

Appendix 4D

Half-year Report

TEL.PACIFIC LIMITED

ABN 99 073 079 268

Current Reporting Period:	Half-year Ended 31 December 2008
Previous Corresponding Period:	Half-year Ended 31 December 2007

Results for Announcement to the Market

		Change		Amount
Revenue from ordinary activities	Up	49.4%	To	\$31,841,344
Profit before interest, taxation, depreciation and amortisation (EBITDA)	Down	-26.6%	To	\$1,552,426
Profit from ordinary activities after tax attributable to members	Down	-35.6%	To	\$810,488
Net profit for the period attributable to members	Down	-35.6%	To	\$810,488

Earning Per Share

	31 December 2008	31 December 2007
	Cents	Cents
Basic earnings per share	0.75	1.15
Diluted earnings per share	0.75	1.15

Net Tangible Asset Backing

	31 December 2008	31 December 2007
	Cents	Cents
Net tangible asset per share	5.52	5.22

Dividends

	Amount per Security	Franked amount per
	Cents	Security
	Cents	Cents
Interim dividend for current reporting period (payable 18 March 2009)	0.40	0.40
Record date for determining entitlements to dividend	4 March 2009	n/a
Dividend for previous corresponding period (paid 3 April 2008), as a full year dividend (with no further dividend paid that financial year)	0.70	0.70

Brief Explanation of Results

\$000's	Half year ended 31 December 2007	Half year ended 31 December 2008	Half year ended 31 December 2008 (normalised)	% of normalised on PCP
Revenue	21,310	31,841	31,841	49.4%
EBITDA	2,115	1,552	2,219	4.9%
NPAT	1,258	810	1,277	1.5%
Normalised adjustments (see discussion below)			(667)	

Tel.Pacific's revenue growth for the half year ended 31 December 2008 was very solid, increasing to \$31.8 million (2007: \$21.3 million; up 49.4%). The increase of \$10.5 million demonstrated both the Company's ongoing organic growth (\$2.5 million for the period), and the success of targeted acquisitions and new operations in New Zealand (\$8.0 million).

However, the reported earnings before interest, tax, depreciation and amortisation (EBITDA) and net profit after tax (NPAT) of the consolidated entity for the half-year ended 31 December 2008 were down on the previous period.

The decrease in EBITDA and NPAT, despite the solid revenue performance, was primarily due to the impact of dramatic exchange rate fluctuations during the period, and a number of exceptional (and largely non cash) items.

The material fall in the AUD/USD exchange rate, in particular during the last quarter, significantly increased carrier costs, at a speed not previously encountered by the business. As a result, the gross margin decreased by 5.7% to 20.3% compared to the previous corresponding period. Had the margin been maintained, an extra \$1.8 million would have been delivered in the half. The Company has now taken measures to improve the gross margin, which include the capacity to make more responsive retail price adjustments to reflect the increase in underlying costs, and forward exchange contracts to fix the exchange rate for a short term to ensure a degree of retail pricing stability. Unaudited management accounts since the half year result confirm the positive effect of the Company's actions.

Operating expenses also included a number of exceptional items, the majority of which were non-cash. These exceptional items were one-off make good and office relocation costs (\$220k), write-off of office improvement and furniture (\$208k), and unrealised revaluation loss of outstanding forward exchange contracts at 31 December 2008 (\$239k).

Excluding the exceptional items, the normalised net profit after tax for the period was \$1.3 million.

Overall, the result represented a robust operating and financial performance achieved in a challenging environment. As at 31 December 2008, the Company presented a strong balance sheet, with a total of \$14.8 million in cash balance and bank deposits. The Company remains debt free and continues to be well positioned to capitalise on opportunities that arise in the current market.

Controlled Entities

The group does not have any interests in associates outside the group, nor does it have any interest in joint ventures.

