(45,465)	(2,343)	(47,808)
Net book amount	5,031	1,534	6,566	21,926	2,805	24,731
Opening net book amount	21,926	2,805	24,731	38,773	4,156	42,929
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation charge	(16,895)	(1,271)	(18,166)	(16,847)	(1,351)	(18,198)
Closing net book amount	5,031	1,534	6,566	21,926	2,805	24,731

NOTE 11: INTANGIBLE ASSETS

	2016 $			2015 $		
	Software & Tele communication System	Licences	Total	Software & Tele communication System	Licences	Total
Cost	113,000	141,072	254,072	113,000	141,072	254,072
Accumulated amortisation	(100,977)	(28,239)	(129,216)	(72,648)	(18,810)	(91,458)
Net book amount	12,023	112,833	124,856	40,352	122,262	162,614
Opening net book amount	40,352	122,262	162,614	68,601	131,667	200,268
Additions	-	-	-	-	-	-
Amortisation charge	(28,329)	(9,429)	(37,758)	(28,249)	(9,405)	(37,654)
Closing net book amount	12,023	112,833	124,856	40,352	122,262	162,614

SIGNIFICANT INTANGIBLE ASSETS

The Group holds significant licenses for exclusive use of certain technology to distribute goods and services. The capitalised licensed fee are amortised based on the authorised lives of the licenses.

NOTE 12: TRADE AND OTHER PAYABLES

	2016 $	2015 $
CURRENT		
Trade payables	635,403	335,134
Sundry creditors and other statutory liabilities	83,180	91,681
	718,583	426,815

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 13: PROVISIONS

	2016 $	2015 $
NON-CURRENT		
Employee entitlements	103,437	84,400
Total non-current provisions	103,437	84,400

The provision for employee entitlements relates to the Group's liability for annual leave. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The provision is calculated according to the estimated future cash outflows on a discounted basis.

NOTE 14: ISSUED CAPITAL

	2016		2015	
	Number of shares	$	Number of shares	$
Fully paid ordinary shares	83,791,854	12,402,899	77,009,742	12,130,765

2016 **FULLY PAID ORDINARY SHARES**	Number of shares	$
Balance at 1 July 2015	77,009,742	12,130,765
Issue of shares on conversion of options	907,112	272,134
Vesting of performance rights	3,000,000	-
Issue of shares in return for service	2,875,000	-
Balance at 30 June 2016	83,791,854	12,402,899

2015 **FULLY PAID ORDINARY SHARES**	Number of shares	$
Balance at 1 July 2014	61,100,079	7,224,516
Issue of shares to raise capital	12,202,380	5,125,000
Issue of shares on conversion of options	272,500	81,750
Vesting of performance rights	3,000,000	-
Issue of shares in return for service	434,783	-
Capital raising costs	-	(300,501)
Balance at 30 June 2015	77,009,742	12,130,765

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	
	2016	**2015**
MOVEMENTS IN OPTIONS		
Balance at the beginning of the financial year	29,277,500	28,500,000
Issue of options in return for service	500,000	1,050,000
Options exercised during the year	(907,112)	(272,500)
Options lapsed during the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	28,870,388	29,277,500

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.

	Number of Rights	
	2016	**2015**
MOVEMENTS IN RIGHTS		
Balance at the beginning of the financial year	3,000,000	-
Issue of rights in return for service	3,300,000	6,000,000
Issue of rights in return for service (Ambassadors)	6,450,000	
Rights vested and issued during the year	(5,750,000)	(3,000,000)
Rights lapsed during the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	7,000,000	3,000,000

Rights issued in return for service convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of performance milestones. Refer to Note 19 for details of these Performance Rights.

Rights issued to Zipt Brand Ambassadors convert to Ordinary Fully Paid Shares on a one for one basis in 4 tranches over a period of 180 days with performance of specified services.

