

# **Axxis Technology Group Ltd**

**ABN 98 009 805 298**

**Annual Report - 30 June 2016**

**Axxis Technology Group Ltd**

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**30 June 2016**

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**Axxis Technology Group Ltd**  
**Corporate directory**  
**30 June 2016**

Directors	Peter Kazacos - Chairman Chris Calamos Justyn Stedwell
Company secretary	Justyn Stedwell
Registered office and principal place of business	Suite 113 Jones Bay Wharf 26-32 Pirrama Road Pyrmont NSW 2009 Telephone: 02 8542 5415
Share register	Computershare Investor Services Pty Limited Level 11 172 St George's Terrace Perth WA 6000 Telephone: 1300 787 272
Auditor	Crowe Horwath Sydney Level 15 1 O'Connell Street Sydney NSW 2000
Stock exchange listing	Axxis Technology Group Ltd shares are listed on the Australian Securities Exchange (ASX code: AYG)
Website	<a href="http://www.axxis.com">www.axxis.com</a>
Corporate Governance Statement	<p>The Company's directors and management are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Company's operations.</p> <p>The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.</p> <p>The Company's Corporate Governance Statement and policies, which will be approved at the same time as the Annual Report, can be found on its website: <a href="http://www.axxis.com/corporate-governance">www.axxis.com/corporate-governance</a></p>

**Axxis Technology Group Ltd**  
**Chairman's letter**  
**30 June 2016**

Since the sale of all of Axxis' operating businesses to Inabox Group Limited (ASX: IAB) which completed on 1 January 2015, the company has pursued the Board's objective of seeking out suitable business asset to acquire that would add further value to Axxis shareholders.

Over the last twelve months, the Directors have conducted an extensive search of the market and performed detailed reviews of numerous companies that appeared to meet the targeted criteria.

There were a few instances where suitable targets were identified and engaged. This then led to varying levels of due diligence activities, legal reviews and execution of non-binding heads of agreement.

Unfortunately, these opportunities did not continue due to various reasons, including, in one instance where the target company withdrew from the process and in a separate instance, we determined, after further due diligence, the target company did not meet our criteria.

The Directors continue the search for a suitable company to acquire

I would like to thank our shareholders and fellow Directors for their continued support as we continue to reposition the company.



Peter Kazacos  
Chairman

29 August 2016

**Axxis Technology Group Ltd**  
**Directors' report**  
**30 June 2016**

The directors present their report, together with the financial statements, on the Company (referred to hereafter as the 'Company' or 'parent entity') for the year ended 30 June 2016 basis.

**Directors**

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Kazacos - Chairman  
Chris Calamos  
Justyn Stedwell  
Campbell Corfe

Appointed on 30 March 2016  
Resigned on 30 March 2016

**Principal activities**

During the financial year, the principal continuing activities of the Company consisted of an investment company continuing a wider search for acquisition opportunities that would enable the Company to re-commence active trading in a profitable business sector(s). In addition, the Company provided executive professional services to customers.

**Dividends**

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

**Review of operations**

The loss for the Company after providing for income tax amounted to \$351,288 (30 June 2015: profit of \$1,127,514).

As outlined in the Company's report as at 30 June 2015, the Directors had determined the best course of action for the Company was to seek a suitable company that was adequately capitalised with which to merge its operating business. To that end, over the last twelve months, the Directors have conducted an extensive search of the market and performed detailed reviews of numerous companies that met the targeted criteria.

In one particular case, there was extensive due diligence performed on a company which also included a thorough legal review and negotiation resulting in a non-binding heads of agreement being executed. Unfortunately this opportunity did not proceed further as the target company withdrew from the transaction.

In a subsequent case, there was again due diligence activities performed on a company which again included a legal review and resulted in a non-binding heads of agreement being executed. This opportunity did not proceed after further due diligence revealed the target company did not meet the Company's criteria.

The Directors continue the search for a suitable company to acquire.

During the financial year to 30 June 2016, the Company provided executive professional services to customers resulting in revenues totalling \$67,890.

As at 30 June 2016, the Company had:

- No loans owing and no employees;
- A cash balance of \$354,854;
- Current liabilities of \$50,740; and
- Other receivables of \$15,630.