TEL.PACIFIC LIMITED

A.B.N. 99 073 079 268

Interim Financial Report For The Half-Year Ended 31 December 2008

TEL.PACIFIC LIMITED

CONTENTS

Page

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Consolidated Income Statement	6
Condensed Consolidated Balance Sheet	7
Condensed Consolidated Statement of Changes In Equity	8
Condensed Consolidated Cash Flow Statement	9
Notes to the Condensed Consolidated Financial Statements	10
Directors' Declaration	15
Independent Auditor's Review Report	16

TEL.PACIFIC LIMITED

CORPORATE DIRECTORY

DIRECTORS

Greg McCann	Chairman (Non-executive)
Chiao-Heng (Charles) Huang	Managing Director, Chief Executive Officer
Barry Chan	Director, Chief Operating Officer
Jeffrey Ma	Director, Chief Financial Officer, Company Secretary
Ryan O'Hare	Director (Non-executive)
Stephe Wilks	Director (Non-executive)

COMPANY SECRETARY

Jeffrey Ma
Nick Geddes, Australian Company Secretaries Pty Limited

REGISTERED OFFICE

Level 10, Tower B, 821 Pacific Highway, Chatswood NSW 2067
Telephone: (02) 8448 0663
Facsimile: 1300 369 222

Web Site: www.telpacific.com.au

AUDITOR

PKF Chartered Accountants and Business Advisers
Level 10, 1 Margaret Street, Sydney NSW 2000

SOLICITOR

Truman Hoyle Lawyers
Level 11, 68 Pitt Street, Sydney NSW 2000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street, Sydney NSW 2000

TEL.PACIFIC LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2008.

Directors

The names of the directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period.

Greg McCann	Chairman (Non-executive)
Chiao-Heng (Charles) Huang	Managing Director, Chief Executive Officer
Barry Chan	Director, Chief Operating Officer
Jeffrey Ma	Director, Chief Financial Officer, Company Secretary
Ryan O'Hare	Director (Non-executive)
Stephe Wilks	Director (Non-executive)

Principal Activities

The principal activities of the consolidated entity during the half-year were pre-paid telephony products and services in Australia and New Zealand.

Review and Results of Operations

\$000's	Half year ended 31 December 2007	Half year ended 31 December 2008	Half year ended 31 December 2008 (normalised)	% of normalised on PCP
Revenue	21,310	31,841	31,841	49.4%
EBITDA	2,115	1,552	2,219	4.9%
NPAT	1,258	810	1,277	1.5%
Normalised adjustments (see discussion below)			(667)	

Tel.Pacific's revenue growth for the half year ended 31 December 2008 was very solid, increasing to \$31.8 million (2007: \$21.3 million; up 49.4%). The increase of \$10.5 million demonstrated both the Company's ongoing organic growth (\$2.5 million for the period), and the success of targeted acquisitions and new operations in New Zealand (\$8.0 million).

However, the reported earnings before interest, tax, depreciation and amortisation (EBITDA) and net profit after tax (NPAT) of the consolidated entity for the half-year ended 31 December 2008 were down on the previous period.

The decrease in EBITDA and NPAT, despite the solid revenue performance, was primarily due to the impact of dramatic exchange rate fluctuations during the period, and a number of exceptional (and largely non cash) items.

TEL.PACIFIC LIMITED

The material fall in the AUD/USD exchange rate, in particular during the last quarter, significantly increased carrier costs, at a speed not previously encountered by the business. As a result, the gross margin decreased by 5.7% to 20.3% compared to the previous corresponding period. Had the margin been maintained, an extra \$1.8 million would have been delivered in the half. The Company has now taken measures to improve the gross margin, which include the capacity to make more responsive retail price adjustments to reflect the increase in underlying costs, and forward exchange contracts to fix the exchange rate for a short term to ensure a degree of retail pricing stability. Unaudited management accounts since the half year result confirm the positive effect of the Company's actions.

Operating expenses also included a number of exceptional items, the majority of which were non-cash. These exceptional items were one-off make good and office relocation costs (\$220k), write-off of office improvement and furniture (\$208k), and unrealised revaluation loss of outstanding forward exchange contracts at 31 December 2008 (\$239k).

Excluding the exceptional items, the normalised net profit after tax for the period was \$1.3 million.

Overall, the result represented a robust operating and financial performance achieved in a challenging environment. As at 31 December 2008, the Company presented a strong balance sheet, with a total of \$14.8 million in cash balance and bank deposits. The Company remains debt free and continues to be well positioned to capitalise on opportunities that arise in the current market.

