

Appendix 4D Half-year Report

TEL.PACIFIC LIMITED

ABN 99 073 079 268

Current Reporting Period:	Half-year Ended 31 December 2011
Previous Corresponding Period:	Half-year Ended 31 December 2010

Results for Announcement to the Market

		Change		Amount
Revenue from ordinary activities	Down	-13.9%	To	\$28,381,509
Profit before interest expense, taxation, depreciation and amortisation (EBITDA)	Up	633.2%	To	\$608,158
Profit from ordinary activities after tax attributable to members	Up	119.5%	To	\$71,859
Net profit for the period attributable to members	Up	119.5%	To	\$71,859

Earnings Per Share

	31 December 2011 Cents	31 December 2010 Cents
Basic earnings per share	0.07	(0.34)
Diluted earnings per share	0.07	(0.34)

Net Tangible Asset Backing

	31 December 2011 Cents	31 December 2010 Cents
Net tangible asset per share	(12.40)	2.48

Dividends

No interim dividend was declared and payable for the half year ended 31 December 2011.

Review and Results of Operations

\$000's	Half-year Ended 31 December 2010 ⁽¹⁾	Half-year Ended 31 December 2011 ⁽²⁾	% of Previous Corresponding Period
Revenue	32,966	28,382	-13.9%
EBITDA	83	608	633.2%
NPAT	(368)	72	119.5%

⁽¹⁾ Half-year EBITDA included Hello Mobile losses of \$2.7 million. In the absence of the Hello Mobile investment, EBITDA and NPAT would have been \$2.8 million (up 11.2% over the PCP) and \$1.5 million (up 11.3% over the PCP) respectively.

⁽²⁾ Half-year EBITDA included Hello Mobile losses of \$1.9 million. In the absence of the Hello Mobile investment, EBITDA and NPAT would have been \$2.5 million (down 10.6% over the PCP) and \$1.4 million (down 8.8% over the PCP) respectively.

Revenue of the consolidated entity for the first half year decreased to \$28.4 million, down by 13.9% compared to the previous corresponding period (PCP), primarily due to the decrease of calling card revenue resulting from the impact of increased competition in the mobile sector. The shift of revenue had been stabilised during this first half.

Gross margin for the half year of 23.3% was up by 2.4% (compared to the PCP 20.9%), mainly attributable to the improvement in both calling card and mobile margins.

Overall, earnings before interest expense, taxation, depreciation and amortisation (EBITDA) and the net profit after tax (NPAT) of the consolidated entity for the half year ended 31 December 2011 increased from \$0.1 million to \$0.6 million, (up 633.2% over the PCP) and from (\$0.4 million) to \$0.1 million, (up 119.5% over the PCP) respectively.

Excluding the mobile losses, EBITDA and NPAT would have been \$2.5 million (down 10.6% over the PCP) and \$1.4 million (down 8.8% over the PCP) respectively.

On 23 December 2011, Tel.Pacific Limited acquired 100% of the issued shares in Gotalk Limited, a public company providing prepaid telephony products and services in Australia and New Zealand, for a total consideration of \$9.01 million. Revenue and EBITDA of the consolidated entity for the half year ended 31 December 2011 included the post acquisition results of Gotalk Limited of \$1.48 million and \$0.08 million respectively. Further details on the acquisition are included in note 10 of the Interim Financial Report.

With the merger of Gotalk, the Board believes there is an excellent opportunity to benefit from each company's area of specialisation to strengthen the combined business and to create both cost and revenue synergies. It is anticipated that many of the identified synergies will be realised within the initial six months.

Controlled Entities

The group does not have any interests in associates outside the group.

TEL.PACIFIC LIMITED

A.B.N. 99 073 079 268

**Interim Financial Report
For The Half-Year Ended
31 December 2011**

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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
Stephe Wilks	Director (Non-executive)
Stephen Picton	Director (Executive)
Ian Solomon	Director (Executive)

COMPANY SECRETARY

Jeffrey Ma
Nick Geddes, Australian Company Secretaries Pty Limited

REGISTERED OFFICE

Level 10, Tower B, 821 Pacific Highway, Chatswood NSW 2067
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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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2011.

