



Prospectus

Inabox Group Limited

ABN 32 161 873 187

This Prospectus is for the issue of 6,153,846 new Ordinary Shares as part-payment for the acquisition of the Business of Anittel Group Limited.

The Offer under this Prospectus is capable of acceptance only by Anittel Group Limited. Anittel Shareholders will receive the Acquisition Shares automatically if Completion occurs and if the Capital Reduction is approved by the Anittel Shareholders.

ASX Code: IAB

This prospectus provides important information about the Company. You should read the entire document including the Application Form. If you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional advisor.

This Prospectus is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This Prospectus is not an offer of securities for sale in to the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United State or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.



Important Notice

This Prospectus is dated 4 November 2014 and was lodged with ASIC on that date. Application will be made to ASX for quotation of the Shares offered under this Prospectus within 7 days of this date.

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Nature of this Prospectus

The Acquisition Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the 3 months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the issue of the Acquisition Shares on the Company and the rights attaching to the Acquisition Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offer.

Prospectus Availability

The Prospectus is available during the Offer period on the Company's website at www.inaboxgroup.com.au/prospectus, or by contacting the Company. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic copy of this Prospectus available from the Company's website will not include an Application Form. You will only be able to accept the Offer by completing the Application Form which accompanies this Prospectus.

Foreign Jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by Law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any

governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer.

Disclaimer of representations

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Forward looking statements

This Prospectus contains forward looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward - looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in sections 3.6 and 6 of this Prospectus. Forward-Looking statements include those containing such words as 'anticipate', 'estimate', 'believe', 'should', 'will', 'may' and similar expressions.

Privacy

Please read the privacy information located in section 7.9 of this Prospectus. By submitting an Application Form, you consent to the matters outlined in that section.

Definitions

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

Enquiries

If you have any questions please call the Company Secretary on 1300 5 TELCO (1300 583 526) at any time between 8.00am and 5.00pm (Eastern Standard Time) Monday to Friday until the Closing Date.

Alternatively, consult your broker, accountant or other professional advisor.

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Corporate Directory

Directors

Siimon Reynolds (chair)

Damian Kay

Paul Line

Garry Dinnie

David Rampa

Company Secretary

Angus Fotheringham

Registered and Business Office

Level 10
9 Hunter Street
Sydney NSW

Website

www.inaboxgroup.com.au

Solicitors to the Offer

Hall & Wilcox

Auditor

Ernst & Young

1 Timetable of the Offer

Opening Date	18 November 2014
Anittel AGM	18 December 2014
IAB EGM	anticipated to be 19 December 2014
Record Date	anticipated to be 24 December 2014
Expected Date of Completion of Acquisition	1 January 2015
Closing Date	1 January 2015
Shares issued under Prospectus	1 January 2015
Quotation Date	2 January 2015

Note:

This timetable is indicative only and subject to change. The Company reserves the right to vary the above dates, subject to the ASX Listing Rules and the Corporations Act.

2 Key Offer Terms

2.1 Background to the Offer

On 4 November 2014, the Company entered into a Business Purchase Agreement to acquire effectively all of the business assets of Anittel less certain Shareholder Loans and Cash. Under the Business Purchase Agreement, the Company will issue 6,153,846 Shares to Anittel as part consideration for the Business. Details of the Business Purchase Agreement are set out in sections 3.2 and 7.2.

Under the terms of the Business Purchase Agreement, the Acquisition Shares will be issued to the Anittel Shareholders on the Anittel register as at the Record Date. The issue is subject to the Anittel Shareholders approving the sale of the Business and a Capital Reduction at the Anittel AGM for the distribution of the Acquisition Shares to them on a pro rata basis.

The Company has issued this Prospectus for the issue of 6,153,846 Shares to Anittel. This Prospectus has been issued to provide information on the Offer being made under this Prospectus, which is required by the Corporations Act. This Prospectus has also been issued to facilitate secondary trading of the Acquisition Shares. A Prospectus is required under the Corporations Act to enable Anittel to distribute those Shares to the Anittel Shareholders within twelve (12) months of their issue.

2.2 Opening and Closing Dates

The Offer will open for receipt of the application at 9.00am EST on 18 November 2014 and will close at 5.00pm EST on 1 January 2015 or such other date as the Directors, in their absolute discretion, determine.

2.3 Minimum Subscription

The minimum level of subscription for the Offer is all the Acquisition Shares.

2.4 Brokerage and Commission

No brokerage or commission is payable.

2.5 Application

An application for the Acquisition Shares can only be made by Anittel on the Application Form which accompanies a paper copy of this Prospectus.

Payment will be made at Completion by transfer of the Business from Anittel to the Company.

An Application must be received by 5.00pm EST on 1 January 2015 (subject to the right of the Directors to close the Offer earlier or to extend this date without notice). The instructions for the Application Form are set out on the back of the Application Form.

2.6 Allotment of the Acquisition Shares

The Acquisition Shares are expected to be allotted and issued by no later than 16 January 2015 at Completion of the Business Purchase Agreement. Amongst other conditions precedent, the Offer is conditional on Anittel's Shareholders passing a resolution to

approve the Capital Reduction at the Anittel AGM and Completion occurring. More details about conditions precedent for the Offer are set out in section 3.2(c).

2.7 ASX Listing

The Company should make an application to ASX within seven (7) days following the date of this Prospectus for official quotation of the Acquisition Shares offered pursuant to this Prospectus. If approval is not granted by ASX within three (3) months after the date of this Prospectus, Completion will not occur.

A decision by ASX to grant official quotation of the Acquisition Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Acquisition Shares now offered for subscription.

2.8 Use of Funds

The consideration for the issue of the Acquisition Shares will be the transfer to the Company by Anittel of the Business. No additional funds will be raised from the Offer and the Company will pay the costs and expenses of preparing and lodging this Prospectus.

2.9 Rights Attaching to the Acquisition Shares

From issue, the Shares issued under this Prospectus will rank equally in all respects with existing Shares. Summaries of the important rights attaching to Shares as set out in the Company's Constitution are contained in Section 7.4 of this Prospectus.

3 Purpose and effect of the Offer

3.1 Purpose of the Offer

- (a) On 4 November 2014, the Company entered into a Business Purchase Agreement with Anittel.

Anittel currently owns, directly or indirectly, the entire issued share capital of the following companies:

- (i) an operating subsidiary called APL;
- (ii) a subsidiary which employs all staff called ASPL; and
- (iii) seven Dormant Subsidiaries¹.

- (b) Under the terms of the Business Purchase Agreement, the Company will acquire the operating businesses of Anittel, including:

- (i) all of the relevant business assets of the parent entity Anittel;
- (ii) all of the APL shares owned by the parent entity Anittel; and
- (iii) making offers of employment to most employees of ASPL.

¹ Onenetwork Pty Limited, Sholl Communications (Aust) Pty Limited, Accord Technologies (WA) Pty Limited, Axxis Technology Pty Limited, Invizage Pty Limited, Anittel (TAS) Pty Limited and Cloud Only Distribution Pty Limited

- (c) The parent entity, Anittel, and the Dormant Subsidiaries are not being acquired. The Cash and the Shareholder Loans of the group will be retained by Anittel.
- (d) On completion of the Business Purchase Agreement, the Company will gain effective control over the Business.
- (e) The Business Purchase Agreement provides that the Company will pay a combination of Acquisition Shares and cash for the Business. The breakdown is as follows:
 - (i) 6,153,846 Shares issued at Completion;
 - (ii) \$500,000 in cash payable at Completion; and
 - (iii) up to \$1.5m of Performance Consideration payable on or around 30 September 2015 in cash, dependent on the Anittel business units achieving agreed targets.
- (f) The Business Purchase Agreement provides that:
 - (i) the Company will acquire all relevant Anittel operating assets and the Agreed Working Capital; and
 - (ii) the Company will take over all of the liabilities relating to the Business other than the Shareholder Loans and Employee Entitlements for employees who do not accept the Company's offer of employment; and
 - (iii) all of the Acquisition Shares will be transferred pro rata to Anittel's shareholders following the approval of the Capital Reduction by Anittel's shareholders.
- (g) The purpose of this Prospectus is to:
 - (i) offer the Acquisition Shares to effect the Acquisition envisaged by the Business Purchase Agreement; and
 - (ii) facilitate secondary trading of the Acquisition Shares.