Dividend

On 20 February 2009, the directors of Tel.Pacific Limited declared an interim dividend on ordinary shares. The total amount of \$431,252 represents a fully franked dividend of 0.40 cents per share. The record date for the interim dividend is Wednesday 4 March 2009. The intended date of payment is Friday 18 March 2009. The interim dividend has not been provided for in the 31 December 2008 financial statements.

Auditor's Independence Declaration

The Auditor's independence declaration is set out on page 5 of this report.

Signed in accordance with a resolution of the Board of Directors.



Greg McCann
Chairman



Chiao-Heng (Charles) Huang
Managing Director

Dated this 20 February 2009



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION – HALF YEAR REVIEW FINANCIAL REPORT

Auditor's Independence Declaration

As lead auditor for the review of Tel.Pacific Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tel.Pacific Limited and the entities it controlled during the half year.

PKF
East Coast Practice

Arthur Milner
Partner
Sydney, 20 February 2009

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

DX 10173 | Sydney Stock Exchange | New South Wales

PKF East Coast Practice is a member of PKF Australia Limited a national association of independent chartered accounting and consulting firms each trading as PKF. The East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Liability limited by a scheme approved under Professional Standards Legislation

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
Revenue		31,841,344	21,310,292
Cost of sales		<u>(25,362,205)</u>	<u>(15,756,290)</u>
Gross profit		6,479,139	5,554,002
Other income	3	<u>560,121</u>	<u>487,953</u>
		7,039,260	6,041,955
Operating expenses		(2,562,111)	(1,598,690)
Employee benefits expense		<u>(2,924,723)</u>	<u>(2,328,080)</u>
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		1,552,426	2,115,185
Depreciation and amortisation		<u>(376,366)</u>	<u>(380,612)</u>
Earnings before interest and taxation (EBIT)		1,176,060	1,734,573
Finance income	3	<u>-</u>	<u>135,391</u>
Profit before income tax		1,176,060	1,869,964
Income tax expense		<u>(365,572)</u>	<u>(611,507)</u>
Profit for the period		<u><u>810,488</u></u>	<u><u>1,258,457</u></u>
Attributable to:			
Members of Tel.Pacific Limited		<u><u>810,488</u></u>	<u><u>1,258,457</u></u>
		Cents	Cents
Earnings per share			
- Basic earnings per share		0.75	1.15
- Diluted earnings per share		0.75	1.15
Dividend per share	4		
- Interim dividend proposed		0.40	-
- Annual dividend proposed		-	0.70

The accompanying notes form part of these condensed consolidated financial statements.

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	As at 31 December 2008 \$	As at 30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents		12,876,469	15,100,914
Trade and other receivables	5	9,349,779	6,223,284
Inventories		684,231	93,810
Other current assets		4,799,403	3,590,244
Total Current Assets		<u>27,709,882</u>	<u>25,008,252</u>
Non-Current Assets			
Financial assets		-	100
Property, plant and equipment		2,524,410	2,239,451
Intangible assets		4,601,607	4,634,356
Deferred tax asset		777,991	650,909
Total Non-Current Assets		<u>7,904,008</u>	<u>7,524,816</u>
TOTAL ASSETS		<u>35,613,890</u>	<u>32,533,068</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	6	23,281,068	20,565,586
Financial liabilities		222,840	-
Income tax payable		311,031	1,035,987
Short term provisions		299,105	369,705
Total Current Liabilities		<u>24,114,044</u>	<u>21,971,278</u>
Non-Current Liabilities			
Long term provisions		196,773	158,551
Deferred tax liabilities		726,939	570,745
Total Non-Current Liabilities		<u>923,712</u>	<u>729,296</u>
TOTAL LIABILITIES		<u>25,037,756</u>	<u>22,700,574</u>
NET ASSETS		<u>10,576,134</u>	<u>9,832,494</u>
EQUITY			
Issued capital	7	8,603,474	8,688,320
Reserves		347,375	329,377
Retained earnings		1,625,285	814,797
TOTAL EQUITY		<u>10,576,134</u>	<u>9,832,494</u>

The accompanying notes form part of these condensed consolidated financial statements.

