APPENDIX 4D
HALF-YEAR REPORT

1. Company details

Name of entity:	**Anittel Group Limited**
ABN:	98 009 805 298
Reporting period:	**Half-year ended 31 December 2012**
Previous corresponding period:	Half-year ended 31 December 2011

2. Results for announcement to the market

Revenues from ordinary activities	down	14.7%	to	$ 26,771,000
Loss from ordinary activities after tax attributable to the owners of Anittel Group Limited	up	606.2%	to	$(5,939,000)
Loss for the period attributable to the owners of Anittel Group Limited	up	606.2%	to	$(5,939,000)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $5,939,000 (31 December 2011: $841,000).

The loss for 31 December 2012 of $5,939,000 includes an impairment charge of $5,000,000 to the carrying value of goodwill, intangible assets and property, plant and equipment attached to the IT products business unit.

Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') was $123,000 which is a decline over 31 December 2011 where EBITDA was $152,000.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider Adjusted EBITDA to reflect the core earnings of the consolidated entity. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Anittel and Adjusted EBITDA.

	31 Dec 2012 $'000	31 Dec 2011 $'000
Loss after income tax benefit for the half-year attributable to the owners of Anittel Group Limited	(5,939)	(841)
Interest revenue	(45)	(26)
Finance costs	392	465
Depreciation and amortisation	715	612
Income tax benefit	-	(58)
Normal EBITDA	(4,877)	152
Adjusted for impairment of goodwill	5,000	-
Adjusted EBITDA	123	152

See ASX release for further commentary.

3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets backing per ordinary security	(0.42) cents	(0.57) cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable	
Date control gained		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)		$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)		$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)		$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		$ -

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous corresponding period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding – Current period	Reporting entity's percentage holding – Previous corresponding period	Contribution to profit/(loss) (where material) – Current period	Contribution to profit/(loss) (where material) – Previous corresponding period
Not applicable.	0.00%	0.00%	$ -	$ -
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit(loss) from ordinary activities before income tax			$ -	$ -
Income tax on operating activities			$ -	$ -

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Anittel Group Limited for the half-year ended 31 December 2012 is attached.

12. Signed

Signed: ______________________ Date: 28 February 2013

Justyn Stedwell
Company Secretary
Sydney

Anittel Group Limited

ABN 98 009 805 298

Interim Report - 31 December 2012

Anittel Group Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Anittel Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

The following persons were directors of Anittel Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Kazacos - Executive Chairman
Campbell Corfe
Michael O'Sullivan
John Walters

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- being an IT and telecommunications solutions and service provider offering voice, data, mobility, PBX, and IT services to Australian businesses; and
- being a supplier of telecommunications and information technology goods and services.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $5,939,000 (31 December 2011: $841,000).

The loss for 31 December 2012 of $5,939,000 includes an impairment charge of $5,000,000 to the carrying value of goodwill, intangible assets and property, plant and equipment attached to the IT products business unit.

Total revenue was $26.8 million (31 December 2011: $31.4 million) which is down 15% on the previous year. The decline in revenue is the result of declining sales of computer hardware and software which was partially offset by growth in communications and cloud revenue.

Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') was $123,000 which is a decline over 31 December 2011 where EBITDA was $152,000.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider Adjusted EBITDA to reflect the core earnings of the consolidated entity. The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Anittel and Adjusted EBITDA.

	31 Dec 2012 $'000	31 Dec 2011 $'000
Loss after income tax benefit for the half-year attributable to the owners of Anittel Group Limited	(5,939)	(841)
Interest revenue	(45)	(26)
Finance costs	392	465
Depreciation and amortisation	715	612
Income tax benefit	-	(58)
Normal EBITDA	(4,877)	152
Adjusted for impairment of goodwill	5,000	-
Adjusted EBITDA	123	152

Significant changes in the state of affairs
The consolidated entity has signed an agreement to provide the Tasmanian Government with the consolidated entity's Hosted Cisco Unified Communications service. Subject to successful completion of testing and finalisation of service level agreements, the initial contract term is 5 years with a further 3 x 3 year options to renew the agreement. The value of the contract during the initial 5 year term is a minimum sales value of approximately $7 million and a potential maximum sales value of approximately $17 million.