Current operating costs consist of administration costs, consultant costs in relation to professional service revenue, compliance and advisory costs in support of the company's objective to acquire suitable business assets that would add significantly value to Axxis shareholders.

**Significant changes in the state of affairs**

As part of simplifying the Company's structure, the directors took a decision to deregister all of the Company's subsidiaries as they were all inactive entities with no net assets. Such deregistration took effect on 30 September 2015.

There were no other significant changes in the state of affairs of the Company during the financial year.

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

### **Likely developments and expected results of operations**

The Company continues to seek suitable business assets to acquire.

### **Environmental regulation**

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### **Information on directors**

**Name:** Peter Kazacos  
**Title:** Chairman and Managing Director  
**Qualifications:** Bachelor of Electrical Engineering and Bachelor of Science (Applied Mathematics and Computer Science) from the University of New South Wales ('UNSW')  
**Experience and expertise:** Peter has over 40 years' experience in the IT industry. He founded KAZ Technology in 1988, guided it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Group Limited, building it into one of Australia's leading IT&T service providers operating outside the major metropolitan areas, leading to its acquisition in 2010 by the Company, representing a major strategic milestone in the transformation and convergence of the IT&T industry. Prior to founding KAZ Technology and Anittel Group Limited, Peter held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Peter has been inducted into the Hall of Fame at both the IT&T Awards and ARN IT Industry Awards and is the recipient of the prestigious CSIRO Tony Benson Award for Individual Achievement in ICT.  
**Other current directorships:** Chairman of Allegra Orthopaedics Limited (ASX: AMT)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chairman of the Remuneration Committee and chairman of the Audit Committee  
**Interests in shares:** 881,078,704 ordinary shares (including related party holdings)

**Name:** Chris Calamos  
**Title:** Non-Executive Director  
**Qualifications:** Bachelor of Business degree (UTS), CPA (Australia)  
**Experience and expertise:** Chris' career spans 25 years in the ICT industry where he has held senior finance roles in a broad range of companies including venture capital backed 'start-ups', an ASX listed entity and US based global corporation with Asia Pacific responsibility. For 3 1/2 years until December 2014 Chris has acted as the Chief Financial Officer of Axxis Technology Group Ltd (formerly Anittel Group Limited) and was actively involved in the integration of acquired companies, business strategy, divestments and capital raising initiatives. Prior to this, he was Asia Pacific Finance Director for US multinational, TIBCO Software Inc., a position held for almost 6 years. During this time, Chris was responsible for finance operations of TIBCO offices in 7 countries throughout Asia Pacific and Japan. Prior to TIBCO Chris spent 5 years at Retriever Communications as Finance Director where he was involved with strategy, capital raising and business development with key partners. Chris has also held senior finance roles at StorageTek Inc., and Lexmark International (Australia).  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Remuneration Committee and member of the Audit Committee  
**Interests in shares:** None

**Axxis Technology Group Ltd**  
**Directors' report**  
**30 June 2016**

Name: Justyn Stedwell (appointed on 30 March 2016)  
Title: Non-Executive Director  
Qualifications: Bachelor of Business and Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and a Graduate Certificate of Applied Finance with Kaplan Professional.  
Experience and expertise: Justyn has over nine years' experience as a Company Secretary of ASX listed companies. He is also the Company Secretary of ASX listed companies Rhinomed Limited, Motopia Limited, Imugene Limited, Wonhe Multimedia Commerce Limited, Rectifier Technologies Limited, Manalto Limited and Lanka Graphite Limited.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Company Secretary, member of the Remuneration Committee and member of the Audit Committee  
Interests in shares: 765,000 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

**Company secretary**

Justyn Stedwell is the Company Secretary. Refer to 'Information on directors' above for his experience and expertise.

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board Attended	Held	Remuneration Committee Attended	Held	Audit Committee Attended	Held
Peter Kazacos	11	11	-	-	2	2
Chris Calamos	11	11	-	-	2	2
Justyn Stedwell	3	3	-	-	1	1
Campbell Corfe	8	8	-	-	1	1

Held: represents the number of meetings held during the time the director held office.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the director and Key Management Personnel ('KMP') remuneration arrangements for the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purpose of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Company.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to KMP

***Principles used to determine the nature and amount of remuneration***

*Remuneration philosophy*

The performance of the Company depends upon the quality of its directors and KMP. To prosper, the Company must attract, motivate and retain highly skilled directors and KMP. To this end, the Company embodies the following principles in its remuneration framework:

- Provide reward packages that are attractive to high calibre KMP; and
- Link executive rewards to shareholder value.