NOTE 15: RESERVES

	2016 **$**	**2015** **$**
Option Reserve	8,340,970	2,989,266
BALANCE AT THE BEGINNING OF THE FINANCIAL YEAR	2,989,266	180,186
Options granted during the year		
- Share-based payments	8,479,391	2,809,080
Balance at the end of the financial year	11,468,657	2,989,266

NOTE 16: LOSS PER SHARE

	2016 $	2015 $
RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE:		
Loss attributable to owners of the Company	(14,009,805)	(5,687,639)
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares for the purposes of basic loss per share	81,400,692	69,248,403

As the Company has made a loss for the year ended 30 June 2016, 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 17: DIVIDENDS

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

NOTE 18: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2016 $	2015 $
Loss after income tax	(14,009,805)	(5,687,639)
NON CASH ITEMS		
Depreciation and amortisation expenses	55,924	55,853
Write-off inventories	-	40,473
Share-based payment expenses	8,479,391	2,809,080
Provision for employee entitlements	19,037	54,780
Provision on impairment receivables	(6,740)	30,511
Loss on disposal of plant and equipment	-	-
Exchange differences	(2,580)	(1,904)
(Decrease) / Increase in working capital		
Change in other current assets	(11,351)	69,306
Change in other liabilities	276,450	(729,830)
Net cash outflow from operating activities	(5,199,675)	(3,359,370)

NOTE 19: SHARE-BASED PAYMENTS

The number of performance rights 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 2016 is as follows:

KEY MANAGEMENT PERSONNEL	HELD AT 30 JUNE 2015	GRANTED DURING THE YEAR AS REMUNERATION	CONVERTED TO SHARES DURING THE YEAR	BALANCE AT APPOINTMENT/ (RESIGNATION) DATE	HELD AT 30 JUNE 2016
J.Hunt	0	150,000	0	n/a	150,000
B.Mondello	1,500,000	1,500,000	(1,500,000)	n/a	1,500,000
K.Wallace	1,500,000	1,500,000	(1,500,000)	n/a	1,500,000
S.Vallelonga	0	150,000	0	n/a	150,000
TOTAL	**3,000,000**	**3,300,000**	**(3,000,000)**		**3,300,000**

On 20 October 2015, a total of 3,300,000 Performance Rights were granted to the Directors as remuneration as detailed above. The Performance Rights vest and convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of 10 million installs for Zipt. This milestone was achieved on 4 April 2016. The share price at grant date of the Performance Rights was $1.29. On the basis of a 100% probability of the entire 3,300,000 Performance Rights vesting, a corresponding expense of $4,257,000 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Performance Rights that converted to shares during the year relate to a grant of 1,500,000 performance rights to each of Mr Mondello and Mr Wallace on 28 November 2014.

These rights vested following the achievement of the following performance milestone:

- Performance Rights will vest on the date that the Company's market capitalisation is equal to or exceeds $70,000,000 for 21 consecutive trading days.

This milestone was met and the Performance Rights were converted to Ordinary Fully Paid Shares on 4 September 2015. These Performance Rights were fully expensed in the prior year.

On 18 November 2015, 5,250,000 timed performance rights were granted to Zipt Brand Ambassadors. These timed performance rights convert to Ordinary Fully Paid Shares on a one for one basis in 4 tranches (1,450,000 on signing; 1,400,000 on launch of Ambassador Campaign; 1,200,000 90 days after launch date; and 1,200,000 180 days after launch date) over a period of 180 days with performance of specified services. During the year, 2,750,000 timed performance rights were converted to Ordinary Fully Paid Shares (100,000 rights were moved to later tranches) and a corresponding expense of $3,885,084 was recognised based on the share price at grant date. In addition, 1,200,000 install performance milestone rights were granted. These install performance milestone rights convert to Ordinary Fully Paid Shares on a one for one basis on the achievement of between 5M and 30M installs directly attributable to the Ambassador Campaign. A 0% probability has been assigned to achievement of the install performance milestone rights and no expense has been recognised.

