

Appendix 4D

Half-year Report

TEL.PACIFIC LIMITED

ABN 99 073 079 268

Current Reporting Period:	Half-year Ended 31 December 2012
Previous Corresponding Period:	Half-year Ended 31 December 2011

Results for Announcement to the Market

		Change		Amount
Revenue from ordinary activities	Up	51%	To	\$42,846,688
Profit before interest expense, taxation, depreciation and amortisation (EBITDA)	Up	716%	To	\$4,960,254
Profit from ordinary activities after tax attributable to members	Up	4732%	To	3,471,998
Net profit for the period attributable to members	Up	4732%	To	3,471,998

Earnings Per Share

	31 December 2012	31 December 2011
	Cents	Cents
Basic earnings per share	2.85	0.07
Diluted earnings per share	2.79	0.07

Net Tangible Asset Backing

	31 December 2012	31 December 2011
	Cents	Cents
Net tangible asset per share*	(13.93)	(12.40)

* Net tangible asset is calculated based on net assets less intangible assets

Dividends

No interim dividend was declared or payable for the half year ended 31 December 2012.

Review and Results of Operations

\$000's	Half-year Ended 31 December 2011	Half-year Ended 31 December 2012	Half-year Ended 31 December 2012 (Underlying Result) ⁽¹⁾	% Change of Underlying Result on PCP
Revenue	28,382	42,847	42,847	51%
EBITDA	608	4,960	3,144	417%
NPAT	72	3,472	1,656	2200%

⁽¹⁾ Reported half year EBITDA of \$5.0 million and NPAT \$3.5 million have been adjusted for non-recurring items totalling \$1.8 million resulting from the settlement of issues associated with the acquisition of the GoTalk business in December 2011.

Revenue of the consolidated entity for the half year increased to \$42.8 million, up 51% compared to the previous corresponding period (PCP), attributable to increased revenue from the GoTalk business acquired in December 2011.

Gross margin for the half year of 26.6% was up by 3.3% (compared to the PCP 23.3%), as a result of 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 2012 increased from \$0.6 million to \$5.0 million, (up 716% over the PCP) and from \$0.1 million to \$3.5 million, (up 4,732% over the PCP) respectively.

On 14 December 2012, the Company reached a settlement with certain of the previous GoTalk shareholders (including the key former executives) of all outstanding issues associated with the acquisition of the GoTalk business in December 2011. The agreement resulted in the cancellation of the Company's shares issued and to be issued to the previous GoTalk shareholders for no monetary consideration and a reduction of the outstanding vendor note balance of \$1.3 million. Also as a consequence of the settlement agreement the Group acquired the wholesale business of GoTalk Pty Limited on 14 December 2012 and subsequently disposed of it on the same day. No consideration was paid for the acquisition resulting in a net gain of \$0.5m recognised in other income and no gain or loss arose on disposal. Further details of the acquisition and disposal are provided in notes 3 and 8 to the half year review report.

Of the reported EBITDA, the non-recurring items arising from the settlement agreement amounted to a \$1.8 million gain. Following the decision to cancel the unissued shares, the corresponding reserve balance amounting to \$0.2 million has been reclassified to retained earnings.

Excluding the non-recurring items of \$1.8 million, underlying EBITDA and NPAT would have been \$3.1 million (up 417% over the PCP) and \$1.7 million (up 2,200% over the PCP) respectively.

As noted in the annual report for the year ended 30 June 2012 and subsequently updated by the recent market announcement on 29 January 2013 concerning the expected results for the six months to 31 December 2012, the Group had recognised provisions for various outstanding legal matters arising from the acquisition of GoTalk in December 2011. The matters relating to the preference claim brought against the Company by the liquidators of Bill Express Limited, the disputes with a former employee and disputes with a former wholesaler of the Group's products have now been resolved.

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 2012

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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)

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

BDO East Coast Partnership
Level 10, 1 Margaret Street, Sydney NSW 2000

SOLICITOR

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

Addisons Lawyers
Level 12, 60 Carrington 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 2012.

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 (Non-executive) - resigned on 7 February 2013
Ian Solomon	Director (Non-executive) - resigned on 7 February 2013

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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As noted in the annual report for the year ended 30 June 2012 and subsequently updated by the recent market announcement on 29 January 2013 concerning the expected results for the six months to 31 December 2012, the Group had recognised provisions for various outstanding legal matters arising from the acquisition of GoTalk in December 2011. The matters relating to the preference claim brought against the Company by the liquidators of Bill Express Limited, the disputes with a former employee and disputes with a former wholesaler of the Group's products have now been resolved.