*Remuneration committee*

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and other KMP. In consultation with external remuneration professionals, where deemed necessary, the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration for directors and KMP on a periodic basis by reference to:

- relevant employment market conditions;
- the current financial state of the Company with the overall objective of ensuring maximum stakeholder benefit; and
- the retention of a high quality Board and executive team.

*Remuneration structure*

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate and distinct.

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each non-executive director receives a fee for being a director of the Company. Presently an additional fee is paid to a non-executive director for chairing the Remuneration Committee and Audit Committee.

ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 November 2005, where the shareholders approved an aggregate amount payable to non-executive directors to not exceed \$200,000 per year. The amount of aggregated remuneration sought to be approved by shareholders and the manner in which it is apportioned is reviewed annually.

*Executive remuneration*

The Company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The KMP remuneration and reward framework has three components:

- reward KMP for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

The combination of these comprises the KMP's total remuneration.

*Fixed remuneration*

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the Company and comparable market remunerations.

*Use of remuneration consultants*

During the financial year ended 30 June 2016, the Company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve them.

**Axxis Technology Group Ltd**  
**Directors' report**  
**30 June 2016**

*Voting and comments made at the Company's 2015 Annual General Meeting ('AGM')*

99.87% of eligible votes received by the Company at the November 2015 AGM were in favour of the adoption of the remuneration report for the year ended 30 June 2015.

***Details of remuneration***

The KMP of the Company consisted of the following directors of Axxis Technology Group Ltd:

- Peter Kazacos - Chairman
- Chris Calamos
- Justyn Stedwell (appointed on 30 March 2016)
- Campbell Corfe (resigned on 30 March 2016)

***Amounts of remuneration***

Details of the remuneration of KMP of the Company are set out in the following tables:

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Bonus \$	Termination payments \$	Super-annuation and retirement \$	Long-service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>							
C Calamos	25,000	-	-	-	-	-	25,000
J Stedwell***	5,000	-	-	-	-	-	5,000
C Corfe**	22,330	-	-	-	-	-	22,330
<i>Executive Directors:</i>							
P Kazacos*	32,667	-	-	-	-	-	32,667
<i>Other Key Management Personnel:</i>							
J Stedwell***	17,662	-	-	-	-	-	17,662
	<u>102,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,659</u>

\* Peter Kazacos is paid as a consultant through a company, KPower Pty Limited.

\*\* Remuneration is disclosed to date of cessation as a KMP effective 30 March 2016.

\*\*\* Transferred from other KMP to Non-Executive Director effective 30 March 2016.

**Axxis Technology Group Ltd**  
**Directors' report**  
**30 June 2016**

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Termination payments	Super-annuation and retirement	Long-service leave	
2015	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
C Corfe	42,619	-	-	-	-	42,619
C Calamos***	66,129	-	-	-	-	66,129
M O'Sullivan**	45,000	-	-	2,375	-	47,375
J Walters**	25,000	-	-	-	-	25,000
<i>Executive Directors:</i>						
P Kazacos*	85,000	-	-	-	-	85,000
<i>Other Key Management Personnel:</i>						
C Calamos***	77,876	-	134,259	9,392	14,301	235,828
J Stedwell	29,692	-	13,289	1,662	808	45,451
R Pickering**	73,728	15,000	134,529	9,392	7,000	239,649
A Cottrill**	77,167	-	39,085	8,902	7,615	132,769
D McGill**	70,971	24,000	-	8,573	4,654	108,198
	593,182	39,000	321,162	40,296	34,378	1,028,018

\* Peter Kazacos is paid as a consultant through a company, KPower Pty Limited.

\*\* Remuneration is disclosed from date of appointment/to date of cessation as a KMP.

