integrating communications

half-year report December 2015

Inabox Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Inabox Group Limited
ABN:	32 161 873 187
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	79.9%	to	41,920
Profit from ordinary activities after tax attributable to the owners of Inabox Group Limited	up	14.8%	to	427
Profit for the half-year attributable to the owners of Inabox Group Limited	up	14.8%	to	427

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

Comments
The profit for the group after providing for income tax amounted to $427,000 (31 December 2014: $372,000).

Refer to the attached directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(29.47)	5.23

4. Audit qualification or review

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

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

5. Attachments

Details of attachments (if any):

The Interim Report of Inabox Group Limited for the half-year ended 31 December 2015 is attached.

6. Signed

Signed ______________________________ Date: 25 February 2016

Damian Kay
Managing Director and Chief Executive Officer
Sydney

Inabox Group Limited

ABN 32 161 873 187

Interim Report - 31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Inabox Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

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

Siimon Reynolds - Independent Chairman
Damian Kay
David Rampa
Garry Wayling
Tom Stianos (appointed on 26 November 2015)

Principal activities
The group operates as a non-carrier telecommunications aggregator, providing its customers with telecommunications products including fixed line, hosted voice, mobile, cloud and data services. As part of this service, the group provides back office services including billing, provisioning, product development, training and support, and customer service using the brand selected by its service providers. The group has expanded its activities to provide enablement services, information technology ('IT') products and services, telecommunication services and cloud based services to Australian businesses.

Review of operations
The profit for the group after providing for income tax amounted to $427,000 (31 December 2014: $372,000).

Revenue for the six months to 31 December 2015 has risen by $18,612,000 to $41,920,000 (31 December 2014: $23,308,000). The Anittel Pty Limited (‘Anittel’) acquisition has contributed $16,107,000 of this increase.

The Enablement segment has experienced strong growth with revenues increasing by $667,000. Revenues within the Indirect segment have grown by $1,784,000 driven by organic growth and acquisitions of customers from other wholesale business providers. A series of small acquisitions have been seamlessly integrated into the group.

The increased revenues have flowed into earnings before interest tax depreciation and amortisation (‘EBITDA’). EBITDA has increased by $1,517,000 to $2,573,000 (31 December 2014: $1,056,000). The operating synergies from the Anittel acquisition have been realised as expected and this has allowed the group to make further investments in sales, product and system developments to support sustainable revenue growth in the coming years.

The following table summarises key reconciling items between statutory profit after tax and EBITDA:

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit after income tax	427	372
Add: Depreciation and amortisation expense	1,599	462
Add: Finance costs	325	83
Add: Income tax expense	248	172
Less: Interest income	(26)	(33)
EBITDA	2,573	1,056

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (‘AAS’) and represents the profit under AAS adjusted for non-specific non-cash items.

Increases in depreciation and amortisation expense are largely due to the acquisition of assets from Anittel and in particular the HCS (Hosted Collaboration Suite) platform which is used to provide telecommunication services to the Tasmanian Government. In addition, capital investment in the Enablement channel and the purchase of customer contracts have also driven an increased depreciation and amortisation expense.

The directors consider the group to be a going concern. For further details refer to note 2 to the financial statements.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group 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 follows this directors' report.

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

Siimon Reynolds	Damian Kay
Chairman	Managing Director and Chief Executive Officer

25 February 2016
Sydney

Ernst & Young
680 George Street
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Auditor's Independence Declaration to the Directors of Inabox Group Limited

As lead auditor for the review of Inabox Group Limited for the half-year ended 31 December 2015, I declare 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 Inabox Group Limited and the entities it controlled during the financial period.