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

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Kazacos
Executive Chairman

28 February 2013
Sydney

Auditor's Independence Declaration

As lead auditor for the review of Anittel Group Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Manoj Santiago
PricewaterhouseCoopers

28 February 2013

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Anittel Group Limited
Financial report
31 December 2012

Contents

General information

The financial report covers Anittel Group Limited as a consolidated entity consisting of Anittel Group Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Anittel Group Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Anittel Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10
132 Arthur Street
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 February 2013. The directors have the power to amend and reissue the financial report.

Anittel Group Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

	Note	Consolidated 31 Dec 2012 $'000	Consolidated 31 Dec 2011 $'000
Revenue	3	26,771	31,400
Expenses			
Cost of sales		(15,557)	(19,959)
Occupancy		(625)	(706)
Administration		(10,272)	(10,186)
Impairment of assets	4	(5,000)	-
Other expenses		(864)	(983)
Finance costs	4	(392)	(465)
Loss before income tax benefit		(5,939)	(899)
Income tax benefit		-	58
Loss after income tax benefit for the half-year attributable to the owners of Anittel Group Limited		(5,939)	(841)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Anittel Group Limited		(5,939)	(841)
		Cents	**Cents**
Basic earnings per share	10	(0.269)	(0.044)
Diluted earnings per share	10	(0.269)	(0.044)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Anittel Group Limited
Statement of financial position
As at 31 December 2012

	Note	Consolidated 31 Dec 2012 $'000	Consolidated 30 Jun 2012 $'000
Assets			
Current assets			
Cash and cash equivalents		1,541	3,885
Trade and other receivables		5,133	4,709
Inventories		114	153
Other		707	585
Total current assets		7,495	9,332
Non-current assets			
Receivables		214	206
Property, plant and equipment		1,850	1,110
Intangibles	5	10,523	15,259
Total non-current assets		12,587	16,575
Total assets		20,082	25,907
Liabilities			
Current liabilities			
Trade and other payables		5,726	6,279
Borrowings		338	240
Provisions		933	936
Other		1,941	2,338
Total current liabilities		8,938	9,793
Non-current liabilities			
Borrowings		9,692	8,754
Provisions		234	226
Total non-current liabilities		9,926	8,980
Total liabilities		18,864	18,773
Net assets		1,218	7,134
Equity			
Issued capital		56,058	56,058
Other equity		5,200	5,200
Reserves		53	30
Accumulated losses		(60,093)	(54,154)
Total equity		1,218	7,134

The above statement of financial position should be read in conjunction with the accompanying notes

Anittel Group Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Issued capital $'000	Other equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated					
Balance at 1 July 2011	53,012	5,200	-	(46,364)	11,848
Loss after income tax benefit for the half-year	-	-	-	(841)	(841)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(841)	(841)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	1,083	-	-	-	1,083
Balance at 31 December 2011	54,095	5,200	-	(47,205)	12,090

	Issued capital $'000	Other equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated					
Balance at 1 July 2012	56,058	5,200	30	(54,154)	7,134
Loss after income tax benefit for the half-year	-	-	-	(5,939)	(5,939)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(5,939)	(5,939)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	23	-	23
Balance at 31 December 2012	56,058	5,200	53	(60,093)	1,218

The above statement of changes in equity should be read in conjunction with the accompanying notes

Anittel Group Limited
Statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	31 Dec 2012 $'000	**31 Dec 2011 $'000**
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	29,039	33,457
Payments to suppliers and employees (inclusive of GST)	(30,833)	(33,144)
	(1,794)	313
Interest received	37	26
Interest and other finance costs paid	(56)	(59)
Net cash from/(used in) operating activities	(1,813)	280
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	(13)	(25)
Payments for property, plant and equipment	(250)	(155)
Payments for intangibles	(244)	(68)
Proceeds from sale of property, plant and equipment	17	18
Proceeds from release of security deposits	-	70
Net cash used in investing activities	(490)	(160)
Cash flows from financing activities		
Proceeds from issue of shares	-	823
Share issue transaction costs	-	(60)
Proceeds from borrowings	115	247
Repayment of borrowings	(156)	(173)
Net cash from/(used in) financing activities	(41)	837
Net increase/(decrease) in cash and cash equivalents	(2,344)	957
Cash and cash equivalents at the beginning of the financial half-year	3,885	2,629
Cash and cash equivalents at the end of the financial half-year	1,541	3,586