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
ISSUED CAPITAL		
Balance at start of period	8,688,320	4,200,982
Payments related to shares issued under ESOP	39,483	-
Shares buyback on market	(123,453)	4,500,000
Transaction costs of shares buyback	(876)	-
Balance at end of period	<u>8,603,474</u>	<u>8,700,982</u>
RESERVES		
Balance at start of period	329,378	310,298
Employee equity benefits reserve	(11,749)	-
Exchange differences on translating foreign operations	29,746	1,794
Balance at end of period	<u>347,375</u>	<u>312,092</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of period	814,797	(1,344,771)
Profit for the period	810,488	1,258,457
Balance at end of period	<u>1,625,285</u>	<u>(86,314)</u>
TOTAL EQUITY	<u>10,576,134</u>	<u>8,926,760</u>

The accompanying notes form part of these condensed consolidated financial statements.

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	34,542,421	26,264,050
Payments to suppliers and employees	(34,034,068)	(21,945,867)
Interest received	533,785	456,715
Income tax paid	(1,053,360)	(582,965)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>(11,222)</u>	<u>4,191,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(836,688)	(615,771)
Purchase of business assets	9,950	(3,144,187)
Proceeds from disposal of assets	4,418	-
Payments of bank deposits	(1,282,703)	-
Loan to other party	(20,000)	-
NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES	<u>(2,125,023)</u>	<u>(3,759,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from initial public offering	-	2,798,500
Proceeds from partially paid share capitals	36,129	-
Payments for capital raising costs	-	(276,038)
Payments for shares buyback on market	(123,453)	-
Payments for transaction costs of shares buyback	(876)	-
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>(88,200)</u>	<u>2,522,462</u>
Net increase/(decrease) in cash held	(2,224,445)	2,954,437
Cash and cash equivalents at beginning of period	15,100,914	10,851,188
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>12,876,469</u></u>	<u><u>13,805,625</u></u>

The accompanying notes form part of these condensed consolidated financial statements.

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The half-year financial report of Tel.Pacific Limited and its controlled entities for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 20 February 2009.

Tel.Pacific Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included in annual financial report.

This half-year financial report should be read in conjunction with annual financial report of Tel.Pacific Limited for the year ended 30 June 2008 and any public announcements made by Tel.Pacific Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

The half-year consolidated financial report is a general purpose financial report that has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report has been prepared on an accrual basis and is based on historical costs and is modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied. The half-year financial report is prepared in Australian Dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Significant Accounting Policies

The half-year consolidated financial report has been prepared using the accounting policies and methods of computation as those applied in the annual financial report for the year ended 30 June 2008.

There are no seasonal or cyclical effects on the half-year report ended 31 December 2008 for Tel.Pacific Limited.

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
3 REVENUE, INCOME AND EXPENSES		
Other Income		
Interest income	519,898	325,350
Other revenue	40,222	162,603
	<u>560,121</u>	<u>487,953</u>
Finance Income		
Interest income from IPO funds	-	135,391

	As at 31 December 2008 \$	As at 31 December 2007 \$
4 DIVIDENDS		

Interim Dividends Proposed and Not Recognised as a Liability

Interim fully franked dividend for the period ended 31 December 2008:
0.40 cents (2008: Annual 0.70 cents)

	<u>431,252</u>	<u>770,000</u>
--	----------------	----------------

	As at 31 December 2008 \$	As at 30 June 2008 \$
5 TRADE AND OTHER RECEIVABLES		
Trade Debtors	4,024,935	2,756,241
Less: Allowance for Doubtful Debts	(355,942)	(285,217)
Unbilled Receivables	3,609,153	2,976,196
Bank Deposits (relating to bank guarantees)	1,946,028	663,326
Other Debtors	125,605	112,738
	<u>9,349,779</u>	<u>6,223,284</u>

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	As at 31 December 2008 \$	As at 30 June 2008 \$
6 TRADE AND OTHER PAYABLES		
Trade Creditors	5,139,805	2,850,724
Other Creditors	354,323	1,374,318
Accrued Expenses	1,560,235	945,446
Sundry Creditors	114,083	226,944
Goods and Services Tax Payable	496,125	510,625
Unearned Revenue (see below)	15,616,497	14,657,529
	<u>23,281,068</u>	<u>20,565,586</u>