\*\*\* Transferred from other KMP to Non-Executive Director effective 1 January 2015.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Chris Calamos	100%	100%	-	-	-	-
Justyn Stedwell*	100%	100%	-	-	-	-
Campbell Corfe	100%	100%	-	-	-	-
Michael O'Sullivan	-	100%	-	-	-	-
John Walters	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Peter Kazacos	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Robert Pickering	-	94%	-	6%	-	-
Andrew Cottrill	-	100%	-	-	-	-
David McGill	-	78%	-	22%	-	-

\* The comparative is for the period in which Justyn was classified as other KMP

**Axxis Technology Group Ltd**  
**Directors' report**  
**30 June 2016**

The proportion of the cash bonus paid and forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2016	2015	2016	2015
<i>Other Key Management Personnel:</i>				
Robert Pickering	-	100%	-	-
Dave McGill	-	100%	-	-

**Service agreements**

There are no executives or KMP under service agreements at 30 June 2016.

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2016.

*Options*

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2016.

**Additional disclosures relating to KMP**

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of KMP of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other **	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Kazacos *	881,078,704	-	-	-	881,078,704
Campbell Corfe *	78,500,000	-	-	(78,500,000)	-
Justyn Stedwell	765,000	-	-	-	765,000
	<u>960,343,704</u>	<u>-</u>	<u>-</u>	<u>(78,500,000)</u>	<u>881,843,704</u>

\* Shareholding includes related party holding

\*\* Disposals/other signifies no longer a KMP, not necessarily a disposal of holding

***This concludes the remuneration report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

#### **Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

#### **Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

#### **Officers of the Company who are former partners of Crowe Horwath Sydney**

There are no officers of the Company who are former partners of Crowe Horwath Sydney.

#### **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 immediately after this directors' report.

#### **Auditor**

Crowe Horwath Sydney continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Kazacos  
Executive Chairman

29 August 2016  
Sydney

29 August 2016

The Board of Directors  
Axxis Technology Group Ltd  
Suite 113, Jones Bay Wharf  
26-32 Pirrama Road  
PYRMONT NSW 2009

Dear Board Members

### **Axxis Technology Group Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Axxis Technology Group Ltd.

As lead audit partner for the audit of the financial statements of Axxis Technology Group Ltd for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely



**CROWE HORWATH SYDNEY**



**JOHN HAYDON**

Partner

**Axxis Technology Group Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Revenue</b>	6	68,537	70,249
Other income	7	-	5,830,580
<b>Expenses</b>			
Cost of sales		(68,676)	(117,198)
Occupancy		(12,429)	(6,000)
Administration		(178,766)	(131,954)
Other expenses	8	(159,584)	(74,226)
Finance costs		(370)	(560)
<b>Operating (loss)/profit</b>		(351,288)	5,570,891
Loss on wind-up of subsidiaries		-	(4,443,377)
<b>(Loss)/profit before income tax expense</b>		(351,288)	1,127,514
Income tax expense	9	-	-
<b>(Loss)/profit after income tax expense for the year attributable to the owners of Axxis Technology Group Ltd</b>	16	(351,288)	1,127,514
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive (loss)/income for the year attributable to the owners of Axxis Technology Group Ltd</b>		<u>(351,288)</u>	<u>1,127,514</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	25	(0.014)	0.044
Diluted earnings per share	25	(0.014)	0.044

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Axxis Technology Group Ltd**  
**Statement of financial position**  
**As at 30 June 2016**

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	354,854	589,748
Trade and other receivables	11	15,630	150,000
Total current assets		<u>370,484</u>	<u>739,748</u>
<b>Total assets</b>		<u>370,484</u>	<u>739,748</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	50,740	68,716
Total current liabilities		<u>50,740</u>	<u>68,716</u>
<b>Total liabilities</b>		<u>50,740</u>	<u>68,716</u>
<b>Net assets</b>		<u>319,744</u>	<u>671,032</u>
<b>Equity</b>			
Issued capital	13	51,197,154	51,197,154
Other equity	14	-	5,200,000
Share-based payments reserve	15	-	10,000
Accumulated losses	16	<u>(50,877,410)</u>	<u>(55,736,122)</u>
<b>Total equity</b>		<u>319,744</u>	<u>671,032</u>