During the year, employees were issued 550,000 listed $0.30 options in recognition of service. These options were valued based on an adjusted form of the Black Scholes Option Pricing Model (BSM).

Key valuation assumptions made at grant date are summarised below:

	Options granted
Share price (cents)	0.78
Expected share price volatility	110%
Weighted average risk free interest rate	2.5%
Probability of vesting	100%

Employees were also granted 125,000 shares, with an expense recognised at the share price on grant date. These shares have a 6 month vesting period ending on 18 September 2016.

150,000 options were issued during the year to consultants which were expensed based on fees for service. Additionally, the Company agreed to settle fee services with the issuance of 10,000 shares and 650,000 options which were unissued at year end. In respect of these grants, a corresponding expense of $337,307 was recognised based on the value of the securities at their respective grant dates. These securities did not have vesting conditions.

The table below shows the share-based payment options granted by the Company during the year:

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
OUTSTANDING AT THE BEGINNING OF THE YEAR	4,550,000	0.30	3,500,000	0.30
Granted	700,000	0.30	1,050,000	0.30
Forfeited/cancelled	-	-	-	-
Outstanding at year end	5,250,000	0.30	4,550,000	0.30
Exercisable at year end	5,250,000	0.30	4,550,000	0.30

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.5 years and the exercise price is 30 cents.

Expenses arising from share-based payment transactions:

	2016 $	2015 $
Share-based payment expense recognised for Performance Rights	4,257,000	2,509,080
Share-based payment expenses for employees and consultants	337,307	300,000
Share-based payment expense recognised for Ambassador Rights	3,885,084	-
Expense recognised in Share-based Payments Reserve	8,479,391	2,809,080

NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2016 $	2015 $
Short term benefits	556,666	490,000
Post-employment benefits	45,600	40,850
Share-based payments	4,257,000	2,509,080
	4,859,266	3,039,930

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 21: 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 2016	2015
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.

TRANSACTIONS WITH RELATED PARTIES

(1) TRANSACTIONS WITH RELATED PARTIES

The Group acquired the following goods and services as follows.

	2016 $	2015 $
Purchase from iCommunications Pty Ltd (a company related to Umberto Mondello) for rent and administration services	-	59,504
Purchase from Hunt & Humphry (an entity related to Josh Hunt) for legal services	21,395	42,119
Purchase from Plexus Global Consultants (an entity related to Salvatore Vallelonga) for accounting services	660	55,635
	22,055	157,258

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

(2) OUTSTANDING BALANCES WITH RELATED PARTIES

	2016 $	2015 $
Hunt & Humphry	917	-
Plexus Global Consultants	726	13,420
	1,643	13,420

All the outstanding balances with related parties are included in trade and other payables in note 12.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

The Group leases an office under an operating lease which is renewed each year. Therefore the Group has no lease commitments later than one year. The commitment for minimum lease payments in relation to the operating lease payable is as follows:

	2016 $	2015 $
Within one year	60,000	40,000
	60,000	40,000

NOTE 23: SEGMENT REPORTING

(1) DESCRIPTION OF SEGMENTS

The Group's executive directors examine the Group's performance from a core communications products perspective and have identified two reportable 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	
	2016	2015	2016	2015
CONTINUING OPERATIONS	$	$	$	$
AussieSim	189,507	400,590	4,562	4,991
Zipt	572,882	98,391	(418,219)	(129,037)
Unallocated sales discount and refund		-	(9,011)	(35,023)
	762,388	498,981	(422,668)	(159,069)
Other income	1,180,822	152,426	1,180,822	152,426
Corporate and administration	-	-	(14,706,841)	(5,622,414)
Depreciation and amortisation	-	-	(55,924)	(55,853)
Finance Costs	-	-	(5,194)	(2,729)
LOSS BEFORE INCOME TAX	1,943,210	651,407	(14,009,805)	(5,687,639)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. 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.