Directors

The names of the directors in office during the half-year and until the date of this report are as below. Other than as noted, 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
Stephe Wilks	Director (Non-executive)
Stephen Picton	Director (Executive) - appointed 27 January 2012
Ian Solomon	Director (Executive) - appointed 27 January 2012

Principal Activities

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

Review and Results of Operations

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Gross margin for the half year of 23.3% was up by 2.4% (compared to the PCP 20.9%), mainly attributable to the improvement in both calling card and mobile margins.

Overall, earnings before interest expense, taxation, depreciation and amortisation (EBITDA) and the net profit after tax (NPAT) of the consolidated entity for the half year ended 31 December 2011 increased from \$0.1 million to \$0.6 million, (up 633.2% over the PCP) and from (\$0.4 million) to \$0.1 million, (up 119.5% over the PCP) respectively.

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With the merger of Gotalk, the Board believes there is an excellent opportunity to benefit from each company's area of specialisation to strengthen the combined business and to create both cost and revenue synergies. It is anticipated that many of the identified synergies will be realised within the initial six months.

Dividend

No interim dividend was declared and payable for the half year ended 31 December 2011.

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 27 February 2012

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Tel.Pacific Limited and the entities it controlled during the period

I declare to the best of my knowledge and belief, in relation to the review of the financial half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- no contraventions of any applicable code of professional conduct in relation to the review.



Paul Bull
Partner



PKF

Sydney, 27 February 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Half-year Ended 31 December 2011 \$	Half-year Ended 31 December 2010 \$
Revenue		28,381,509	32,966,012
Cost of sales		(21,778,344)	(26,075,482)
Gross profit		<u>6,603,165</u>	<u>6,890,530</u>
Other income	3	<u>469,558</u>	<u>237,153</u>
		<u>7,072,723</u>	<u>7,127,683</u>
Operating expenses		(2,833,243)	(3,019,764)
Employee benefits expense		<u>(3,631,322)</u>	<u>(4,024,973)</u>
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)		608,158	82,946
Depreciation and amortisation		<u>(501,209)</u>	<u>(505,195)</u>
Earnings before interest expense and taxation (EBIT)		106,949	(422,249)
Finance costs		<u>(451)</u>	<u>(747)</u>
Profit/(loss) before income tax		106,498	(422,996)
Income tax (expense)/benefit		<u>(34,639)</u>	<u>54,586</u>
Profit/(loss) for the period		<u><u>71,859</u></u>	<u><u>(368,410)</u></u>
Other comprehensive income			
Exchange differences on translating foreign operations		<u>19,273</u>	<u>47,934</u>
Other comprehensive income for the period, net of tax		<u>19,273</u>	<u>47,934</u>
Total comprehensive income/(loss) for the period		<u><u>91,132</u></u>	<u><u>(320,476)</u></u>
Profit/(Loss) attributable to: Members of Tel.Pacific Limited		<u><u>71,859</u></u>	<u><u>(368,410)</u></u>
Total comprehensive income/(loss) attributable to: Members of Tel.Pacific Limited		<u><u>91,132</u></u>	<u><u>(320,476)</u></u>
		Cents	Cents
Earnings per share			
- Basic earnings/(loss) per share		0.07	(0.34)
- Diluted earnings/(loss) per share		0.07	(0.34)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 \$	As at 30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		6,317,501	4,359,792
Trade and other receivables	5	10,512,112	7,796,376
Inventories		889,082	932,340
Other current assets		9,249,664	6,225,203
Non-current assets classified as held for sale		-	442,782
Total Current Assets		<u>26,968,359</u>	<u>19,756,493</u>
Non-Current Assets			
Investments - accounted for using equity method		-	50
Property, plant and equipment		3,758,956	2,476,582
Intangible assets		25,374,096	8,293,064
Deferred tax asset		3,479,819	958,211
Total Non-Current Assets		<u>32,612,871</u>	<u>11,727,907</u>
TOTAL ASSETS		<u>59,581,230</u>	<u>31,484,400</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	6	14,273,361	6,079,384
Borrowings	7	2,561,976	7,153
Income tax payable		123,563	63,135
Short term provisions		2,003,085	608,844
Unearned revenue	8	21,288,414	14,589,183
Total Current Liabilities		<u>40,250,399</u>	<u>21,347,699</u>
Non-Current Liabilities			
Borrowings	7	6,547,381	5,716
Long term provisions		657,502	388,138
Deferred tax liabilities		2,031,909	748,128
Total Non-Current Liabilities		<u>9,236,792</u>	<u>1,141,982</u>
TOTAL LIABILITIES		<u>49,487,191</u>	<u>22,489,681</u>
NET ASSETS		<u>10,094,039</u>	<u>8,994,719</u>
EQUITY			
Issued capital	9	8,998,970	8,142,010
Reserves		710,810	540,309
Retained earnings		384,259	312,400
TOTAL EQUITY		<u>10,094,039</u>	<u>8,994,719</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2010		8,085,633	498,243	3,092,755	11,676,631
Payments related to shares issued under ESOP		28,164	-	-	28,164
Dividends paid		-	-	(428,748)	(428,748)
Total comprehensive income for the period		-	47,934	(368,410)	(320,476)
Balance at 31 December 2010		<u>8,113,797</u>	<u>546,177</u>	<u>2,295,597</u>	<u>10,955,571</u>
Balance at 1 July 2011		8,142,010	540,309	312,400	8,994,719
Share issued as part of business combination	10	856,960	-	-	856,960
Unissued shares relating to business combination	10	-	151,228	-	151,228
Total comprehensive income for the period		-	19,273	71,859	91,132
Balance at 31 December 2011		<u>8,998,970</u>	<u>710,810</u>	<u>384,259</u>	<u>10,094,039</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Half-year Ended 31 December 2011 \$	Half-year Ended 31 December 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,640,941	34,610,568
Payments to suppliers and employees		(30,588,718)	(38,224,641)
Interest received		111,888	245,980
Income tax paid		-	(616,838)
NET CASH USED IN OPERATING ACTIVITIES		<u>(835,889)</u>	<u>(3,984,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(153,783)	(371,485)
Acquisition of business net of cash received	10	2,196,745	-
Proceeds from disposal of assets		775,000	6,413
Payments of bank deposits		(20,852)	(54,400)
NET CASH PROVIDED BY/(USED) IN INVESTING ACTIVITIES		<u>2,797,110</u>	<u>(419,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from partially paid share capital		-	28,164
Payments of finance lease liabilities		(3,512)	(5,142)
Dividends paid		-	(428,748)
NET CASH USED IN FINANCING ACTIVITIES		<u>(3,512)</u>	<u>(405,726)</u>
Net increase/(decrease) in cash held		1,957,709	(4,810,129)
Cash and cash equivalents at beginning of period		4,359,792	10,970,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>6,317,501</u>	<u>6,160,261</u>