3.2 Summary of Business Purchase Agreement

Under the Business Purchase Agreement, the Company will acquire the Business resulting in a substantial increase in the size of the Company.

The initial cash consideration of \$500,000 will be funded from the Company's existing cash resources. A further payment of up to \$1.5 million in cash may also be payable subject to the performance of the Anittel business units in the second half of FY15. The Company may obtain additional facilities or raise new equity to fund all or part of the Performance Consideration or for future working capital requirements of the Business.

In addition, the Company will assume lease liabilities, which as at 30 June 2014 stood at approximately \$4.5m, relating to Anittel's HCS platform. This amount will vary in the ordinary course of Anittel's business. The HCS platform also enables other managed voice services to be delivered to other Tasmanian government departments or enterprises.

At the Company's closing share price on 3 November 2014 of \$1.28, the purchase price (assuming the full payment of the Performance Consideration) would be equal to \$9.88

million. This equates to 0.39 cents per Anittel share, which is equivalent to Anittel's 30 day VWAP of 0.39 cents, represents a 5.4% premium to Anittel's 60 day VWAP of 0.37 cents and represents a 30% premium over Anittel's share price of 0.3 cents on 3 November 2014 (prior to entering a trading halt).

The issue of the Acquisition Shares is subject to the approval of the Shareholders of the Company. This approval will be sought at the IAB EGM anticipated to be held on 19 December 2014. The issue of the Acquisition Shares is also subject to other conditions precedent, including the approval of the Anittel Shareholders (to be sought at its AGM on 18 December 2014).

(a) Performance Consideration

- (i) The Performance Consideration is a maximum of \$1.5 million, less various amounts calculated by reference to the three measures set out below, and a minimum of \$0.

The three measures relate to:

- (A) Gross margin of the IT business unit (Measure 1);
- (B) The level of contracted services revenue in the IT business unit (Measure 2); and
- (C) Number of active HCS active services on the HCS (Measure 3).
- (ii) Failure to reach the target of Measure 2 and 3 could reduce the Performance Consideration up to \$1 m per measure and up to \$1.5m in aggregate (which would reduce the Performance Consideration to zero). Failure to reach the target of Measure 1 could reduce the Performance Consideration up to \$1.5m (which again would reduce the Performance Consideration to zero).

The formulas for calculating each of these measures are set out below in 7.2.

(b) Other terms

- (i) Anittel will distribute all Acquisition Shares to its shareholders in proportion to their holdings at the Record Date.
- (ii) The Company will pay the Performance Consideration to Anittel on or around 30 September 2015.
- (iii) The Company and Anittel will agree prior to Completion on a restructuring plan to be implemented prior to Completion and a Post Completion Business Plan until 30 September 2015. Expenses relating to the restructure incurred before Completion will be borne by Anittel.

(c) Conditions Precedent

The Business Purchase Agreement contains a number of conditions precedent to its completion. These include that:

- (i) no material adverse change has arisen in the profitability or net assets of either the Company, Anittel or APL between signing and Completion;

- (ii) evidence reasonably satisfactory to the Company and Anittel that, where applicable, novation or consent for change of control of the Tasmanian Government Contract, Cisco and Commonwealth Bank of Australia (CBA) finance agreements, property leases and other relevant supplier and customer agreements will occur;
- (iii) a minimum number of employees of Anittel's business have entered into employment agreements with APL (which will be owned by the Company from Completion);
- (iv) a minimum of 7,500 active services are billing on the HCS platform at Completion;
- (v) approval is provided by both the Company's and Anittel's shareholders; and
- (vi) a Post Completion Business Plan for FY15 has been created and agreed by the Company and Anittel.

(d) Break Fee

The Business Purchase Agreement provides that Anittel will pay the Company's documented external costs in relation to the transaction to a maximum of \$500,000 if, among other triggers:

- (i) specified conditions precedent within the control of Anittel are not satisfied or waived in accordance with the terms of the Business Purchase Agreement, and the Company terminates as a result (subject to the Company not being in default); and
- (ii) Anittel and APL commit a material breach of the agreement that is incapable of remedy.

(e) Agreed Working Capital

Under the Business Purchase Agreement, the parties have agreed that the Net Working Capital target of the Business is zero as at 31 December 2014. The parties will calculate the actual Net Working Capital following Completion and an adjusting payment will be made if the actual Net Working Capital of the Business is not zero as at 31 December 2014.

A summary of the Business Purchase Agreement is contained in section 7.2.

3.3 Effect of the Offer

- (a) The principal effects of the Offer, assuming that Completion occurs are as follows:
 - (i) the Company will acquire the Business;
 - (ii) following the issue of the Acquisition Shares, the Company's cash reserves will reduce by approximately \$1.2 m (being the initial cash consideration and completion costs including stamp duty and adviser fees, and expenses for preparing and lodging this Prospectus in relation to the Offer). There may be a further requirement to pay up to \$1.5 m in Performance Consideration; and

- (iii) following the issue of the Acquisition Shares, the total number of issued Shares will increase from 13,916,684 to 20,070,530.
- (b) The Directors are satisfied that after completion of the Offer, the Company will be continuing to earn profits and will have sufficient working capital to carry out its objectives as previously disclosed and described in this Prospectus.

3.4 Effect of the Offer on Capital Structure

The effect of the Offer on the Company's issued share capital will be as follows:

Shares in Inabox Group Limited	No. of Shares	Pre Completion Proportion	Post Completion Proportion
On issue immediately before completion	13,916,684	100%	69%
Acquisition Shares issued as Consideration	6,153,846		31%
On issue immediately after completion	20,070,530	100%	100%

3.5 Effect on control

The Offer will result in Shares being issued to shareholders of Anittel and then immediately transferred pro rata to the shareholders of Anittel. As a result of this issue, existing Shareholders in the Company will have their proportional ownership in the Company diluted.

A table setting out the persons whose shareholding will constitute a Substantial Holding assuming the current shareholdings in both the Company and Anittel remain the same until Completion is set out below:

Substantial shareholder	Total Shares held Post Completion	% Total Shares held
Diut Nominees Pty Ltd	2,651,260	13.2
Giut Nominees Pty Ltd	2,651,260	13.2
Kiut Nominees Pty Ltd	2,651,260	13.2
Mr Peter Kazacos & Ms Vicki Kazacos	2,117,641	10.6
M2 Telecommunications Group Ltd	1,666,667	8.3
Knarf Investments Pty Ltd	1,257,867	6.3

Under the Business Purchase Agreement, Anittel has irrevocably directed the Company to transfer the Acquisition Shares to the relevant Anittel Shareholders in accordance with the

Record Date Anittel Shareholders list to be provided by Anittel to the Company at Completion. Anittel has appointed the Company as its attorney to effect the transfer to the Anittel Shareholders on behalf of Anittel. However, Anittel will have a relevant interest in the Acquisition Shares for a brief period before the Acquisition Shares are transferred to the relevant Anittel Shareholders.