(3) SEGMENT ASSETS AND LIABILITIES

	2016	2015
SEGMENT ASSETS	$	$
AussieSim	208,112	254,352
Zipt	86,839	61,171
Total segment assets	294,951	315,523
Cash and corporate assets	1,346,270	6,271,231
TOTAL ASSETS	1,641,221	6,586,754
SEGMENT LIABILITIES		
AussieSim	333,458	173,837
Zipt	502,443	349,316
Total segment liabilities	835,901	523,153
Cash and corporate liabilities	-	-
TOTAL LIABILITIES	835,901	523,153

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 24: 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 debt, which includes cash and cash equivalents disclosed in note 7, and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 14 and 15.

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:

	2016 $	2015 $
FINANCIAL ASSETS - CURRENT		
Cash and cash equivalents	1,353,070	6,278,031
Trade and other receivables	104,872	97,374
	1,457,942	6,375,405
FINANCIAL LIABILITIES - CURRENT		
Trade and other payables	718,583	438,753
	718,583	438,753

(C) Market Risk

(i) Foreign Exchange Risk

The Group had US dollar bank accounts at 30 June 2016 with a total balance of A$32,188 (2015: A$108,951). 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 consolidated entities 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 $
2016		
Impact of a 10% strengthening of the USD on net loss	(3,219)	(3,219)
Impact of a 10% weakening of the USD on net loss	3,219	3,219
2015		
Impact of a 10% strengthening of the USD on net loss	(10,895)	(10,895)
Impact of a 10% weakening of the USD on net loss	10,895	10,895

(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:

(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:

	2016 $	2015 $
FINANCIAL LIABILITIES - CURRENT		
Trade and other payables	718,583	438,753
	718,583	438,753

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	1,353,070	-	-	-	1,353,070
Trade and other receivables	104,872	-	-	-	104,872
	1,457,942	-	-	-	1,457,942
FINANCIAL LIABILITIES					
Trade and other payables	718,583	-	-	-	718,583
	718,583	-	-	-	718,583

(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.

NOTE 25: 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.

	2016 $	2015 $
Current Assets	67,237	6,238,814
Non-current Assets	1,084,108	174,103
TOTAL ASSETS	1,151,345	6,412,917
Current Liabilities	242,589	264,916
Non-current Liabilities	103,436	84,400
TOTAL LIABILITIES	346,025	349,316
Contributed equity	12,402,899	12,130,765
Reserves	11,468,657	2,989,266
Accumulated Losses	(23,066,236)	(9,056,431)
TOTAL EQUITY	805,320	6,063,600
Revenue for the year	522,246	98,391
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(9,167,383)	(4,066,692)

NOTE 26: CONTINGENCIES

There were no contingencies as at 30 June 2016.

NOTE 27: 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 Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2016.

NOTE 28: COMPANY DETAILS

The registered office and the principal place of business are:

- Suite 8, 281 Hay Street Subiaco WA 6008

ADDITIONAL SECURITIES EXCHANGE INFO

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 29 JULY 2016

The fully paid issued capital of the Company consisted of 85,801,854 ordinary fully paid shares held by 1,918 shareholders. Each share entitles the holder to one vote. 125,000 ordinary fully paid shares are held in escrow until 18 September 2016.

There are 29,720,388 options over ordinary shares with an exercise price of $0.30 and an expiry date of 31 December 2016 held by 170 optionholders.