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

**Axxis Technology Group Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

	Issued capital \$	Other equity \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	57,351,000	5,200,000	10,000	(56,863,636)	5,697,364
Profit after income tax expense for the year	-	-	-	1,127,514	1,127,514
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,127,514	1,127,514
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 13)	(6,153,846)	-	-	-	(6,153,846)
Balance at 30 June 2015	<u>51,197,154</u>	<u>5,200,000</u>	<u>10,000</u>	<u>(55,736,122)</u>	<u>671,032</u>
	Issued capital \$	Other equity \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	51,197,154	5,200,000	10,000	(55,736,122)	671,032
Loss after income tax expense for the year	-	-	-	(351,288)	(351,288)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(351,288)	(351,288)
<i>Transactions with owners in their capacity as owners:</i>					
Transfers	-	(5,200,000)	(10,000)	5,210,000	-
Balance at 30 June 2016	<u>51,197,154</u>	<u>-</u>	<u>-</u>	<u>(50,877,410)</u>	<u>319,744</u>

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

**Axxis Technology Group Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		57,476	1,077,825
Payments to suppliers and employees (inclusive of GST)		<u>(442,000)</u>	<u>(945,332)</u>
		(384,524)	132,493
Interest received		-	33,550
Other revenue		-	52,025
Interest and other finance costs paid		<u>(370)</u>	<u>(560)</u>
Net cash (used in)/from operating activities	24	<u>(384,894)</u>	<u>217,508</u>
<b>Cash flows from investing activities</b>			
Net proceeds from disposal of business		150,000	281,100
Proceeds from release of security deposits		<u>-</u>	<u>91,140</u>
Net cash from investing activities		<u>150,000</u>	<u>372,240</u>
<b>Cash flows from financing activities</b>			
Net cash from financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(234,894)	589,748
Cash and cash equivalents at the beginning of the financial year		<u>589,748</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>354,854</u></u>	<u><u>589,748</u></u>

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

### **Note 1. General information**

The financial statements cover Axxis Technology Group Ltd as a Company consisting of Axxis Technology Group Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Axxis Technology Group Ltd's functional and presentation currency.

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

Suite 113  
Jones Bay Wharf  
26-32 Pirrama Road  
Pyrmont NSW 2009

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2016. The directors have the power to amend and reissue the financial statements.

### **Note 2. Presentation of financial statements**

As noted in the 30 June 2015 Annual Report, the Company disposed of its consolidated business during the financial year ended 30 June 2015 and figures presented were disclosed as a discontinued operation of the Consolidated Entity's business. As the Company is continuing, the comparatives in these financial statements have been presented as a continuation of the Company, and therefore only represent the parent entity balances.

Comparatives in these financial statements have also been reclassified and restated, where necessary, to align with the current period presentation.

### **Note 3. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The Company 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 Company during the financial year ended 30 June 2016. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **Going concern**

As at 30 June 2016, the Company had cash and cash equivalents of \$354,854 (30 June 2015: \$589,748) and has a net current asset position of \$319,744 (30 June 2015: \$671,032). Loss for the year was \$351,288 (30 June 2015: profit of \$1,127,514).

The Company's operating costs primarily consist of administration costs, consultant costs in relation to professional service revenues, compliance and advisory costs in support of the Company's objective to acquire suitable business assets that would add significant value to the Company's shareholders.

Considering matters outlined above, the directors of the Company are of the view the entity will continue as a going concern as there is sufficient cash available to the entity to cover minimal operating expenses associated with maintaining the current level of activity for at least 12 months from approval of these financial statements.

### **Note 3. Significant accounting policies (continued)**

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

#### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Rendering of services*

Rendering of professional services are recognised once the delivery of the service to the customer has taken place and there is a valid contract between the parties. The customer is billed in arrears or in accordance with the contract between the parties.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

#### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

### **Note 3. Significant accounting policies (continued)**

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

#### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Trade and other receivables**

Other receivables are recognised at fair value, less any provision for impairment.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

### **Note 3. Significant accounting policies (continued)**

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### **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.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

#### **Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Axxis Technology Group Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

**Note 3. Significant accounting policies (continued)**

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that 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. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 and the impact of its adoption is expected to be minimal.

**Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future balances.

**Note 5. Operating segments**

*Identification of reportable operating segments*

The information reported to the Board of Directors (being the Chief Operating Decision Makers ('CODM')), are the results as shown in the statement of profit or loss and other comprehensive income and statement of financial position.

The directors have determined that there are no operating segments identified for the year which are considered separately reportable.

*Major customers*

During the year ended 30 June 2016 approximately \$66,690 (2015: \$30,105) of the Company's external revenue was derived from services rendered to one party.

**Note 6. Revenue**

	2016 \$	2015 \$
<i>Sales revenue</i>		
Rendering of services	67,890	36,699
<i>Other revenue</i>		
Interest	-	33,550
Other revenue	647	-
	<u>647</u>	<u>33,550</u>
Revenue	<u><u>68,537</u></u>	<u><u>70,249</u></u>

**Note 7. Other income**

	2016 \$	2015 \$
Loan forgiveness	-	5,778,555
Vendor rebates	-	52,025
Other income	-	5,830,580
	<u><u>-</u></u>	<u><u>5,830,580</u></u>

**Note 8. Other expenses**

	2016 \$	2015 \$
Legal fees for due diligence	85,000	25,000
Consulting fees	43,099	35,000
Audit fee, tax, financial statements preparation fees and other expenses	31,485	14,226
Other expenses	<u><u>159,584</u></u>	<u><u>74,226</u></u>

**Note 9. Income tax expense**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss)/profit before income tax expense	(351,288)	1,127,514
Tax at the statutory tax rate of 30%	(105,386)	338,254
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	-	152,325
Current year tax losses not recognised	(105,386)	490,579
Prior year tax losses not recognised now recouped	105,386	-
	-	(490,579)
Income tax expense	-	-
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	45,142,978	44,791,690
Potential tax benefit @ 30%	13,542,893	13,437,507

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Unused tax losses are extracted from the most recent tax returns.

**Note 10. Current assets - cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	-	3,200
Cash at bank	354,854	586,548
	<b>354,854</b>	<b>589,748</b>

**Note 11. Current assets - trade and other receivables**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Other receivables	15,630	150,000

*Impairment of receivables*

The Company has recognised a net recovery of \$nil (2015: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

*Past due but not impaired*

Other receivables do not contain impaired assets and are not past due.

**Note 12. Current liabilities - trade and other payables**

	2016 \$	2015 \$
Accruals	-	13,177
Other payables	50,740	55,539
	<u>50,740</u>	<u>68,716</u>

Refer to note 18 for further information on financial instruments.

**Note 13. Equity - issued capital**

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares - fully paid	<u>2,560,406,871</u>	<u>2,560,406,871</u>	51,197,154	51,197,154

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	2,560,406,871		57,351,000
In-specie distribution	5 January 2015	-		(6,153,846)
Balance	30 June 2015	<u>2,560,406,871</u>		51,197,154
Balance	30 June 2016	<u>2,560,406,871</u>		<u>51,197,154</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*In-specie distribution*

On 2 January 2015 in accordance with a special resolution passed by the shareholders at the Company AGM the \$6,153,846 Inabox Group Limited consideration shares received were distributed to the Company's shareholders by way of in-specie share distribution.

*Options*

There were no (2015: 2,000,000) options over ordinary shares at 30 June 2016. The 2015 options expired during the current financial year.

*Capital risk management*

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Note 13. Equity - issued capital (continued)**

The Company is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

**Note 14. Equity - other equity**

	2016 \$	2015 \$
Other equity	-	5,200,000

*Other equity*

As part of the consideration for the purchase of Anittel Group Limited on 16 April 2010, Flaxton Hunter Pty Limited transferred 100,000,000 ordinary shares and 50,000,000 1 cent options to Anittel shareholders at an acquisition-date fair value of 3.8 cents per ordinary share and 2.8 cents per 1 cent option representing the other equity balance of \$5,200,000. The options lapsed on 22 June 2014.