As a result, the provisions of section 606 of the Corporations Act will be triggered. Section 606 prohibits a person from acquiring a relevant interest in the issued voting shares in a company if that person's voting power increases from 20% or below to more than 20%. For a brief period until the Acquisition Shares are transferred to the Anittel Shareholders, Anittel will hold approximately 30.7% of the Company's Shares.

A number of exceptions to the prohibition in section 606 are contained in section 611 of the Corporations Act. The Company will call a meeting of its Shareholders to pass a resolution under item 7 of section 611 of the Corporations Act approving the momentary holding of those Shares by Anittel at the IAB EGM. As such, the Acquisition is conditional on the resolutions at the IAB EGM being passed.

3.6 Key Risks

The business activities of the Company, and the proposed Acquisition are subject to a number of risks which could affect the Company. These risks are set out in detail in section 5 of this Prospectus.

The Company considers the key risks are:

- (a) Despite the retention strategies put in place by Anittel and the Company, a significant number of staff or customers terminate their agreements with Anittel or the Company at any time after announcement of the proposed Acquisition, potentially causing a reduction in the earnings and revenue of the Company post Completion.
- (b) The value of products and services provided under the TGC does not increase to the extent and within the timeframe envisaged by the Business Purchase Agreement, resulting in decreased profitability. The impact of underperformance in this regard will be partially offset by a reduction in the amount of the Performance Consideration paid.
- (c) No escrow or other restrictions apply in relation to the Acquisition Shares. Post Completion, shareholders of the Company (which will at that time include the Anittel Shareholders) could dispose of their shares creating downward pressure on the Company's share price.
- (d) The revenue of the IT Business Unit has declined over recent years. There is a risk that the Company's planned restructuring and growth strategies fail to arrest the decline and/or retain customers and key staff. This could have a negative impact on profitability.

Before deciding to invest in the Acquisition Shares, you should read the entire prospectus, and in particular the more extensive list of risk factors set out in section 6 of this Prospectus.

3.7 Market Price of Shares

The VWAP of the Shares on the ASX during the 30 days and 60 days immediately preceding the date of lodgement of this Prospectus with ASIC, was \$1.29 and \$1.20 respectively.

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$1.28 on 3 November 2014.

4 The Company

The Company 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 Company's principal business activity has been to supply wholesale telecommunications services to resellers, who in turn resupply their primarily business end-customers.

The Company has expanded its activities to provide telecommunications services to large corporates, and operates an additional business capability which it describes as "enablement". This operates as a separate segment under the Company's Telcoinabox brand, leveraging the group's existing skills and relationships for larger consumer businesses.

5 Anittel Acquisition

5.1 Anittel's Business

Anittel is a national, end-to-end provider of technology and connectivity services with a proposition focused on support and value. It offers managed and hosted ICT solutions for desktop, infrastructure and communications. Anittel provides these services to regional and metropolitan Australia with a physical presence in 14 locations.

Anittel has a diverse client base of over 1,000 small, medium and large enterprise clients, corporates and Government agencies with key strengths in the education and government sectors. It also benefits from relationships with key ICT vendors and distributors and is an accredited or certified partner with Cisco, HP, Dell, Microsoft, Lenovo, IBM, VMWare, Citrix and others. Anittel is one of only a select few Cisco partners in Australia to deploy a Hosted Collaboration Solution ("HCS"), supporting a cornerstone contract with the Tasmanian Government.

5.2 Effect of Acquisition

The Company considers that the acquisition of the Business will provide a number of important benefits to it.

These benefits include:

- (a) **Enhanced sales, service and technical capabilities**

With over 200 staff and a national footprint, the combined group expects to be able to offer its clients end-to-end IT, cloud and communications solutions in 14 locations across metropolitan and regional Australia.

(b) Complementary products, services and capabilities

The combination will provide opportunities for cross-sell and up-sell through the Company's existing 300+ wholesale partners and Anittel's 1,000+ customers.

(c) New platform

The Company is acquiring a deployed HCS. Anittel has made a multi-million dollar investment building this cloud based communications platform. In FY14 alone, the majority of Anittel's \$4.3m investment in telecommunications went to support the HCS offering. With over 8,000 endpoints deployed for the Tasmanian Government, the HCS platform is expected to create opportunities for further growth of the Company's annuity revenue streams.

(d) Scale

The combined group will have greater scale to support future growth. In FY14, Anittel's revenue from continuing operations was \$36m, which represents a 77% increase on the Company's FY14 revenue of \$47m.

(e) Cost Synergies

Anittel has continued to rationalise its operating costs and since January 2014 Anittel has restructured its business, significantly reducing costs and refocusing on its core IT services and cloud businesses.

The Company also expects synergies in back office and corporate overheads after integration.

Those synergies or reductions in costs are theoretical and should not be assumed by Investors. There may also be additional costs of restructuring the Anittel business.

(f) Ongoing funding of the Business

The Company intends to assume the existing leasing facilities of the Business or to enter into new similar facilities at or after Completion. These facilities will be secured against some or all of the assets of the Company.

The Company may obtain additional facilities or raise new equity to fund all or part of the Performance Consideration or for future working capital requirements of the Business. Although the Company has implemented plans to obtain additional facilities, there is a risk that the Company cannot do so on terms satisfactory to it, which may impact on the Company's plans due to the need to fund Performance Consideration from operating cash flow.

5.3 The Company's Intention Relating to the Anittel Business

It is intended that the Anittel business will initially operate under the same brand and under substantially the same management. As a consequence, there are no plans to make substantial changes to the engineering and support departments servicing Anittel customers.

However, the Company may implement a number of actions after completion of the Business Purchase Agreement with the intention of increasing profitability of the combined businesses, including but not limited to:

- (a) appointing a new chief executive officer for the Anittel business, with a focus on increasing revenue, particularly from the managed IT and managed services components of the Anittel business;
- (b) expanding the availability and value of HCS (presently deployed in Tasmania) by investing in systems and hardware to extend its capabilities to mainland Australia; and
- (c) facilitating the expanded deployment of HCS to Anittel's existing clients in Tasmania.

5.4 Statements of Profit or Loss

The following information has been extracted without adjustments from the audited Annual Reports FY14 of each of the Company and Anittel, issued in September 2014.

	IAB	AYG
	\$m	\$m
Revenue	46.9	36.1
Cost of Sales	(32.2)	(19.4)
Gross Profit	14.7	16.7
Employee Benefits Expense	(9.6)	(15.4)
Occupancy	(0.2)	(1.3)
Other Operating Costs	(2.5)	(1.0)
EBITDA	2.4	(1.0)
Depreciation	(0.2)	(0.5)
Amortisation	(0.6)	(0.9)
Finance Costs	(0.0)	(0.9)
Profit/(loss) before tax	1.6	(3.4)
Tax	(0.5)	-
Profit/(loss) after tax	1.1	(3.4)

The AYG result relates to the performance of continuing operations, after eliminating the contribution to results of the group's telecommunications business which was sold in early 2014. Refer 3.1(b) above for a description of entities, assets and liabilities not acquired as part of the acquisition

- (a) Business Unit Information

IT &	HCS and	Total
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	Services \$m	Cloud \$m	\$m
Revenue	34.3	1.8	36.1
Cost of Sales	(19.1)	(0.2)	(19.4)
Gross Profit	15.1	1.6	16.7
Employee Benefits Expense	(11.6)	(2.2)	(13.8)
Other Costs	(3.0)	(0.4)	(3.4)
EBITDA	0.6	(1.0)	(0.4)
Depreciation & Amortisation	(0.7)	(0.7)	(1.4)
Finance Costs	(0.0)	(0.2)	(0.2)
Profit / (Loss) before taxation	(0.2)	(1.9)	(2.0)

(i) The table above is summarised from Anittel's management accounts for the year ended 30 June 2014.