Options do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES AS AT 29 JULY 2016

SPREAD OF HOLDINGS	HOLDERS	SECURITIES	% OF ISSUED CAPITAL
1 -1,000	505	160,956	0.19%
1,001 -5,000	482	1,356,112	1.61%
5,001 -10,000	273	2,248,966	2.66%
10,001 -100,000	560	19,000,206	22.27%
100,001 -9,999,999	98	63,035,614	73.27%
TOTAL	**1,918**	**85,801,854**	**100.00%**

UNMARKETABLE PARCELS	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500 parcel at $0.16 per unit	3,125	816	782,975

SUBSTANTIAL SHAREHOLDERS AS AT 29 JULY 2016

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
K2 Asset Management Ltd	11,941,667	13.92%
Mr Umberto Mondello and Associated Entities	11,477,500	13.38%
Mr Keaton Wallace and Associated Entities	10,376,000	12.09%

:

TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 29 JULY 2016

RANK	SHAREHOLDER	DESIGNATION	UNITS	% OF ISSUED CAPITAL
1.	HSBC CUSTODY NOM AUST LTD		15,383,120	18.22%
2.	UCM HLDGS LTD		8,307,500	9.84%
3.	WALLACE KEATON PAUL		7,287,500	8.63%
4.	INDOMAIN ENTPS PL	UC MONDELLO FAM A/	3,000,000	3.55%
5.	WALLACE KEATON PAUL	WALLACE INV A/C	3,000,000	3.55%
6.	BINGA PL		1,080,807	1.28%
7.	GOLDFIRE LTD		1,000,000	1.18%
8.	TAYLOR LEE FRANCIS		922,241	1.09%
9.	MACKENZIE GREG L + M M	TELSON A/C	850,000	1.01%
10.	RYLET PL		732,227	0.87%
11.	CITICORP NOM PL		708,503	0.84%
12.	SAYERS INV ACT PL	SAYERS INVEST NO 2	650,000	0.77%
13.	GFN NOM PL	GFN FAM SUPER	637,800	0.76%
14.	SAYERS INV ACT PL	SAYERS S/F A/C	600,000	0.71%
15.	PALERMO DAVID ANTHONY	D & F PALERMO FAM	566,878	0.67%
16.	GAILFORCE MARKETING & PR	HALE AGENCY S/F A/	565,668	0.67%
17.	MAPLESTONE PL	COMET INV A/C	542,919	0.64%
18.	HIONG LIM		510,000	0.60%
19.	MELWANI RAJESH RAMESH		500,000	0.59%
20.	LYDIAN ENTPS PL		500,000	0.59%

TWENTY LARGEST OPTIONHOLDERS OF QUOTED EQUITY SECURITIES

TOP 20 HOLDERS OF OPTIONS AT 29 JULY 2016

RANK	OPTIONHOLDER	DESIGNATION	UNITS	% OF ISSUED CAPITAL
1.	HSBC CUSTODY NOM AUST LTD		4,974,800	16.74%
2.	UCM HLDGS LTD		4,153,750	13.98%
3.	WALLACE KEATON PAUL		3,621,250	12.18%
4.	COLBERN FIDUCIARY NOM PL		3,500,000	11.78%
5.	SAYERS INV ACT PL	SAYERS INVEST NO 2	750,000	2.52%
6.	KEYSQUARED PL		725,000	2.44%
7.	RYLET PL		560,000	1.88%
8.	BENNETT STEVEN JAMES		524,526	1.76%
9.	RAJESHWARAN NEOLLA N		500,000	1.68%
10.	O'ROURKES BERNARD W		500,000	1.68%
11.	GFN NOM PL	GFN FAM SUPER	500,000	1.68%
12.	PALERMO DAVID ANTHONY	D & F PALERMO FAM	437,500	1.47%
13.	PHAN VINH		396,412	1.33%
14.	S3 CONSORTIUM PL		320,000	1.08%
15.	PETERLYN PL	RPC SALMON S/F A/C	300,000	1.01%
16.	BOLT CON PL		300,000	1.01%
17.	ABN AMRO CLRG SYD NOM PL	CUST A/C	281,998	0.95%
18.	ROBERTS ANDREW JOHN		275,000	0.93%
19.	NYG PL	JNH LAW FUND A/C	262,500	0.88%
20.	DUNBAR ANDREW JOHN		257,526	0.87%