**Note 15. Equity - share-based payments reserve**

	2016 \$	2015 \$
Share-based payments reserve	-	10,000

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 16. Equity - accumulated losses**

	2016 \$	2015 \$
Accumulated losses at the beginning of the financial year	(55,736,122)	(56,863,636)
(Loss)/profit after income tax expense for the year	(351,288)	1,127,514
Transfer from other equity	5,200,000	-
Transfer from share-based payments reserve	10,000	-
Accumulated losses at the end of the financial year	<u>(50,877,410)</u>	<u>(55,736,122)</u>

**Note 17. Equity - dividends**

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

**Note 18. Financial instruments**

***Financial risk management objectives***

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company'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 Company. The Company 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 ageing analysis for credit risk.

Risk management is carried out by the Board of Directors ('the Board') and includes identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

**Note 18. Financial instruments (continued)**

**Market risk**

*Foreign currency risk*

The Company is not significantly exposed to any foreign currency risk fluctuations.

*Price risk*

The Company is not exposed to any significant price risk.

*Interest rate risk*

An interest rate movement of +1%/-1% (100 basis points) (2015: +1%/-1%) would have a positive/adverse effect on profit or loss by \$3,549 (2015: \$5,865).

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash at banks that earns or charges floating interest rates based on the daily bank deposit rates. The carrying value of the cash at banks and short term deposits approximate their fair values.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Company.

**Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>2016</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Other payables	-	50,740	-	-	-	50,740
Total non-derivatives		50,740	-	-	-	50,740

**Note 18. Financial instruments (continued)**

<b>2015</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Other payables	-	55,057	-	-	-	55,057
Total non-derivatives		<u>55,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,057</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 19. Fair value measurement**

The carrying amounts of trade and other receivables, trade and other payables and financial liabilities are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Note 20. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	<b>2016</b> \$	<b>2015</b> \$
Short-term employee benefits	102,659	632,182
Post-employment benefits	-	40,296
Long-term benefits	-	34,378
Termination benefits	-	321,162
	<u>102,659</u>	<u>1,028,018</u>

**Note 21. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Crowe Horwath Sydney, the auditor of the Company:

	<b>2016</b> \$	<b>2015</b> \$
<i>Audit services - Crowe Horwath Sydney (2015: PricewaterhouseCoopers)</i>		
Audit or review of the financial statements	<u>16,000</u>	<u>85,000</u>
<i>Other services - Crowe Horwath Sydney (2015: PricewaterhouseCoopers)</i>		
Taxation services	<u>-</u>	<u>3,000</u>
	<u>16,000</u>	<u>88,000</u>

**Note 22. Contingent liabilities**

The Company has no contingent liabilities at 30 June 2016 or 30 June 2015.

**Note 23. Related party transactions**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	2016 \$	2015 \$
Sale of goods and services:		
Professional services charged to Allegra Orthopaedics Limited *	66,690	30,105
Professional services charged to Retriever Communications Pty Ltd *	1,200	-
Payment for other expenses:		
Legal fees paid to Law Corporation Pty Limited *	85,000	-
Office rent paid to Kazacos Industries Pty Ltd *	11,429	-
Administration services paid to K Power Pty Ltd *	25,000	-
Professional Services paid to Kazacos Industries Pty Ltd *	31,260	-
Professional Services paid to C-CAL Consulting **	21,000	-
Consulting fees paid to C-CAL Consulting **	55,107	35,000
Consulting fees paid to 5th Management ***	13,018	-

\* An entity in which Peter Kazacos is a director

\*\* An entity in which Chris Calamos is the principal

\*\*\* An entity in which Campbell Corfe is a director

*Receivable from and payable to related parties*

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

	2016 \$	2015 \$
Current receivables:		
Receivables from Allegra Orthopaedics Limited *	17,193	-
Current payables:		
Administration fees to Kazacos Industries Pty Ltd *	5,000	-
Consulting fees to C-CAL Consulting **	1,200	-
Professional services to Kazacos Industries Pty Ltd *	15,630	-
Office rent paid to Kazacos Industries Pty Ltd *	1,000	-

\* An entity in which Peter Kazacos is a director

\*\* An entity in which Chris Calamos is the principal

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

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

**Note 24. Reconciliation of (loss)/profit after income tax to net cash from/(used in) operating activities**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(Loss)/profit after income tax expense for the year	(351,288)	1,127,514
Adjustments for:		
Loan forgiveness	-	(5,778,555)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	134,370	5,480,833
Decrease in trade and other payables	(17,976)	(612,284)
Decrease in other operating liabilities	(150,000)	-
Net cash from/(used in) operating activities	<u>(384,894)</u>	<u>217,508</u>