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity 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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following amending Accounting Standard is most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

Going concern

As at 31 December 2012, the consolidated entity had a net asset position of $1,218,000 (30 June 2012: $7,134,000) and cash and cash equivalents of $1,541,000 (30 June 2012: $3,885,000). The consolidated entity also had a negative net current asset position of $1,443,000 (30 June 2012: $461,000).

The consolidated entity also has incurred a loss after tax of $5,939,000 for the half year ended 31 December 2012 which includes an impairment charge of $5,000,000 to the carrying value of Goodwill, Intangible Assets and Property Plant and Equipment attached to the ‘IT Product’ business unit (half year ended 31 December 2011: $841,000). Operating cash flows have been negatively impacted by a decrease in sales of IT hardware & software products at a rate greater than forecast and the relatively high cost base still supporting this reduced revenue stream, with net cash outflows in operating activities for the half year to 31 December 2012 totalling $1,813,000 (31 December 2011: net cash inflow from operating activities totalled $280,000).

The consolidated entity continues to maintain its $1,500,000 line of credit facility from the Commonwealth Bank of Australia (CBA) which remained undrawn at the half year end.

The consolidated entity has also secured an extension on its related party loan of $8,696,000 to 31 December 2014, which clearly demonstrates continued support of the consolidated entity’s business strategy and direction. The consolidated entity has also subsequent to half year end obtained a loan facility for up to $1,500,000 from a related party (Peter and Vicki Kazacos) which will be available to be drawn down if the CBA facility is not available to the consolidated entity and whose terms are that any amounts drawn down are repayable by 30 June 2014.

Note 1. Significant accounting policies (continued)

In response to the declining IT hardware and software revenues, the consolidated entity is implementing a cost reduction strategy in March 2013 to re-align the cost base that supports sales of IT hardware and software products. The consolidated entity is also focused on continuing to grow its capability and revenue in the IP Telephony and Cloud markets.

As a result of the above matters the directors, have prepared the financial report on a going concern basis. At this time, the directors remain confident about the successful achievements of projected targets and the cost reduction strategy and are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 31 December 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker 'CODM') in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, and the nature of the service provided. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregate operating segments determined by similarity of the products sold and services provided, as these are the sources in the consolidated entity's major risks and have the most effect on the rates of return.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Telecommunication services	The consolidated entity provides Telecommunications services via its private national carrier network and hosting infrastructure. These services include fixed line and hosted voice, Internet and Data and cloud technology services. These services are an increasingly significant revenue stream for the consolidated entity, proving recurring high margin revenue and potential for further market growth.
IT products and services	The consolidated entity provides IT support services that include the procurement, installation and on-going management of hardware and software products. This includes tailored support services for PCs, Mobile Computing, Server & Storage, Phone Systems, Networking, Printing, Licensing, Software Development, Security and Power & Cooling. Revenue is a combination of product sales, ad-hoc support, project implementation, consultation and long term recurring managed services contracts.

All corporate expenses for the consolidated entity have been allocated to both of the operating segments in proportion to revenue, headcount and volume of transactions.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2012	Telecommun-ications services $'000	IT products and services $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	7,199	19,343	-	26,542
Total sales revenue	7,199	19,343	-	26,542
Other revenue	-	229	-	229
Total revenue	7,199	19,572	-	26,771
Adjusted EBITDA	75	48	-	123
Depreciation and amortisation				(715)
Impairment of assets				(5,000)
Interest revenue				45
Finance costs				(392)
Loss before income tax expense				(5,939)
Income tax expense				-
Loss after income tax expense				(5,939)
Assets				
Segment assets	9,610	10,472	-	20,082
Total assets				20,082
Total assets includes:				
Acquisition of non-current assets	1,273	452	-	1,725
Liabilities				
Segment liabilities	5,073	13,791	-	18,864
Total liabilities				18,864