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

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 2011 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 27 February 2012.

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 2011 and any public announcements made by Tel.Pacific Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

The half-year consolidated financial report is a condensed 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 2011.

The consolidated entity has adopted all of the new and revised Australian Accounting Standards issued by the AASB that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the consolidated entity for current or prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE

	Half-year Ended 31 December 2011 \$	Half-year Ended 31 December 2010 \$
Other Income		
Interest income	104,122	228,986
Other revenue ⁽¹⁾	365,436	8,167
	<u>469,558</u>	<u>237,153</u>

⁽¹⁾ Included a net gain of \$332,218 from the sale of Melbourne office as previously disclosed in the last annual financial report.

4 DIVIDENDS PAID AND PROPOSED

	Half-year 31 December 2011 \$	Half-year 31 December 2010 \$
a) Dividends paid during the half year:		
Final franked dividends for financial year 30 June 2011: 0.0 cents (2010: 0.4 cents)	-	428,748
b) Dividends declared and not recognised as a liability:		
Interim franked dividends for financial year 30 June 2012: 0.0 cents (2011: 0.4 cents)	-	428,748

5 TRADE AND OTHER RECEIVABLES

	As at 31 December 2011 \$	As at 30 June 2011 \$
Trade receivables	8,298,942	5,810,382
Provision for impairment of receivables	(1,383,506)	(1,001,695)
Unbilled receivables	3,468,514	2,921,303
Other receivables	128,162	66,386
	<u>10,512,112</u>	<u>7,796,376</u>