Ernst & Young

Lisa Nijssen-Smith
Partner
25 February 2016

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Inabox Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Revenue	4	41,920	23,308
Other income		52	2
Expenses			
Network expenses and related costs		(17,413)	(15,326)
Material cost and freight		(7,433)	-
Employee benefits expense		(11,477)	(5,147)
Depreciation and amortisation expense		(1,599)	(462)
Other expenses		(3,050)	(1,748)
Finance costs		(325)	(83)
Profit before income tax expense		675	544
Income tax expense		(248)	(172)
Profit after income tax expense for the half-year attributable to the owners of Inabox Group Limited		427	372
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Inabox Group Limited		427	372
		Cents	**Cents**
Basic earnings per share	14	2.13	2.67
Diluted earnings per share	14	2.11	2.67

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

Inabox Group Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		1,712	3,271
Trade and other receivables		8,850	8,581
Inventories		83	80
Other		2,018	2,305
Total current assets		12,663	14,237
Non-current assets			
Receivables		21	50
Property, plant and equipment		3,998	4,091
Intangibles	5	16,548	15,874
Deferred tax		640	650
Other		50	179
Total non-current assets		21,257	20,844
Total assets		33,920	35,081
Liabilities			
Current liabilities			
Trade and other payables	6	8,524	10,150
Borrowings	7	3,694	3,254
Income tax		463	940
Employee benefits		1,561	1,901
Provisions		290	205
Deferred revenue		1,662	2,551
Total current liabilities		16,194	19,001
Non-current liabilities			
Payables		129	118
Borrowings	8	5,881	4,857
Employee benefits		657	579
Provisions		70	70
Other		355	249
Total non-current liabilities		7,092	5,873
Total liabilities		23,286	24,874
Net assets		10,634	10,207
Equity			
Issued capital		11,522	11,522
Reserves		(2,292)	(2,292)
Retained profits		1,404	977
Total equity		10,634	10,207

Refer to note 12 for the finalisation of prior period business combinations which has resulted in comparatives being adjusted.

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

Inabox Group Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital $'000	Capital reserve $'000	Share-based payments reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	5,694	(2,366)	42	1,328	4,698
Profit after income tax expense for the half-year	-	-	-	372	372
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	372	372
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	19	-	19
Balance at 31 December 2014	5,694	(2,366)	61	1,700	5,089

Consolidated	Issued capital $'000	Capital reserve $'000	Share-based payments reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2015	11,522	(2,366)	74	977	10,207
Profit after income tax expense for the half-year	-	-	-	427	427
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	427	427
Balance at 31 December 2015	11,522	(2,366)	74	1,404	10,634

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

	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	44,985	25,168
Payments to suppliers and employees (inclusive of GST)	(45,108)	(24,393)
Interest received	26	33
Interest and other finance costs paid	(307)	(83)
Income taxes paid	(715)	(246)
Net cash from/(used in) operating activities	(1,119)	479
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(350)
Payments for property, plant and equipment	(584)	(480)
Payments for intangibles	(1,596)	(26)
Payments for security deposits	-	(135)
Proceeds from release of security deposits	110	-
Loans to service providers (net of repayments)	177	(542)
Net cash used in investing activities	(1,893)	(1,533)
Cash flows from financing activities		
Proceeds from borrowings	1,480	415
Repayment of borrowings	(27)	(49)
Repayment of related party loans	-	(720)
Net cash from/(used in) financing activities	1,453	(354)
Net decrease in cash and cash equivalents	(1,559)	(1,408)
Cash and cash equivalents at the beginning of the financial half-year	3,271	3,657
Cash and cash equivalents at the end of the financial half-year	1,712	2,249

For the financial half-year ended 31 December 2015 the group recorded $1,119,000 cash outflows from operating activities compared to operating cash inflows of $479,000 for the period ended 31 December 2014. The cash outflows were driven by a $1,000,000 supplier payment made in July 2015 relating to a hardware sale which was delivered and receipted in the prior financial year, the payment of the earn out components for the Anittel and Neural businesses $450,000 and income taxes paid relating to prior years $715,000.

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

Note 1. General information

The financial statements cover Inabox Group Limited as a group consisting of Inabox Group Limited (the 'Company') and the entities it controlled at the end of, or during, the half-year (the 'group'). The financial statements are presented in Australian dollars, which is Inabox Group Limited's functional and presentation currency.

Inabox 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, 9 Hunter Street
Sydney NSW 2000

A description of the nature of the group'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 25 February 2016. The directors have the power to amend and reissue the financial statements.