Consolidated - 31 Dec 2011	Telecommun-ications services $'000	IT products and services $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	5,643	25,487	-	31,130
Total sales revenue	5,643	25,487	-	31,130
Other revenue	5	265	-	270
Total revenue	5,648	25,752	-	31,400
EBITDA	228	(76)	-	152
Depreciation and amortisation				(612)
Interest revenue				26
Finance costs				(465)
Loss before income tax benefit				(899)
Income tax benefit				58
Loss after income tax benefit				(841)

Note 3. Revenue

	Consolidated	
	31 Dec 2012 $'000	**31 Dec 2011 $'000**
Sales revenue		
Sale of goods	12,551	18,319
Rendering of services	13,991	12,811
	26,542	31,130
Other revenue		
Interest	45	26
Other revenue	184	244
	229	270
Revenue	26,771	31,400

Note 4. Expenses

	Consolidated	
	31 Dec 2012 $'000	**31 Dec 2011 $'000**
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	32	4
Plant and equipment	-	5
Motor vehicles under lease	32	43
Computer equipment	227	129
Office equipment	61	96
Total depreciation	352	277
Amortisation		
Software	152	140
Customer contracts	211	195
Total amortisation	363	335
Total depreciation and amortisation	715	612
Impairment		
Property, plant and equipment	204	-
Goodwill	3,796	-
Software	300	-
Customer contracts	700	-
Total impairment	5,000	-

Note 4. Expenses (continued)

	Consolidated	
	31 Dec 2012 $'000	**31 Dec 2011 $'000**
Finance costs		
Bank fees and charges	32	43
Other loans	360	421
Finance charges payable under finance leases	-	1
Finance costs expensed	392	465
Rental expense relating to operating leases		
Minimum lease payments	519	637
Superannuation expense		
Defined contribution superannuation expense	631	630
Share-based payments expense		
Share-based payments expense	23	-
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	8,076	8,101

Note 5. Non-current assets - intangibles

	Consolidated	
	31 Dec 2012 $'000	**30 Jun 2012 $'000**
Goodwill - at cost	40,608	40,608
Less: Impairment	(33,667)	(29,871)
	6,941	10,737
Software - at cost	2,326	1,903
Less: Accumulated amortisation	(884)	(732)
Less: Impairment	(300)	-
	1,142	1,171
Customer contracts - at cost	4,227	4,227
Less: Accumulated amortisation	(1,087)	(876)
Less: Impairment	(700)	-
	2,440	3,351
	10,523	15,259

Note 5. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out

	Goodwill $'000	Software $'000	Customer contracts $'000	Total $'000
Consolidated				
Balance at 1 July 2012	10,737	1,171	3,351	15,259
Additions	-	423	-	423
Impairment of assets	(3,796)	(300)	(700)	(4,796)
Amortisation expense	-	(152)	(211)	(363)
Balance at 31 December 2012	6,941	1,142	2,440	10,523

Impairment tests for goodwill

Description of the cash generating units and other relevant information
Goodwill acquired through business combinations have been allocated to two individual cash generating units ('CGUs') according to operating segment.

A segment-level summary of the goodwill allocation is presented below:

	Consolidated	
	31 Dec 2012 $'000	**30 Jun 2012 $'000**
Telecommunications services	6,941	6,942
IT products and services	-	3,795
	6,941	10,737

Impairment charge
An impairment charge of $5,000,000 (30 June 2012: $7,500,000) was taken against the IT product and services business. This is made up of $3,796,000 to Goodwill and the remaining $1,204,000 will be apportioned under AASB 136 as follows $700,000 to Customer contracts, $300,000 to Software and $204,000 to Property, plant and equipment.

No impairment charge was required for the Telecommunication services as the consolidated entity has continued to grow and expand its data and cloud technology services.

All information required for the impairment testing was calculated in accordance AASB 136, the cashflow projections provided as part of the impairment testing were based on a point in time requirement under the standard which specifically excludes any future internal initiatives that has not been implemented or committed to as at 31 December 2012.

Note 6. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 7. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2012 or 31 December 2011.