6 TRADE AND OTHER PAYABLES

	As at 31 December 2011 \$	As at 30 June 2011 \$
Trade payables	8,333,121	3,203,536
Other payables	55,798	97,437
Accrued expenses	4,697,570	2,294,642
Sundry payables	578,098	234,325
Goods and services tax payable	608,774	249,444
	<u>14,273,361</u>	<u>6,079,384</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 BORROWINGS

	As at 31 December 2011 \$	As at 30 June 2011 \$
Current		
Finance leases	7,431	7,153
Bank loans	1,100,000	-
Vendor notes - Refer to Note 10	1,454,545	-
	<u>2,561,976</u>	<u>7,153</u>
Non-current		
Finance leases	1,926	5,716
Vendor notes - Refer to Note 10	6,545,455	-
	<u>6,547,381</u>	<u>5,716</u>

8 UNEARNED REVENUE

	As at 31 December 2011 \$	As at 30 June 2011 \$
Revenue received in advance	17,819,900	11,667,880
Unbilled receivables	3,468,514	2,921,303
	<u>21,288,414</u>	<u>14,589,183</u>

9 ISSUED CAPITAL

	As at 31 December 2011 \$	As at 30 June 2011 \$
Ordinary Shares		
a) Issued and fully Paid	8,856,015	7,999,055
b) Issued and partially paid	142,955	142,955
	<u>8,998,970</u>	<u>8,142,010</u>
	Number	\$
Movements in Ordinary Shares on Issue		
a) Issued and fully Paid		
Balances at 1 July 2011	95,644,985	7,999,055
Shares issued to Gotalk shareholders	16,078,039	856,960
Balance at 31 December 2011	<u>111,723,024</u>	<u>8,856,015</u>
b) Issued and partially paid		
Balance at 1 July 2011 and 31 December 2011	11,541,940	142,955
	<u>123,264,964</u>	<u>8,998,970</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: ACQUISITION

During the half-year ended 31 December 2011 the following acquisitions were made:

(a) Gotalk Limited

On 23 December 2011, Tel.Pacific Limited acquired 100% of the issued shares in Gotalk Limited, a public company providing prepaid telephony products and services in Australia and New Zealand, for a total consideration of \$9.01 million.

	\$
<i>Consideration</i>	
16,078,039 Tel.Pacific Limited shares issued at \$0.0533 per share	856,960
Unissued shares ⁽¹⁾	151,228
Vendor notes	8,000,000
Total purchase consideration	<u>9,008,188</u>

⁽¹⁾ Unissued shares represent the consideration withheld from one of the Gotalk vendor shareholders, amounting to a total of 2,837,301 Tel.Pacific shares. Subject to shareholder approval, if required, Tel.Pacific will issue those shares within the next 12 months. If Tel.Pacific fails to issue those shares during the next 12 months, the Company will pay the higher of the VWAP of those shares calculated according to the Share Sale Agreement (approximately \$151,228 at \$0.0533 per share), or the then current value of those shares at the expiry of the 12 month period. Alternatively, if there is a successful offer for more than 50% of Tel.Pacific Limited within that period, the Company will pay the value of those shares based on the total value per share of the successful offer. The amount paid at the relevant time will also be grossed up by the amount of any dividend to which this vendor shareholder would have been entitled, had those shares been held up to that time.

See also note (c) below.

	Gotalk Limited	
	Provisional Fair Value	Carrying Value
	\$	\$
<i>Provisional net assets recognised at acquisition date</i>		
Cash and cash equivalents	2,234,095	2,234,095
Trade and other receivables	2,528,042	2,528,042
Inventories	388,029	388,029
Other current assets	2,704,772	2,704,772
Participating right ⁽²⁾	615,000	-
Property, plant and equipment	1,629,266	1,629,266
Deferred tax asset	2,489,970	2,489,970
Trade and other payables	(16,665,697)	(16,665,697)
Borrowings	(1,100,000)	(1,100,000)
Income tax payable	842	842
Provisions	(1,618,390)	(1,618,390)
Deferred tax liability	(1,278,773)	(1,278,773)
<i>Total</i>	<u>(8,072,844)</u>	<u>(8,687,844)</u>
Goodwill recognised by Gotalk	10,409,996	10,409,996
<i>Additional goodwill arising from acquisition</i>	6,671,036	
	<u>9,008,188</u>	