Dividend

No interim dividend was declared or payable for the half year ended 31 December 2012.

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.

A handwritten signature in black ink, appearing to be 'G. McCann'.

Greg McCann
Chairman

A handwritten signature in black ink, appearing to be 'Chiao-Heng (Charles) Huang'.

Chiao-Heng (Charles) Huang
Managing Director

Dated 22 February 2013

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF TEL.PACIFIC LIMITED

As lead auditor for the review of Tel.Pacific Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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 period.

Paul Bull



BDO East Coast Partnership

Sydney, 22 February 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-year Ended 31 December 2012 \$	Half-year Ended 31 December 2011 \$
Revenue		42,846,688	28,381,509
Cost of sales		(31,470,569)	(21,778,344)
Gross profit		11,376,119	6,603,165
Other income	3	2,471,321	469,558
		13,847,440	7,072,723
Operating expenses		(4,440,809)	(2,833,243)
Employee benefits expense		(4,446,377)	(3,631,322)
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)		4,960,254	608,158
Depreciation and amortisation		(724,689)	(501,209)
Earnings before interest expense and taxation (EBIT)		4,235,565	106,949
Finance costs		(278,446)	(451)
Profit before income tax		3,957,119	106,498
Income tax expense		(485,121)	(34,639)
Profit for the period		3,471,998	71,859
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(35,886)	19,273
Other comprehensive income for the period, net of tax		(35,886)	19,273
Total comprehensive income for the period		3,436,112	91,132
Profit attributable to: Members of Tel.Pacific Limited		3,471,998	71,859
Total comprehensive income attributable to: Members of Tel.Pacific Limited		3,436,112	91,132
		Cents	Cents
Earnings per share			
- Basic earnings per share		2.85	0.07
- Diluted earnings per share		2.79	0.07

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	As at 31 December 2012 \$	As at 30 June 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents		5,044,017	4,148,588
Trade and other receivables	4	10,166,172	10,941,331
Inventories		248,635	495,470
Other current assets		7,711,480	10,424,466
Total Current Assets		23,170,304	26,009,855
Non-Current Assets			
Property, plant and equipment		2,637,215	3,124,714
Intangible assets		20,528,774	20,528,774
Deferred tax asset		3,931,336	4,689,695
Total Non-Current Assets		27,097,325	28,343,183
TOTAL ASSETS		50,267,629	54,353,038
LIABILITIES			
Current Liabilities			
Trade and other payables	5	16,745,319	16,763,492
Borrowings	6	2,662,378	4,014,924
Short term provisions		2,079,822	3,221,337
Unearned revenue		19,115,697	20,932,974
Total Current Liabilities		40,603,216	44,932,727
Non-Current Liabilities			
Borrowings	6	2,610,081	5,090,909
Long term provisions		167,588	605,533
Deferred tax liabilities		1,291,011	1,564,248
Total Non-Current Liabilities		4,068,680	7,260,690
TOTAL LIABILITIES		44,671,896	52,193,417
NET ASSETS		5,595,733	2,159,621
EQUITY			
Issued capital	7	8,998,970	8,998,970
Reserves		494,453	681,567
Retained earnings		(3,897,690)	(7,520,916)
TOTAL EQUITY		5,595,733	2,159,621

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2011	8,142,010	540,309	312,400	8,994,719
Profit for the period	-	-	71,859	71,859
Other comprehensive income	-	19,273	-	19,273
Total comprehensive income for the period	-	19,273	71,859	91,132
Share issued as part of business combination	856,960	-	-	856,960
Unissued shares relating to business combination	-	151,228	-	151,228
Balance at 31 December 2011	<u>8,998,970</u>	<u>710,810</u>	<u>384,259</u>	<u>10,094,039</u>
Balance at 1 July 2012	8,998,970	681,567	(7,520,916)	2,159,621
Profit for the period	-	-	3,471,998	3,471,998
Other comprehensive income	-	(35,886)	-	(35,886)
Total comprehensive income for the period	-	(35,886)	3,471,998	3,436,112
Transfer relating to cancellation of unissued shares ⁽¹⁾	-	(151,228)	151,228	-
Balance at 31 December 2012	<u>8,998,970</u>	<u>494,453</u>	<u>(3,897,690)</u>	<u>5,595,733</u>