Note 8. Related party transactions

Parent entity
Anittel Group Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2012 $	**31 Dec 2011 $**
Sale of goods and services:		
Sale of goods and services to Roses Only, an entity in which Peter Kazacos is a director.	23,595	28,279
Sale of goods and services to Advanced Surgical Design & Manufacture Limited, an entity in which Peter Kazacos is a director.	41,655	34,132
Sale of goods and services to Law Corporation Pty Limited, an entity in which Peter Kazacos is a director.	360	1,225
Sale of goods and services to Nextgen Distribution Pty Ltd, an entity in which John Walters is a director.	23,206	30,487
Payment for other expenses:		
Interest payable on director loan	251,969	243,213
Interest payable on convertible loan notes	78,817	178,152
Consulting fees paid to John Walters, a non-executive director	-	33,858
Legal fees paid to Law Corporation Pty Limited, an entity in which Peter Kazacos is a director	19,580	27,683
Other expenses paid to Kpower Café, an entity in which Peter Kazacos is a director.	3,072	-
Other transactions:		
Advisory fees paid to Kaz Capital Pty Limited, an entity in which Peter Kazacos is a director.	22,000	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2012 $	**30 Jun 2012 $**
Current receivables:		
Trade receivables from Roses Only, an entity in which Peter Kazacos is a director.	7,649	11,089
Trade receivables from Advanced Surgical Design & Manufacture Limited, an entity in which Peter Kazacos is a director.	13,695	6,547
Trade receivables from Law Corporation Pty Limited, an entity in which Peter Kazacos is a director.	132	522
Trade receivables from Nextgen Distribution Pty Ltd, an entity in which John Walters is a director.	396	4,581

Note 8. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 Dec 2012 $	**30 Jun 2012 $**
Non-current borrowings:		
Convertible note payable from director including interest	1,507,657	1,429,000
Loan from director including interest	7,187,741	6,936,000

As at 31 December 2012, the loan from director, as detailed above, is due and payable on 31 December 2014.

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

Note 9. Events after the reporting period

On 16 January 2013 the consolidated entity announced that it had completed the provisioning of its first commercial National Broadband Network ('NBN') to Armidale Dumaresq Local Council. The consolidated entity is in discussion with other Local Governments and other business groups to assess NBN connectivity service options.

On 29 January 2013 the consolidated entity announced that it had entered into an exclusive Dealing Agreement with James Cook University for the commercialisation and development of its Tropical Knowledge & Innovation Centre ('TKIC'). The proposed multi storage data centre facility will be the largest of its kind in Northern Queensland and its development will provide value to revenue to the consolidated entity from day 1.

Subsequent to half year end, the Commonwealth Bank of Australia ('CBA') has waived the compliance requirement to test the covenants related to the line of credit facility as at 31 December 2012. Whilst the facility was undrawn by the consolidated entity at 31 December 2012, a covenant attached the facility was in breach at the half year end.

The consolidated entity has also subsequent to the half year end obtained a loan facility for up to $1,500,000 from a related party (Peter and Vicki Kazacos) which will be available to be drawn down if the CBA facility is not available to the consolidated entity and whose terms are that any amount drawn down are repayable by 30 June 2014.

All announcements demonstrate the consolidated entity's continued commitment in cloud technology and in regional Australia.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 10. Earnings per share

	Consolidated	
	31 Dec 2012 $'000	**31 Dec 2011 $'000**
Loss after income tax attributable to the owners of Anittel Group Limited	(5,939)	(841)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,211,238,296	1,923,465,177
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,211,238,296	1,923,465,177
	Cents	**Cents**
Basic earnings per share	(0.269)	(0.044)
Diluted earnings per share	(0.269)	(0.044)

Note 11. Comparatives

Comparative information for the half-year ended 31 December 2011 has been restated to be in-line with disclosure in the consolidated entity's annual report. This has only resulted in reclassification of expense items in the statement of comprehensive income and rounding to the nearest thousand dollars ($'000) in accordance with Class Order 98/100.

Anittel Group Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Peter Kazacos
Executive Chairman

28 February 2013
Sydney

Independent auditor's review report to the members of Anittel Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Anittel Group Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Anittel Group Limited (the consolidated entity). The consolidated entity comprises both Anittel Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Anittel Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Manoj Santiago
Partner

Sydney
28 February 2013