⁽²⁾ Participating right represents the right to receive 15% of the net proceeds of a highly probable future disposal of the Gotalk wholesale business, should it be sold by 31 December 2012. At the date of this report Tel.Pacific Limited has not acquired economic benefit of the Gotalk wholesale business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: ACQUISITION (Continued)

\$

The cash inflow on acquisition is as follows:

Cash acquired	2,234,095
Net consolidated cash inflow	2,234,095

Profit and loss from acquisition date until 31 December 2011

Revenue	1,479,761
EBITDA	78,210
EBIT	48,110
NPAT	33,677

If the acquisition had occurred on 1 July 2011, the adjusted consolidated revenue and consolidated loss before income tax expense for the half-year ended 31 December 2011 would have been \$65,666,600 and (\$2,171,481) respectively.

(b) Realtime Mobile Pty Ltd

On 1 November 2011, Tel.Pacific Limited acquired from Aggregato Pty Ltd the remaining 50% interest in the joint venture entity Realtime Mobile Pty Ltd, which was established by Tel.Pacific Limited and Aggregato Pty Ltd on 11 June 2010, for a total consideration \$50.

Realtime Mobile Pty Ltd has not yet commenced any business activity since the date of incorporation.

(c) Other Information Relating to Acquisitions

The company has accounted for the business combination in (a) above using provisional fair values as the initial accounting for a business combination can be determined only provisionally by the end of the half-year in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally. The company shall recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

The operations of the acquisitions will be integrated with Tel.Pacific's existing operations, and hence will not be reported separately in future financial reports.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 OPERATING SEGMENTS

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision makers in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on operating business geographical location. Discrete financial information about each of those operating business is reported on a monthly basis.

Types of products and services

The consolidated entity operates primarily in the provision of pre-paid telephony products and services.

Accounting policies and inter-segment transactions

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

	Australia	New Zealand	Singapore	Elimination	Total
	\$	\$	\$	\$	\$
Half-year Ended 31 December 2011					
Revenue					
Revenue from external customers	25,627,566	2,137,911	616,032	-	28,381,509
Other income	461,898	7,649	11	-	469,558
Inter-segment revenue	1,071,220	-	67,580	(1,138,800)	-
Total income	<u>27,160,684</u>	<u>2,145,560</u>	<u>683,623</u>	<u>(1,138,800)</u>	<u>28,851,067</u>
Result					
Earning before interest expense and taxation (EBIT)	37,341	57,448	14,927	(3,218)	106,498
Other Segment Information					
Depreciation	482,317	1,019	17,873	-	501,209
Assets and Liabilities					
Segment assets	60,925,051	1,537,990	620,217	(3,502,028)	59,581,230
- Additions to property, plant & equipment	2,641,999	937	817	-	2,643,753
- Goodwill acquired	17,081,032	-	-	-	17,081,032
Segment liabilities	48,206,095	2,809,900	863,448	(2,392,252)	49,487,191

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 OPERATING SEGMENTS (Continued)

	Australia	New Zealand	Singapore	Elimination	Total
	\$	\$	\$	\$	\$
Half-year Ended 31 December 2010					
Revenue					
Revenue from external customers	31,024,715	1,640,463	300,834	-	32,966,012
Other income	226,384	10,747	22	-	237,153
Inter-segment revenue	943,921	-	56,808	(1,000,729)	-
Total income	<u>32,195,020</u>	<u>1,651,210</u>	<u>357,664</u>	<u>(1,000,729)</u>	<u>33,203,165</u>
Result					
Earning before interest expense and taxation (EBIT)	(267,297)	(64,039)	(100,217)	8,557	(422,996)
Other Segment Information					
Depreciation	471,564	16,374	17,257	-	505,195
Assets and Liabilities					
Segment assets	38,847,037	1,513,756	768,088	(1,817,079)	39,311,802
- Additions to property, plant & equipment	361,409	1,134	8,942	-	371,485
Segment liabilities	27,063,297	2,592,260	969,046	(2,268,372)	28,356,231

12 CONTINGENT LIABILITIES

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

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations*
 - (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 2011 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 27 February 2012



Chartered Accountants
& Business Advisers

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 consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Tel.Pacific Limited (the company) and the entities it controlled at 31 December 2011 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 company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 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 the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity 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 2011 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****Paul Bull**
Partner

Sydney, 27 February 2012