⁽¹⁾ The amount transferred represents the cancellation of unissued shares in accordance with the Payment & Settlement Agreement dated 14 December 2012 between the Company and the previous Gotalk shareholders. See Note 7 for further details.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-year Ended 31 December 2012 \$	Half-year Ended 31 December 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		50,562,754	29,640,941
Payments to suppliers and employees		(49,150,067)	(30,588,718)
Interest received		78,362	111,888
Interest and other financial costs paid		(457,526)	-
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		<u>1,033,523</u>	<u>(835,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(229,640)	(153,783)
Acquisition of business net of cash received		-	2,196,745
Net proceeds from disposal of assets held for sale	8	400,000	-
Proceeds from disposal of fixed assets		38,737	775,000
Proceeds from/(payment of) bank deposits		1,111,182	(20,852)
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>1,320,279</u>	<u>2,797,110</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(3,827)	(3,512)
Repayment of vendor notes		(1,454,546)	-
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,458,373)</u>	<u>(3,512)</u>
Net increase in cash held		895,429	1,957,709
Cash and cash equivalents at beginning of period		4,148,588	4,359,792
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>5,044,017</u></u>	<u><u>6,317,501</u></u>

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE 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 2012 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 22 February 2013.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This half-year financial report should be read in conjunction with the annual financial report of Tel.Pacific Limited for the year ended 30 June 2012 and any public announcements made by Tel.Pacific Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

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 accruals basis and is based on historical costs as 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.

The Group has reported a profit for the half year of \$3.5 million and net current liabilities at 31 December 2012 of \$17.4 million. In preparing the financial report management has adopted the going concern basis of preparation which envisages the realisation of assets and the settlement of liabilities in the ordinary course of business. In reaching their conclusion on the basis of preparation management prepared forecasts covering a 5 year period which demonstrate cash generation sufficient to enable the Group to meet its obligations as they fall due.

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 2012.

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 CONSOLIDATED FINANCIAL STATEMENTS

3 OTHER INCOME

	Half-year Ended 31 December 2012 \$	Half-year Ended 31 December 2011 \$
Other Income		
Gain on cancellation of vendor notes ⁽¹⁾	1,275,000	-
Net gain on acquisition of wholesale business ⁽²⁾	541,297	-
Net gain arising from payment and settlement arrangement	<u>1,816,297</u>	<u>-</u>
Interest income	78,362	104,122
Loss on disposal of assets	(3,515)	-
Written back provision for employee bonus	380,000	-
Other income	<u>200,177</u>	<u>365,436</u>
	<u>655,024</u>	<u>469,558</u>
	<u>2,471,321</u>	<u>469,558</u>

⁽¹⁾ On 14 December 2012, the Company entered into a Payment and Settlement Agreement with certain of the previous Gotalk shareholders (including the key former executives). The agreement resulted in the cancellation of \$1,275,000 of vendor notes with no consideration being paid by the Company for the cancellation.

⁽²⁾ The net gain on acquisition of the wholesale business represents the negative goodwill arising from the acquisition accounting process (\$1,156,297) less the participating right of \$615,000 forgone following the acquisition.

4 TRADE AND OTHER RECEIVABLES

	As at 31 December 2012 \$	As at 30 June 2012 \$
Trade receivables	7,820,031	7,814,058
Provision for impairment of receivables	(1,886,283)	(1,063,724)
Unbilled receivables	4,107,731	4,051,289
Other receivables	<u>124,693</u>	<u>139,708</u>
	<u>10,166,172</u>	<u>10,941,331</u>

5 TRADE AND OTHER PAYABLES

	As at 31 December 2012 \$	As at 30 June 2012 \$
Trade payables	10,972,079	11,814,965
Other payables	4,600	53,286
Accrued expenses	4,116,563	3,787,865
Sundry payables	1,249,615	828,059
Goods and services tax payable	<u>402,462</u>	<u>279,317</u>
	<u>16,745,319</u>	<u>16,763,492</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 BORROWINGS

	As at 31 December 2012 \$	As at 30 June 2012 \$
Current		
Finance leases	2,005	5,833
Bank loans	-	1,100,000
Vendor notes - Refer to Note 3 ⁽¹⁾	2,660,373	2,909,091
	<u>2,662,378</u>	<u>4,014,924</u>
Non-current		
Vendor notes - Refer to Note 3 ⁽¹⁾	2,610,081	5,090,909
	<u>2,610,081</u>	<u>5,090,909</u>