(ii) Profit / (Loss) before taxation is stated before charging:

(A) Interest due on shareholder loans

(B) Corporate overheads allocated to discontinued operations

(b) HCS Platform Licences

Information with respect to active services billing on the HCS platform:

Average number of services billed during FY14	c 4,000
Actual services billing as at 30 Jun 14	c 7,000
Actual services billing as at the date of this Prospectus	c 8,000
Condition precedent minimum services as at Completion	7,500
Target for Performance Consideration Measure 3 (3.2(a)(i)(C) above) as at 30 June 15	15,000

5.5 Pro forma combined balance sheet at 30 June 2014

(a) Pro forma combined balance sheet at 30 June 2014

	AYG assets and liabilities to be acquired \$m	Compl etion \$m	IAB 30 Jun 14 \$m	Proforma Group \$m
Current assets				
Cash and cash equivalents	0.1	(0.5)	3.7	3.3
Trade and other receivables	3.3	-	4.1	7.4
Inventories	0.4	-	0.0	0.4
Other	0.2	-	2.2	2.4
Total current assets	4.0	(0.5)	10.0	13.5
Non-current assets				
Receivables	0.2	-	-	0.2

Property, plant and equipment	2.5	-	0.6	3.1
Intangibles	4.4	10.0	4.3	18.7
Deferred tax	-	-	0.2	0.2
Other	-	-	0.5	0.5
Total non-current assets	7.0	10.0	5.6	22.6
Total assets	11.1	9.5	15.6	36.1
Current liabilities				
Trade and other payables	3.6	-	5.6	9.2
Borrowings	1.0	-	0.9	1.9
Income tax	-	-	1.1	1.1
Employee benefits	0.9	-	0.7	1.7
Other current liabilities	1.7	0.7	1.6	3.9
Total current liabilities	7.3	0.7	9.9	17.7
Non-current liabilities				
Borrowings	3.5	-	-	3.5
Employee benefits	0.3	-	0.3	0.6
Other non-current liabilities	-	1.5	0.7	2.2
Total non-current liabilities	3.8	1.5	0.9	6.2
Total liabilities	11.1	2.2	10.9	23.9
Net assets/(liabilities)	-	7.3	4.7	12.2
Equity				
Issued capital	-	7.5	5.7	13.2
Other Equity	-	-	-	-
Share based payments reserve	-	-	0.0	0.0
Reserves	-	-	(2.4)	(2.4)
Retained profits	-	(0.2)	1.3	1.1
Total equity	-	7.3	4.7	12.2

Notes on the Statements of Financial Position:

- (i) Sources AYG Annual Report – 30 June 14 , dated 17 September 2014, Statement of Financial Position and IAB Annual Report – 30 June 14 , dated 10 September 2014, Statement of Financial Position. The value of individual assets and liabilities will have changed in the normal course of business between 30 June 14 and the completion date.
- (ii) “AYG assets and liabilities to be acquired” excludes the balance sheet of the parent company, the majority of cash balances and shareholder loans from related parties.
- (iii) “Completion” reflects the following:

	\$m	Source	Sect 3.1(e)
Issue of Shares			

Shares issued at completion (value to be derived from average price up to completion; estimate \$1.30)	8.0		i
Cash payable at completion	0.5	Cash	ii
Accrued performance consideration	1.5	Non-current liabilities	iii
Total Estimated Consideration	10.0		
Attributable Costs			
Costs of Share Issue	0.48	Current Liabilities	
Attributable Taxation	(0.14)	Deferred Tax	
	0.34		
Incidental costs of completion	0.19	Current Liabilities	
	0.53		

- (iv) Current liabilities include:
- (A) Borrowings: proportion of lease finance commitments payable over the following twelve months. The total facility, both current and non-current, is used to finance assets held in non-current assets
 - (B) Deferred premises lease incentives recognised over the remaining life of the relevant leases
 - (C) Provisions for long service leave
- (v) The allocation of the difference between the value of consideration given, net of costs of issue, and the carrying value of assets and liabilities acquired is indicative only. Consideration given will be determined by applying the market value of shares in the Company up to the date of completion to the number of shares agreed to be issued, and the Company will undertake a post-Completion fair valuation of the assets and liabilities acquired which will determine the nature of the separable intangible assets and, where applicable, their estimated useful life.

5.6 Control

The Offer will result in Shares being held by the Anittel Shareholders. Existing shareholders in the Company will have their proportional ownership in the Company diluted.

6 Risk factors

6.1 Factors Influencing Success and Risk

This section identifies areas which the Company believes are the major risks associated with an investment in the Company.

An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could have a material adverse impact on the Company's operating performance and profits and the market price of the Company's shares. It should be noted that this is not intended to be an exhaustive list of the risk factors to which the Company or Anittel is exposed.

Before deciding to invest in the Company, you should:

- Read the entire Prospectus;
- Consider the risk factors which could affect the performance of the Company;
- Review these factors in light of your personal circumstances; and
- Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

6.2 Risks specific to the Company and relating to the Acquisition

The business activities of the Company are subject to a number of risks which could affect the Company and the industry in which it operates, in addition to risks arising from the proposed Acquisition. These factors may have a substantial impact on future performance and the value of your Shares.

(a) Retention of Customers

Despite the retention strategies put in place by Anittel and the Company, a significant number of customers could terminate their agreements with Anittel, APL or the Company at any time after announcement of the proposed Acquisition, potentially causing a reduction in the earnings and revenue of the Company post Completion.

There are a number of resellers which proportionately account for a significant amount of the Company's revenue and margins. During 2014, ownership of one significant customer of the Company changed and the new owner has subsequently moved the majority of the customer's business to another wholesaler.

Similarly, there are a number of customers which proportionately account for a significant amount of the Business' revenue and margins.

The Company's risk of losing resellers and customers is mitigated by the following factors, among others:

- a number of resellers have fixed term contracts with liquidated damages payable upon early termination by the reseller, and the Company has an active process of incentivising resellers to enter into fixed term contracts;
- a number of customers of the Business have fixed term contracts with liquidated damages payable upon early termination by the customer;
- teams of dedicated account managers are responsible for maintaining good relationships with resellers and customers; and
- the Company will, post Acquisition, review its relationships with resellers and customers of the Business, with the intention of identifying and resolving any potential risk of lost business.

There remains a risk that should resellers of the Company or customers of the Business move their business to another wholesaler or a competitor, go out of business or reduce their level of business, this will have a material adverse impact on the revenue and earnings of the Company.

(b) Retention of Staff

The Company is reliant upon a number of key senior management staff including the CEO/Managing Director, Chief Operating Officer, Chief Information Officer, Chief Technology Officer, and Chief Financial Officer, Managing Director of Cloud, regional managers and HCS engineers. The loss of key staff could have an adverse impact on the performance of the Company.

In addition, the Acquisition will involve the transfer of a significant number of new employees, and some consultants to the Company. Any inability of the Company to integrate and/or retain the new employees and consultants may also have an adverse impact on the Company's performance.

A number of staff engaged by the Business in Tasmania have recently departed from the Business. It is possible that these staff may seek engagement with a competitor of the Business. The Company considers the replacement of some or all of these staff unlikely to pose significant challenges, but considers there is a risk that:

- the departed staff may seek to win customers of the Business to a competitor (including by the use of information gained by those staff while engaged by the Business); and
- further staff may seek to depart the Business.