Comparatives
Certain expenses in profit or loss have been reclassified to align with current period presentation. There was no net effect on profit.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 2015 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, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016.

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

Going concern
For the financial half-year the group made a profit after tax of $427,000 (31 December 2014: $372,000) and had net cash outflow from operating activities of $1,119,000 (31 December 2014: inflows of $479,000). As at 31 December 2015, the group had a net current liability of $3,531,000 (30 June 2015: net current liability of $4,764,000).

The group has undrawn credit lines as disclosed in note 8. Cash flow forecasts based on projected activity and business volumes indicate that the group will be able to pay its creditors as and when due for at least 12 months from the date of approval of the financial statements, and no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2015. Accordingly, the financial statements have been prepared on a going concern basis.

Note 3. Operating segments

Identification of reportable operating segments
The group's operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Types of products and services
The group is organised into three operating segments as follows:

Direct	Providing IT products and services, telecommunication services and cloud based services to Australian businesses
Indirect	Providing end to end white labelled wholesale solutions to Retail Service Providers who predominantly service the small to medium sized business segment
Enablement	Providing customers who have a mass market customer base the ability to offer telecommunications products to their consumer customer base

The CODM is provided with information on a net contribution level (revenue less direct costs). The CODM does not review segment assets and liabilities.

The group has re-assessed the cost allocation method relating to its operating segments to provide a more accurate view of segment net contribution. The comparatives for the prior period have been amended to reflect this change.

Intersegment transactions
Intersegment transactions were made at market rates and are eliminated on consolidation.

Operating segment information

Consolidated - 31 Dec 2015	Direct $'000	Indirect $'000	Enablement $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	16,168	24,338	1,388	-	41,894
Other revenue	-	-	-	26	26
Total revenue	16,168	24,338	1,388	26	41,920
Net contribution	4,931	5,687	736	-	11,354
Interest revenue					26
Other income					52
Other employee benefit expenses					(5,783)
Depreciation and amortisation					(1,599)
Other expenses					(3,050)
Finance costs					(325)
Profit before income tax expense					675
Income tax expense					(248)
Profit after income tax expense					427

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2014	Direct $'000	Indirect $'000	Enablement $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	-	22,554	721	-	23,275
Other revenue	-	-	-	33	33
Total revenue	-	22,554	721	33	23,308
Net contribution	-	5,381	420	-	5,801
Interest revenue					33
Other income					2
Other employee benefit expenses					(2,999)
Depreciation and amortisation					(462)
Other expenses					(1,748)
Finance costs					(83)
Profit before income tax expense					544
Income tax expense					(172)
Profit after income tax expense					372

Note 4. Revenue

	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Sales revenue		
Operating revenue	24,256	22,462
Enablement revenue	1,388	721
Commissions	51	58
Other sales revenue	92	34
IT products revenue	8,102	-
IT services revenue	8,005	-
	41,894	23,275
Other revenue		
Interest	26	33
Revenue	41,920	23,308

Note 5. Non-current assets - intangibles

	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Goodwill - at cost	8,950	8,950
Patents, trademarks and brands - at cost	377	377
Customer contracts and relationships - at cost	3,668	3,228
Less: Accumulated amortisation	(946)	(653)
	2,722	2,575
Software and capitalised development - at cost	5,676	4,505
Less: Accumulated amortisation	(1,995)	(1,454)
	3,681	3,051
Hosted unified communications software - at cost	1,022	1,022
Less: Accumulated amortisation	(204)	(101)
	818	921
	16,548	15,874

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

Consolidated	Goodwill $'000	Patents, trademarks and brands $'000	Customer contracts and relationships $'000	Software and capitalised development $'000	Hosted unified comm-unications software $'000	Total $'000
Balance at 1 July 2015	8,950	377	2,575	3,051	921	15,874
Additions	-	-	440	1,156	-	1,596
Amortisation expense	-	-	(293)	(526)	(103)	(922)
Balance at 31 December 2015	8,950	377	2,722	3,681	818	16,548

Note 6. Current liabilities - trade and other payables

	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Trade payables	6,376	7,530
Due to service providers	557	366
Accrued expenses	1,521	1,790
Other payables	70	464
	8,524	10,150