Unearned revenue comprises:

- Revenue Received in Advance	8,001,981	8,983,447
- Trade Debtors	4,005,363	2,697,886
- Unbilled Receivables	3,609,153	2,976,196
	<u>15,616,497</u>	<u>14,657,529</u>

	As at 31 December 2008 \$	As at 30 June 2008 \$
7 ISSUED CAPITAL		
Ordinary Shares		
Issued and Fully Paid (101,012,977 shares)	8,575,998	8,659,037
Issued and Partially Paid (6,541,940 shares)	27,476	29,283
	<u>8,603,474</u>	<u>8,688,320</u>

	Number	\$
Movements in Ordinary Shares on Issue		
Balance at 1 July 2008		
- Issued and Fully Paid	101,851,312	8,659,037
- Issued and Partially Paid	6,800,000	29,283
On market shares buyback	(838,395)	(123,453)
Payments related to shares issued under ESOP	-	39,483
Transaction costs of shares buyback	-	(876)
Balance at 31 December 2008	<u>107,812,917</u>	<u>8,603,474</u>

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 SEGMENT REPORTING

The consolidated entity operates in one business segment, being the provision of pre-paid telephony products services, in the geographical locations of Australia and New Zealand.

	Australia	New Zealand	Elimination	Total
	\$	\$	\$	\$
Half-year Ended 31 December 2008				
Revenue				
Revenue from external customers	30,046,190	1,795,154	-	31,841,344
Other income	539,349	20,772	-	560,121
Total revenue	30,585,539	1,815,926	-	32,401,465
Inter-segment revenue	1,067,814	-	(1,067,814)	-
Total income	31,653,353	1,815,926	(1,067,814)	32,401,465
Result				
Segment result	1,299,906	(123,846)	-	1,176,060
Earnings before interest and taxation	1,299,906	(123,846)	-	1,176,060

	Australia	New Zealand	Elimination	Total
	\$	\$	\$	\$
Half-year Ended 31 December 2007				
Revenue				
Revenue from external customers	21,178,946	131,346	-	21,310,292
Other income	487,720	233	-	487,953
Total revenue	21,666,666	131,579	-	21,798,245
Inter-segment revenue	82,538	-	(82,538)	-
Total income	21,749,204	131,579	(82,538)	21,798,245
Result				
Segment result	1,853,025	(118,452)	-	1,734,573
Earnings before interest and taxation	1,853,025	(118,452)	-	1,734,573

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of signing this report.

10 EVENTS AFTER THE BALANCE SHEET DATE

On 3 February 2009, the Australian Competition and Consumer Commission has instituted legal proceedings in the Federal Court, Melbourne, against Tel.Pacific Limited for alleged contraventions of the Trade Practices Act in relation to the sale of its 'hello India', 'hello China', 'hello Middle East', 'UTSAV' and 'Voice Thailand' pre-paid phone cards. Tel.Pacific Limited intends to vigorously defend the action. The Company is keen to work with the ACCC, and industry, to continuously improve the delivery of information to consumers, and will work with its legal team to seek to resolve the present action.

On 20 February 2009, the directors of Tel.Pacific Limited declared an interim dividend on ordinary shares. The total amount of \$431,252 represents a fully franked dividend of 0.40 cents per share. The record date for the interim dividend is Wednesday 4 March 2009. The intended date of payment is Wednesday 18 March 2009. The interim dividend has not been provided for in the 31 December 2008 financial statements.

TEL.PACIFIC LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the half-year ended on that date of the consolidated entity.
- (b) as at the date of the declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the directors.

On behalf of the Board



Greg McCann
Chairman



Chiao-Heng (Charles) Huang
Managing Director

Dated this 20 February 2009

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tel.Pacific Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tel.Pacific Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 disclosing entity's financial position as at 31 December 2008 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 Tel.Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

DX 10173 | Sydney Stock Exchange | New South Wales

PKF East Coast Practice is a member of PKF Australia Limited a national association of independent chartered accounting and consulting firms each trading as PKF. The East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

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 Tel.Pacific 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 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
East Coast Practice



Arthur Milner
Partner
Sydney, 20 February 2009