The Company proposes to have made offers of employment to staff of Anittel at completion of the Business Purchase Agreement. While it is a condition precedent to completion of the Business Purchase Agreement that a minimum number of those staff have accepted offers of employment with the Company, there is a possibility that certain staff may not accept. In this case, the Company may suffer detriment as a consequence of those staff being unavailable to support its business, although the Company may decide not to proceed with the Acquisition in such a case.

(c) Staff Costs

Following the divestment of its communications business in January 2014, Anittel has continued to rationalise its operating costs. There is no guarantee that any operating expense reduction occurring in this realignment or otherwise will be sustainable in the period after completion of the Acquisition.

(d) Tasmanian Government Contract

Anittel entered into a contract for the associated use of hardware and deployment of posted communications system to the Tasmanian Government in 2012 for a five year contract term, with two options each of three years. The TGC will be a material contract for the Company following the Acquisition.

The value of products and services provided under the TGC may not increase to the level anticipated by the Performance Condition measures set out in the Business Purchase Agreement, resulting in decreased profitability. If this occurs, a decrease will be partially offset by a reduction in the amount of the Performance Consideration paid as this is dependent on the Business units achieving targets set out in the Business Purchase Agreement.

The TGC envisages the deployment of a range of products over its term. There is no guarantee that the value of products and services will increase by a

significant amount post Completion, that the term of the TGC will be extended, or that the TGC will not be terminated prior to expiry of its term.

In those cases, the Company would still incur substantial liability in respect of the arrangements made to support the TGC, but may not receive sufficient revenue to offset those liabilities.

(e) Pressure on Share Price

No escrow or other restrictions apply in relation to the Acquisition Shares. Post Completion, shareholders of the Company (which will at that time include the Anittel Shareholders) could dispose of their shares, creating downward pressure on the Company's share price.

Some parties receiving shares may elect to sell those Shares following the resumption of trading of the Shares.

If shareholders elect to sell a sufficiently large number of Shares, then this may negatively impact the price of Shares and decrease the realisable value of existing Shareholders' investment in the Company.

(f) Outcome of IT Business Unit Restructuring

The revenue of Anittel's IT Business Unit has declined over recent years, and there is a risk that the Company's planned restructuring and growth strategies fail to arrest the decline and/or retain customers, resulting in reduced profitability.

(g) Carriers and Supply

The Company and Anittel could face the risk of supply constraints, such as changes to product availability, pricing or supply terms, from Carriers providing carriage service. The Company's suppliers have the right to vary the terms of pricing for products supplied to the Company or other terms of supply.

The Company mitigates risks of a detrimental change in pricing or availability of a product by having supply agreements with multiple suppliers. Nonetheless, a change of a substantial portion of the Company's supply between suppliers could cause a material disruption to the Company.

(h) Billing Delays or Problems

The Company carries out two types of bill runs each month, one type where end customers are invoiced, the other type to bill resellers for the wholesale cost of the products and services purchased. It is extremely important the Company will be able to produce accurate invoices in a timely fashion at all times, including post Acquisition. Any interruption which prevents the Company from issuing bills to end customers could critically impact the ability of the Company to continue operations. Such a delay would also damage the reputation of the Company.

(i) Credit Risk

The Company minimises the risk of bad debt through strategies including the receipt of security deposits, requiring prepayment of invoices, or the use of a system whereby its resellers' end users pay their monthly invoices directly into an account controlled by the Company, following which the Company deducts its fees

and only then pays the reseller the balance. While Anittel does not operate such a system, Anittel has implemented other measures to manage its credit risk.

In the period from late 2010 to mid-2012, the Company suffered significant bad debts as a result of payment defaults by four former resellers. Subsequently, the Company took a number of steps to mitigate the risk of bad debts, and has not incurred any further significant bad debts during the 2013 and 2014 financial years, and to the date of this Prospectus.

Despite these improvements, the Company is still subject to credit risk and this could have a material adverse impact on earnings and cash flows.

(j) Network Operation and IT risks

Any material damage or disruption to the Company's network or IT systems will impair its ability to provide products and services and result in significant disruption to the Company's business and customers.

This disruption could arise as a result of events which are beyond the Company's control, such as telecommunications network failure, failure of other Carrier/supplier equipment or networks, improper or negligent operation of the Company's systems by employees, consultants or resellers, unauthorised physical or electronic access, general network failure and/or natural disasters.

In addition, the Company could be adversely impacted by electronic attacks and other forms of cybercrime, such as attempts by hackers to block access to the Company's systems and databases. This could cause failures, faults, provisioning and billing issues and problems for resellers dealing with the Company or their end users. While the Company employs security measures and undertakes regular system and network maintenance, no assurance can be given that the Company's servers and network will not be adversely impacted by malicious viruses or hackers.

Any damage to the Company's network operation and/or IT systems could materially and adversely affect the Company's reputation, operations and financial performance.

(k) Regulatory Risks and NBN

The Company may be affected by changes to government policies and legislation, including those relating to telecommunications, privacy, franchising, data security and taxation. In particular, the Company may be affected by regulatory changes to pricing of key products such as fixed wire or mobile telephony, which may advantage either the Company or its competitors disproportionately. The Company may also be affected by changes to industry regulation which impose new compliance obligations or prohibitions on either the Company or its resellers, such as data retention obligations.

It is also unknown how the National Broadband Network (NBN) will impact on the Company and the Company's resellers in the future. Although the Company presently offers NBN products to its resellers, there is the possibility that changed regulatory or pricing conditions may in future apply to the sale of NBN services and place the Company at a disadvantage to its competitors.

(l) Sustainability of Revenue and Profitability

The sustainability of revenue and the level of profit margins from operations are dependent on a number of factors outside of the Company's control. Industry margins are likely to continue to be put under pressure as competitors seek to gain market share and technology changes reduce the use of traditionally high margin services such as fixed line telephony.

There is no assurance that the Company's or Anittel's past operating results are indicative of future revenue or profitability of the consolidated business.

(m) Risks Associated with Mass Market "Enablement" Strategy

The Company has made a significant investment in creating its mass-market segment. Although the Company has successfully enabled a major nationwide consumer brand to launch an expanded telecommunications offering, there is no guarantee that the mass-market segment will lead to material growth in revenue or profitability or that all investment made from time to time by the Company in the segment will be recouped.

(n) Implementation Risk

The majority of the business operations, supplier agreements, and customer agreements of Anittel are domiciled in APL. As such, it will not be necessary for the Company to procure novations or other conditional arrangement to receive the benefit of those operations and agreements.

Despite this, it will be necessary for the Company to obtain consent to the Company acquiring control over APL or to novation of agreements from Anittel to the Company or its nominee, from various third parties which deal with Anittel or APL.

While certain critical consents are conditions precedent to completion of the Business Purchase Agreement, there is a possibility that some or all of the third parties may seek to refuse consent or refuse to agree to a novation. In that case, the Company may need to implement alternative arrangements.

In addition, there are risks associated with the Company commencing to manage the Business. There is a risk that the management of the Company will not be able to operate the Business so as to increase its profitability or capture synergies following the Acquisition.

(o) Technology Risk

The Company and Anittel compete with other companies who may introduce new products and services which are unavailable to the Company or cannot be introduced by the Company at a competitive price.

If these products and services are superior or perceived to be superior to the Company's products and services, and if the Company is unable to offer similar products and services at a competitive price, then this may impact adversely on the Company's ability to compete in the market and keep customers.

(p) Integration of Products and Systems

The Company and Anittel presently operate differing back-end systems and platforms for provision of their product ranges. There is no certainty that the Company will be able to merge those systems and platforms so as to achieve any

desired integration of the product sets of each group of companies after completion of the Business Purchase Agreement.

In addition, there may be unexpected costs or difficulties in making the existing product range of Anittel available to resellers of the Company, and vice versa.