Note 7. Current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Amex facility	1,488	1,436
Credit card facility	180	192
Lease liability	2,026	1,626
	3,694	3,254

Note 8. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Bank loans	1,990	1,000
Unamortised borrowing costs	(68)	(79)
Lease liability	3,959	3,936
	5,881	4,857

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Bank loans	1,990	1,000
Lease liability	5,985	5,562
	7,975	6,562

Note 8. Non-current liabilities - borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Total facilities		
Bank overdraft	1,500	1,500
Bank loans	3,200	3,200
Amex facility	1,500	1,500
Credit card facility	720	400
Lease liability	9,830	9,830
Supplier credit facility	2,750	2,750
	19,500	19,180
Used at the reporting date		
Bank overdraft	-	-
Bank loans	1,990	1,000
Amex facility	1,488	1,436
Credit card facility	180	192
Lease liability	5,984	5,562
Supplier credit facility	-	-
	9,642	8,190
Unused at the reporting date		
Bank overdraft	1,500	1,500
Bank loans	1,210	2,200
Amex facility	12	64
Credit card facility	540	208
Lease liability	3,846	4,268
Supplier credit facility	2,750	2,750
	9,858	10,990

Note 9. Equity - dividends

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

Note 10. Fair value measurement

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

The carrying amount of the bank loans approximates its fair value.

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. The fair value of the lease liability is calculated to be $6,797,000 (30 June 2015: $6,141,000).

Note 11. Commitments

As at 31 December 2015 the group had capital commitments of $660,000 relating to the Enablement and Indirect segments (30 June 2015: nil).

Note 12. Business combinations

Acquisition of Anittel Pty Ltd (comparative period)
On 1 January 2015, the group acquired 100% of the shares in Anittel Pty Ltd ('Anittel') and certain assets and liabilities in relation to the Anittel business, from ASX listed entity Axxis Technology Group Ltd (formerly known as Anittel Group Limited) for total consideration transferred of $6,895,000. The goodwill of $7,264,000 represents the value of expected synergies and growth arising from the acquisition. The purchase price allocation of the acquisition is final at 31 December 2015.

	Fair value $'000
Cash and cash equivalents	211
Trade and other receivables	2,961
Inventories	122
Prepayments	193
Security deposits	160
Property, plant and equipment	2,778
Brands	235
Customer contracts	1,152
Computer Software	1,381
Hosted unified communications intangible	1,000
Deferred tax asset	134
Trade and other payables	(3,479)
Employee benefits	(1,125)
Income received in advance	(1,275)
Lease liability	(4,817)
Net liabilities acquired	(369)
Goodwill	7,264
Acquisition-date fair value of the total consideration transferred	6,895
Representing:	
Cash paid or payable to vendor	741
Inabox Group Limited shares issued to vendor	6,154
	6,895

The comparative period business combination has now been finalised and this has resulted in increase in deferred tax assets by $66,000, increase in employee related provisions by $222,000 and increase in goodwill by $156,000. There was no impact on the comparative period statement of profit or loss and other comprehensive income or the opening retained earnings. The fair value table above and the comparatives at 30 June 2015 have been adjusted accordingly.

Note 13. Events after the reporting period

On 26 January 2016, the group acquired the customers of Telcogreen Pty Ltd for the total cash consideration transferred of $250,000.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit after income tax attributable to the owners of Inabox Group Limited	427	372

Note 14. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	20,070,530	13,916,684
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	166,934	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	20,237,464	13,916,684

	Cents	Cents
Basic earnings per share	2.13	2.67
Diluted earnings per share	2.11	2.67

1,208,064 options have not been included in the weighted average number of shares as they were anti-dilutive (31 December 2014: nil).

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the group's financial position as at 31 December 2015 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)(a) of the Corporations Act 2001.

On behalf of the directors

Siimon Reynolds
Chairman

Damian Kay
Managing Director and Chief Executive Officer

25 February 2016
Sydney

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Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Inabox Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Inabox 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 2015 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
25 February 2016