**Note 25. Earnings per share**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(Loss)/profit after income tax attributable to the owners of Axxis Technology Group Ltd	<u>(351,288)</u>	<u>1,127,514</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,560,406,871</u>	<u>2,560,406,871</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,560,406,871</u>	<u>2,560,406,871</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.014)	0.044
Diluted earnings per share	(0.014)	0.044

**Note 26. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Axxis Technology Group Ltd**  
**Directors' declaration**  
**30 June 2016**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



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Peter Kazacos  
Executive Chairman

29 August 2016  
Sydney

## **Independent Auditor's Report to the Members of Axxis Technology Group Ltd**

### **Report on the Financial Report**

We have audited the accompanying financial report of Axxis Technology Group Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 company.

#### *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 3, 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.

### *Auditor's Opinion*

In our opinion:

- a. the financial report of Axxis Technology Group Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company'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 3.

### **Report on Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 10 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.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of Axxis Technology Group Ltd for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



**CROWE HORWATH SYDNEY**



**JOHN HAYDON**  
Partner

Dated this 29 August 2016

**Axxis Technology Group Ltd**  
**Shareholder information**  
**30 June 2016**

The shareholder information set out below was applicable as at 29 July 2016.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Number of holders of ordinary shares</b>
1 to 1,000	149
1,001 to 5,000	100
5,001 to 10,000	127
10,001 to 100,000	371
100,001 and over	477
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	1,224
	<hr/> <hr/>
Holding less than a marketable parcel	961
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**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	<b>Ordinary shares % of total shares issued</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
MR PETER KAZACOS + MS VICKI KAZACOS	881,078,704	34.41
AUCKLAND TRUST COMPANY LIMITED (SECOND PACIFIC MASTER SF AC)	380,158,571	14.85
MRS AMANDA ORPHANIDES	189,154,964	7.39
UBS NOMINEES PTY LTD	95,564,459	3.73
CORFE ASSOCIATES PTY LTD (CORFE ASSOCS SUPER FUND A/C)	78,500,000	3.07
GURNER SUPER NOMINEES PTY LTD (AH GURNER EXEC BENF PLAN A/C)	50,000,000	1.95
MADDAK PTY LTD (MADDAK FAMILY A/C)	40,271,429	1.57
MR CHRISTOS NIKOLAKOPOULOS	30,470,000	1.19
MAST FINANCIAL PTY LTD (A TO Z INVESTMENT A/C)	30,000,000	1.17
ORPHANIDES INVESTMENTS PTY LTD (ORPHANIDES FAMILY SUPER A/C)	30,000,000	1.17
MR CONSTANTINE KAZACOS	28,571,428	1.12
BOSTEALINC PTY LTD (BOSTEA INVESTMENT A/C)	24,243,750	0.95
MOAT INVESTMENTS PTY LTD (MOAT INVESTMENT A/C)	22,964,310	0.90
CLANDREA PTY LTD (ANDREW MILLIS S/F A/C)	20,000,000	0.78
TEIDE PTY LTD (CUMBERLAND DISCRETION A/C)	17,774,000	0.69
LINK TRADERS (AUST) PTY LTD	13,333,334	0.52
HILBOURN PTY LTD (HILBOURNE FAMILY A/C)	11,587,500	0.45
MALLIE PTY LTD (MKBR SUPER FUND A/C)	11,160,000	0.44
G C INDUSTRIES PTY LIMITED (GC INDUSTRIES SUPER FUND A/C)	11,000,000	0.43
BROWNLOW PTY LTD	10,000,000	0.39
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	1,975,832,449	77.17
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*Unquoted equity securities*

There are no unquoted equity securities.

**Axxis Technology Group Ltd**  
**Shareholder information**  
**30 June 2016**

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
MR PETER KAZACOS + MS VICKI KAZACOS	881,078,704	34.41
AUCKLAND TRUST COMPANY LIMITED (SECOND PACIFIC MASTER SF AC)	380,158,571	14.85
MRS AMANDA ORPHANIDES	189,154,964	7.39

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.