(q) Dividends May Not Be Paid

The Company has not to date paid a dividend, and has not announced an intention to pay a dividend at a future date.

(r) Mergers and Acquisitions

The Company plans to pursue additional strategic acquisitions which are complementary to our existing business. There is no assurance that the Company will be able to successfully integrate acquisitions including the Acquisition which is the subject of this Offer, into the business. A merger or acquisition may bring with it unforeseen risks or liabilities and may not perform to the level anticipated prior to the merger or acquisition.

(s) Financing and Financial Risk Management

The Company's continued ability to effectively implement the business plan may depend on our ability to raise additional funds. There can be no assurance that any such equity or debt funding, if required, will be available to the Company on favourable terms or at all. If adequate funds are not available the Company may not be able to take advantage of opportunities and/or respond to competitive pressures.

6.3 General investment risk

(a) Accounting Standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors and the Company's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.

(b) General Economic Conditions

The Company's business is affected by general economic conditions in Australia and broader financial services market sentiment.

A deterioration in economic conditions could lead to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

(c) Risk of Shareholder Dilution

In the future, the Company may elect to issue shares to engage in fundraisings and also to fund, or raise proceeds, for acquisitions the Company may decide to make. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of shares and fundraisings.

(d) Share Market Investments

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price the Shares traded at prior to the Offer. There is no assurance that the price of the Shares will increase following the Offer, even if the Company's revenues and/or earnings increase.

Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates and general operational and business risks.

(e) Taxation Risks

The Company does not consider it is appropriate to give advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to any Applicant. As a result, parties should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

(f) Insurance

The Company does, and following the Offer will continue to, utilise insurance to mitigate business risks. Such insurance may not always be available or incidents affecting the Company may fall outside the scope of the insurances' cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.

(g) Litigation

Litigation brought by third parties including but not limited to the Company's resellers, the end customers of resellers, Carriers, suppliers or employees could negatively impact the Company's business, particularly in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.

(h) Force Majeure Events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of the Company and the price of the Shares. Such events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. The Company will have only a limited ability to insure against some of these risks.

7 Additional Information

7.1 Continuous Disclosure Obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Acquisition Shares which are to be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the Prospectus. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of the Acquisition Shares on the Company and the rights attaching to the Acquisition Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgement of the Company's annual financial statements of the Company for the financial year ended 30 June 2014 to the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial statements of the Company for the financial year ended 30 June 2014 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
- (ii) any half-year financial report lodged with ASIC by the Company after the lodgement of that annual report and before the lodgement of this Prospectus; and
- (iii) any continuous disclosure notices given by the Company after the lodgement of the financial statements referred to in section (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours.

The Company has lodged the following announcements with the ASX since the lodgement of its annual financial report for the year ended 30 June 2014 on 10 September 2014.

Date	Announcement
15/10/2014	Notice of Annual General Meeting & Proxy Form
10/09/2014	Inabox Group Annual Report

7.2 Business Purchase Agreement

In addition to the summary of the Business Purchase Agreement contained in section 3.2 of this Prospectus, the other material provisions of the Business Purchase Agreement are as follows:

(a) Performance Consideration

The measures which may reduce the Performance Consideration are referred to as:

- (i) "ITPS", meaning the IT Performance Shortfall calculated in accordance with item A below;
- (ii) "ITCGM", meaning the IT Contracted Gross Margin Adjustment calculated in accordance with item B below; and
- (iii) "HCSPS", meaning the HCS Performance Shortfall calculated in accordance with item C below.

The Company may offset any determined claims from the payment of the Performance Consideration.

Item A – IT Performance Shortfall

The lesser of \$1,500,000 and the amount calculated as follows:

$$((\$7,550,000 - 2HGM) \times 5 \times 2) - EAS$$

Where

2HGM means the actual Gross Margin of the IT Business Unit for the period 1 January 2015 to 30 June 2015

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least \$15 per month

EAS is:

- (i) if there are 15,000 or less Active Services as at 30 June 2015, zero; or
- (ii) if there are more than 15,000 Active Services as at 30 June 2015, the amount calculated as follows:

$$(\text{Active Services} - 15,000) \times \$200$$

IT Business Unit means the business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the Cisco HCS and Infrastructure as a Service (ISS) business

Gross Margin means revenue minus direct costs of IT hardware, software and services excluding labour costs (refer to item D below for a list of categories of costs)

For the sake of clarity the IT Performance Shortfall cannot be less than \$0.

Item B - IT Contracted Gross Margin Adjustment

If at 30 June 2015, the Gross Margin of the managed service contracts and managed IT contracts (together "CGM") in the period 1 July to 31 December 2015 is forecast to be less than during the period 1 January to 30 June 2015 (taking lost contracts but also new contracts into account), the Performance Consideration will be reduced by the lesser of \$1,000,000 and the amount calculated as follows:

$$(2\text{HFY}15 \text{ CGM} - 1\text{HFY}16\text{F CGM}) \times 5 \times 2$$

Calculation of the 1HFY16 forecast:

- Where the buyer has received a notice of termination from an account prior to 30/6/15, the monthly contract Gross Margin for that account shall not be included in the calculation of CGM for 1HFY16.
- If a client has formally notified the buyer of a reduction in their monthly service fee prior to 30/6/15, the lower monthly service fee and corresponding Gross Margin shall be included in the 1HFY16 Forecast.
- New contracts signed before 30/6/15 will be included in the forecast at the Gross Margin of their committed value.
- Consistent accounting policies are to be applied to the calculation of Gross Margin in 2HFY15 and the forecast period of 1HFY16.

Item C - HCS Performance Shortfall

The lesser of \$1,000,000 and the amount calculated as follows:

$(15,000 - \text{Active Services}) \times \200

where

Active Services means the number of Cisco HCS services as at 30 June 2015 billing at an average price of at least \$15 per month

Item D - Categories of Costs

- 30 - Product – Hardware
- 40 - Product – Software
- 50 - Service - Professional Services
- 55 - Service - MIT (Managed IT)
- 57 - Service – MSC
- 60 - Comms - Internet and Data
- 70 - Comms - Hosting and Cloud
- 80 - Comms - Voice and Video (Telco)
- 90 - Other Income
- 45 - Service - Infrastructure as a Service

(b) Conduct before Completion

Anittel is restricted in respect of its conduct prior to Completion. Anittel must manage and conduct the affairs of the Business using its best endeavours and in the ordinary and usual course and must preserve the assets subject to the transaction. Additionally, Anittel must not enter into, terminate or vary certain contracts, incur certain liabilities or enter into certain transactions without the Company's consent.

(c) Warranties

Both parties have agreed to provide certain warranties. These warranties cannot be claimed after 4 September 2015. There are claim thresholds in respect of the warranties and a procedure to claim for a breach of a warranty.

The Company has provided warranties in respect of, without limitation, its solvency and authority, the disclosure of information, its accounts and the preparation of this prospectus.

Anittel and APL have provided warranties in respect of, without limitation, its solvency and authority, the disclosure of information, title to the assets, accounts, material contracts, equipment leases and taxation.

(d) Employees

Anittel must procure APL to make offers of employment or offers for contracts for services with APL to certain employees of the Business prior to Completion. If these employees accept these offers, the Company will (through its ownership of APL from Completion) assume all accrued liabilities in respect of these employees.

Those employees that are excluded from these offers or that do not accept the offers will have their entitlements paid out by APL.

(e) Restraints

The following two separate restraints apply under the Business Purchase Agreement:

- (i) Anittel or its affiliates must not, during a restraint period of three years, solicit or persuade any customer or employee of the Business or the Company to stop its business with the Company or cease its employment with the Company; and
- (ii) the Company must procure that APL, post Completion, does not compete with BigAir Group Limited ABN 57 098 572 626 during a specified restraint period under an agreement between Anittel and BigAir Group Limited.