7 ISSUED CAPITAL

	As at 31 December 2012 \$	As at 30 June 2012 \$
Ordinary Shares		
a) Issued and fully paid	8,856,015	8,856,015
b) Issued and partially paid	142,955	142,955
	<u>8,998,970</u>	<u>8,998,970</u>
	Number	\$
Movements in Ordinary Shares on Issue		
a) Issued and fully Paid		
Balances at 1 July 2012	111,723,024	8,856,015
Repurchase of shares ⁽¹⁾	(16,078,039)	-
Balance at 31 December 2012	<u>95,644,985</u>	<u>8,856,015</u>
b) Issued and partially paid		
Balance at 1 July 2012 and 31 December 2012	<u>11,541,940</u>	<u>142,955</u>
	<u>107,186,925</u>	<u>8,998,970</u>

⁽¹⁾ On 14 December 2012, the Company entered into a Payment and Settlement Agreement with the previous Gotalk shareholders. Each shareholder signed up to the agreement agrees to the cancellation of their Tel.Pacific Limited shares for no monetary consideration, with such cancellation to occur by buy-back to be formally ratified at a forthcoming meeting of shareholders to be convened. All shares will be repurchased by the Company for \$Nil consideration. In accordance with AASB 132 when an entity re-acquires its own equity instruments, the consideration paid is recognised directly as a deduction against equity.

Also cancelled were 2,837,301 unissued shares which were due to be issued as consideration for the acquisition of Gotalk in December 2011. The related unissued share reserve amounting to \$0.2m has been reclassified to retained earnings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 ACQUISITION

On 14 December 2012, the Company entered into a Payment and Settlement Agreement with the previous Gotalk shareholders. Following execution of the agreement, the Company was deemed to have acquired the wholesale business of Gotalk Pty Limited (formerly Gotalk Limited) in December 2011 for \$Nil consideration. As noted in the prior half year financial report for the period ended 31 December 2011, Tel.Pacific Limited did not acquire an economic interest in the Gotalk wholesale business on initial acquisition in December 2011.

	Gotalk Wholesale Business	
	Fair Value \$	Carrying Value \$
<i>Net assets recognised at acquisition date</i>		
Trade and other receivables	3,024,285	3,024,285
Assets held for sale ⁽¹⁾	400,000	725,460
Other current assets	54,364	54,364
Trade and other payables	(2,138,103)	(2,138,103)
Provisions	(184,249)	(184,249)
<i>Total</i>	<u>1,156,297</u>	<u>1,481,757</u>
<i>Gain arising from acquisition</i>	<u>(1,156,297)</u>	<u>-</u>

⁽¹⁾ Assets held for sale constitute a disposal group of assets identified on acquisition by the Company as assets for immediate disposal representing the wholesale business. On the same date as the payment and settlement agreement the assets held for sale were disposed of to Symbio Wholesale Pty Limited. Net proceeds after deducting costs to sell of \$1 million representing a payment to the previous Gotalk shareholders was \$400,000. No gain/loss arose on the disposal.

Disclosures concerning the revenue and profit or loss of the acquired business have not been included as the business was acquired and disposed on the same date.

9 CONTINGENT LIABILITIES

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

10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 OPERATING SEGMENTS (Continued)

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 2012					
Revenue					
Revenue from external customers	36,545,183	5,822,970	478,535	-	42,846,688
Other income	2,460,939	10,360	22	-	2,471,321
Inter-segment revenue	2,930,014	-	49,124	(2,979,138)	-
Total income	41,936,136	5,833,330	527,681	(2,979,138)	45,318,009
Result					
Earnings before interest expense and taxation (EBIT)	4,472,852	(199,567)	(35,382)	(2,338)	4,235,565
Other Segment Information					
Depreciation	708,135	1,282	15,272	-	724,689
Assets and Liabilities					
Segment assets	55,522,214	1,886,817	748,047	(7,889,449)	50,267,629
- Additions to property, plant & equipment	274,503	3,855	-	-	278,358
Segment liabilities	43,166,360	6,515,880	1,009,119	(6,019,463)	44,671,896
	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	27,160,684	2,145,560	683,623	(1,138,800)	28,851,067
Result					
Earnings before interest expense and taxation (EBIT)	37,341	57,448	15,378	(3,218)	106,949
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

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 2012 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 22 February 2013

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 consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Tel.Pacific Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tel.Pacific Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2012 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*.

BDO East Coast Partnership

A handwritten signature in black ink. The signature starts with 'BDO' in a stylized, cursive-like font, followed by a large, flowing signature that appears to be 'Paul Bull'.

Paul Bull

Partner

Sydney, 22 February 2013