(f) Maximum Liability

The maximum liability of each party under the Business Purchase Agreement is the amount of the Performance Consideration actually paid by the Company.

7.3 Options and Rights

The following options are currently on issue:

Option Holder	Number of options and shares to which they relate	Exercise price	Exercise period	Vesting condition	Expiry date
Siimon Reynolds	83,333 exercisable over 83,333 Shares	\$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Damian Kay	83,333 exercisable over 83,337 Shares	\$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Garry Dinnie	83,333 exercisable over 83,333 Shares	\$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date
Paul Line	83,333 exercisable over 83,337 Shares	\$1.20	From vesting of the options to the fifth anniversary of date of issue*	The vesting condition described below**	5 Years after issue date

*The date of issue was 24 May 2013

**The Options Holder must continue to be engaged as a Director of the Company two years after the date of issue.

In addition to the Options above other parties have the right to invest \$1 million at a price of \$0.96 per Share not later than 30 November 2018. The investment of the first \$340,000 has no time restrictions but at the time of exercise the Company's Share price must have outperformed the ASX 200. The remainder can only be exercised after three years from the date of issue and at exercise date must have outperformed the ASX 200 and the Share price must be \$1.38 or higher.

7.4 Rights attaching to the Acquisition Shares

The rights attaching to ownership of the Shares (including the Acquisition Shares) are:

- (a) described in the Constitution; and
- (b) regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of Shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the Shareholders.

The Constitution is typical of those for Australian public companies and complies with ASX requirements. A copy of the Constitution is available on the Company website www.inaboxgroup.com.au.

- (a) Alteration of rights attaching to Shares

The rights and restrictions attaching to Shares (and any other class of share on issue in the Company, unless provided by the terms of issue of that class of share) can only be varied with the consent in writing of members with at least three-quarters of the votes attaching to Shares, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares.

- (b) Further issuance of Shares or Options over Shares

The Board may (subject to the Corporations Act, the Listing Rules and any special rights attaching to any class of Shares or granted to any holder of Shares) issue Shares or another class of Shares in the Company, or Options over Shares or another class of Shares, to any person at any time, on such terms as the Board may determine to be appropriate.

- (c) Share transfers

Shares may be transferred in any manner required or permitted by the ASX Listing Rules or the ASTC Settlement Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of Shares (or other securities in the Company) as permitted by the ASX Listing Rules or the ASTC Settlement Rules.

- (d) Unmarketable parcels of Shares

Subject to the Listing Rules and the ASTC Settlement Rules, Inabox may sell the Shares of Shareholders that hold less than a marketable parcel of Shares. The Company may only do this once in any 12 month period, however, and a Shareholder will be entitled to elect that his or her Shares will not be sold.

(e) Share certificates

Subject to the requirements of the ASX Listing Rules and the Corporations Act, the Company need not issue certificates for the Shares.

(f) Meeting procedures

Each Shareholder and Director of the Company is entitled to receive notice of general meetings of the Company. Any notice served on a Shareholder by electronic means is deemed to have been served when the electronic message is sent. Three Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting (except the election of a Chairman and an adjournment), unless the quorum required is present at the start of the meeting.

(g) Voting rights

Subject to restrictions on voting from time to time affecting the Shares and any restrictions imposed by the Corporations Act or ASX Listing Rules, Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each Share held.

(h) Directors

The Company must have at least three Directors, and may have up to ten Directors (unless the Shareholders resolve otherwise). Subject to not exceeding that maximum number, the Board may appoint one or more Directors, but any Directors so appointed (other than the Managing Director) must retire at the next annual general meeting (although that Director may stand for election at that meeting).

At each annual general meeting, one third of the Directors (or if the number in office is not a multiple of three, then the number nearest to one third), as well as any Director who has held office for three years or more, must retire from office, but is eligible for re-election at that meeting. The Managing Director is not subject to these retirement requirements.

(i) Indemnities and insurance

The Company is required to indemnify (to the extent permitted by law) each current or former Director, Secretary or an Executive Officer of Inabox against liabilities incurred by them in that capacity, as well as against any legal costs incurred in defending or resisting proceedings in which that person becomes involved because of that capacity. The Company may pay the premium on an insurance policy that insures such a person against liability incurred by that person in that capacity.

(j) Dividends

Where the Board determine that a dividend is payable, it will be paid on all ordinary Shares. The Board has the power to decide whether to pay Shareholders an interim dividend on account of the next forthcoming dividend.

The Board may establish and maintain one or more dividend reinvestment plans, to which Shareholders may elect to take up with some or all their Shares subject to the rules of the plan.

7.5 Interests of Experts

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- (a) has any interest or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with the Company's formation or promotion, or the Offer of the Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of the Company, or the Offer of the Shares.

TMT Partners will be paid approximately \$468,000 in relation to their corporate advisory services with respect to the preparation of this Prospectus and the Acquisition.

Hall & Wilcox will be paid approximately \$145,000 in relation to their legal services with respect to the preparation of this Prospectus and the Acquisition.

7.6 Consent and Disclaimer of Responsibility

None of the parties referred to below has made any statement which is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

- Ernst & Young has given, and not withdrawn, its consent to be named as auditor in the form and context in which it is named.
- TMT Partners has given, and not withdrawn, its written consent to be named as the corporate adviser in the form and context in which it is named.
- Hall & Wilcox has given, and has not withdrawn, its written consent to be named as the solicitors to the Offer in the form and context in which it is named.

7.7 Interest of Directors

Other than set out above or elsewhere in this Prospectus:

- No Director or proposed Director of the Company has, or has had in the two years before the date of this Prospectus, any interest in the formation or promotion of the Company, or the Offer of Shares, or in any property proposed to be acquired by the Company in connection with information or promotion of the Offer of the Shares; and
- No amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of the Company either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of the Company or the Offer of Shares.

7.8 Directors' Shareholdings

The Directors have a relevant interest in the following Shares and options to acquire Shares in the Company at the date of this Prospectus:

Director	Shares	%	Options
Damian Kay	2,651,260	19.05%	83,333
Paul Line	127,014	0.9%	83,333
Garry Dinnie	1,667	N/A	83,333
David Rampa	10,000	N/A	0
Siimon Reynolds	17,000	N/A	83,333
Total	2,806,941	~19.95%	333,332

The terms of the Options, rights and units are described in the section titled Options and Rights.

7.9 Privacy

The Company collects information about each Applicant provided to it for the purposes of administering the Offer and, subsequently, any security holding in the Company. The Company may disclose this information for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

7.10 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of shares and options in response to an electronic application, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus, please ensure that you have the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at angus@inboxgroup.com.au and the Company will send you, free of charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided with an entire copy of the Prospectus and any relevant supplementary or replacement material or any of those documents were incomplete or altered. In such case, the Application Money received will be dealt with in accordance with section 722 of the Corporations Act.

7.11 Expenses of the Offer and the Acquisition

The approximate expenses of the Offer and the Acquisition, including advisers' fees, ASIC and ASX fees, printing and distribution costs and other miscellaneous expenses is approximately \$700,000, which has been paid or is payable by the Company.

7.12 Directors' Authorisation

This Prospectus is authorised by the Company and is lodged with ASIC pursuant to section 718 of the Corporations Act. Each Director of the Company has given, and has not withdrawn, their consent to the lodgement of this Prospectus under ASIC under the terms of section 720 of the Corporations Act.

Dated: 4 November 2014

Signed for an on behalf of Inabox Group Limited by Damian Kay

8 Glossary

Where the following terms are used in this Prospectus they have the following meanings:

\$, A\$ or Dollars	Australian dollars unless otherwise stated.
Accountant or Auditor	Ernst & Young.
Acquisition	The acquisition of the Business described in section 3.1 of the Prospectus.
Acquisition Shares	6,153,846 Shares in the Company proposed to be issued in relation to the Acquisition.
Agreed Working Capital	Working capital amount calculated in accordance with Business Purchase Agreement required to remain in the Business at Completion as working capital.
Anittel or AYG	Anittel Group Limited ACN 009 805 298 (ASX: AYG) and controlled subsidiaries.
Anittel AGM	The annual general meeting of Anittel to be held on 18 December 2014.
Anittel Shareholders	The shareholders of Anittel on the Record Date.
Applicant	An entity who submits an Application Form pursuant to this Prospectus.
Application	A valid application made to subscribe for the Acquisition Shares in accordance with the Offer.
Application Form	The Application form accompanying a paper copy of this Prospectus to subscribe for the Acquisition Shares pursuant to the Offer.
Application Money	Money received from persons applying for the Acquisition Shares pursuant to the terms of the Offer.
APL	Anittel Pty Ltd, which is the chief operating entity within Anittel.
ASIC	The Australian Securities & Investments Commission.

ASPL	Anittel Services Pty Ltd which is a subsidiary of Anittel which employs all staff within the Anittel group of companies.
ASTC Settlement Rules	Rules under the former ASX Settlement Pty Limited.
ASX	The ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited
ASX Listing Rules	The official listing rules of the ASX.
Board	The board of Directors.
Business	<p>The business comprising of the operating assets of Anittel acquired by the Company under a Business Purchase Agreement including:</p> <ul style="list-style-type: none"> ▪ the acquisition of all the relevant business assets of the parent entity, Anittel; ▪ the acquisition of all APL shares owned by the parent entity, Anittel; ▪ the assumption of the trading liabilities relating to the operating assets, but <p>excluding the Cash, Shareholder Loans and the Dormant Subsidiaries.</p>
Business Purchase Agreement	The Agreement to purchase the Business dated 4 November 2014, more fully described in section 3.2.
Capital Reduction	The proposed capital reduction involving the in specie distribution of the Acquisition Shares to the Anittel Shareholders.
Carriers	Carriers who supply carriage services to the Company.
Cash	Cash in Anittel as at Completion surplus to the Agreed Working Capital.
Closing Date	The date set out in section 1.
Company or IAB	Inabox Group Limited (ABN 32 161 873 187) and controlled subsidiaries.

Completion	Completion occurs when completion of the Business Purchase Agreement occurs.
Constitution	The constitution of the Company.
Corporations Act	The Corporations Act 2001 (Cth).
Director	A director of the Company.
Dormant Subsidiaries	The following seven dormant subsidiaries within AYG including: Onenetwork Pty Limited, Sholl Communications (Aust) Pty Limited, Accord Technologies (WA) Pty Limited, Axxis Technology Pty Limited, Invizage Pty Limited, Anittel (TAS) Pty Limited and Cloud Only Distribution Pty Limited.
Electronic Prospectus	The form of Prospectus set out in section 7.10
Employee Entitlements	Employee entitlements means the accrued employment benefits and entitlements in accordance with the relevant law.
Ernst & Young or EY	The Company's Accountants or Auditors.
EST	Eastern Standard Time, New South Wales
FY	Financial Year.
HCS	The Cisco Host Collaboration Solution.
IAB EGM	The extraordinary general meeting of IAB anticipated to be held on 19 December 2014
ICT	Information and Communications Technology
IT Business Unit	The business unit which sells IT hardware, software and services under the Anittel brand to end customers but excluding services relating to the Cisco HCS and Infrastructure as a Service (ISS) business
Listing Rules	The listing rules of the ASX.
Net Working Capital	Net Working Capital as defined in the Business Purchase Agreement.

Offer	An invitation made in this Prospectus to subscribe for the Acquisition Shares.
Official list	The official list of the ASX.
Opening Date	The date set out in section 1.
Option	An option to be issued a Share.
Performance Consideration	(a) The calculation of the performance consideration component set out in clause 3.2.
Post Completion Business Plan	(b) The post Acquisition business plan to be completed between the Company and Anittel prior to the Acquisition.
Prospectus	This Prospectus and includes the Electronic Prospectus.
Record Date	The date for determining the eligibility of Anittel Shareholders for participation in the capital reduction, anticipated to be 24 December 2014
Share	A fully paid ordinary share in the Company.
Share Registry	Boardroom Pty Limited (ACN 003 209 836).
Shareholder	The registered holder of Shares in the Company.
Shareholder Loans	loans made to Anittel by the Anittel Shareholders or associates of them.
Substantial Holding	The meaning of substantial holding as defined in section 9 of the Corporations Act.
Tasmanian Government Contract or TGC	The agreement between Anittel and the government of Tasmania executed in August 2012 (together with subsequent amendments) for the provision of telecommunications hardware and the deployment and support of a hosted communications system to parts of the Tasmanian Government. The TGC has an initial five year term.
US person	Has the meaning given to that term in Regulation S under

the US Securities Act.

US Securities Act

The United States Securities Act of 1933, as amended.

**VWAP or volume
weighted average price**

The average of the high, low and closing prices for each day, multiplied for each day by the daily volume of shares traded on that day

Schedule

 PIN CHEQUE(S) HERE

Inabox Group Limited

ACN: 161 873 187

Application Form

Fill out this Application form if you want to apply for shares in Inabox Group Limited

- Follow the instructions to complete this Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

A **Number of shares you are applying for**

6,153,846

Minimum of XXXXX shares to be applied for, and thereafter in multiples of XXX shares.

B Write the name(s) you wish to register the units in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Name >

Name of Applicant 3 or < Account Name >

C Write your postal address here

Number / Street

Suburb/Town State Postcode

D CHES participant – Holder Identification Number (HIN)

X

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHES, any Notes issued as a result of your application will be held on the Issuer Sponsored subregister.

E Enter your Tax File Number(s), ABN, or exemption category

Applicant #1 Applicant #2

Applicant #3

F Contact telephone number (daytime/work/mobile)

G Email address

By submitting this Application form, I/We declare that this Application is completed and lodged according to the instructions on the reverse of the Application form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Inabox Group Limited. I/We represent, warrant and undertake to the Company that our subscription for the above shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for shares in the Company.

GUIDE TO THE APPLICATION FORM

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- | | |
|--|---|
| <p>A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A.</p> | <p>NB: your registration details provided must match your CHES account exactly.</p> |
| <p>B. Write your full name. Initials are not acceptable for first names.</p> | <p>E. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.</p> |
| <p>C. Enter your postal address for all correspondence. All communications to you from Inabox Group Limited will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.</p> | <p>F. Enter your contact details so we may contact you regarding your Application Form or Application Monies.</p> |
| <p>D. If you are sponsored in CHES by a stockbroker or other CHES participant, you may enter your CHES HIN if you would like the allocation to be directed to your HIN.</p> | <p>G. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.</p> |

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to Australian Oil Company Limited. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (Deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	Mr John Smith & Mrs Mary Smith <Smith Family Super Fund A/C>	John & Mary Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Delivery address:

Inabox Group Limited
C/- Boardroom Pty
Limited
Level 7
207 Kent Street
SYDNEY NSW 2000

Mailing address:

Inabox Group Limited
C/- Boardroom Pty Limited

GPO Box 3993
SYDNEY NSW 2001

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on: Tel: 02 9290 9600

Privacy Statement:

Privacy Statement:

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website (<http://www.boardroomlimited.com.au/privacy.html>).