Appendix 4 E

Preliminary Final Report

TEL.PACIFIC LIMITED

ABN 99 073 079 268

Current Reporting Period: Year Ended 30 June 2009
Previous Corresponding Period: Year Ended 30 June 2008

Results for Announcement to the Market

		Change		Amount
Revenue from ordinary activities	Up	34.5%	To	$63,777,276
Profit from continuing operations before interest expense, taxation, depreciation and amortisation	Down	-5.7%	To	$4,532,456
Profit from continuing operations after tax attributable to members.	Down	-13.5%	To	$2,535,103
Net profit for the period attributable to members.	Down	-13.5%	To	$2,535,103

Dividends

A fully franked interim dividend of 0.4 cents per share was declared on 20 February 2009 with a record date of 4 March 2009. A fully franked final dividend of 0.4 cents per share was declared on 24 August 2009 with a record date of 7 September 2009 and payment date of 21 September 2009.

Brief Explanation of Results

$000's	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2009 (Underlying Profit*)	Change of Underlying Profit* on PCP
Revenue	47,420	63,777	63,777	34.5%
EBITDA	4,804	4,532	5,395	12.3%
NPAT	2,930	2,535	3,258	11.2%

* Underlying profit is calculated by removing certain non-recurring items as discussed below.

Tel.Pacific's revenue growth for the year ended 30 June 2009 was very solid, increasing to $63.8 million (2008 - $47.4 million, up 34.5%). The increase of $16.4 million demonstrated both the Company's ongoing organic growth ($5.9 million), and the success of targeted acquisitions and new operations in New Zealand ($10.5 million).

However, the reported earnings before interest expense, tax, depreciation and amortisation (EBITDA) and net profit after tax (NPAT) of the consolidated entity for the year ended 30 June 2009 were down on the previous year.

The decrease in EBITDA and NPAT, despite the solid revenue performance, was primarily due to the impact of dramatic exchange rate fluctuations during the year, the interest rate plunge and a number of non-recurring items.

The material fall in the AUD/USD exchange rate, in particular during the second quarter, significantly increased carrier costs, at a speed not previously encountered by the business. The Company took measures to improve the gross margin, which included 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. Overall, the gross margin was down 2.2% to 23.4% compared to the previous year.

The average effective interest rate fell by 5.2% from 7.4% to 2.2% during the year. As a result interest income decreased by $218k compared to the previous year.

Operating expenses and depreciation also included a number of non-recurring items. These non-recurring items totalling $1,033k (net of tax $723k) represented one-off make good and office relocation costs ($220k), accelerated depreciation of office improvement and furniture ($170k), and foreign exchange losses ($643k) resulting from purchase of forward exchange contracts for short term price fixing and that short term price fixing had ceased prior to the financial year end.

Excluding the non-recurring items, the net underlying profit after tax for the year was $3.3 million.

Overall, the result represented a robust operating and financial performance achieved in a challenging environment. As at 30 June 2009, the Company presented a strong balance sheet, with a total of $13.6 million in cash balance and bank deposits.

Net Tangible Asset Backing

	30 June 2009 Cents	**30 June 2008 Cents**
Net tangible assets per security	6.3	4.7

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

Financial Statements

For The Year Ended

30 June 2009

TEL.PACIFIC LIMITED

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BOARD OF DIRECTORS

Greg McCann **B Bus, FCA, FAICD**
Non-Executive Chairman
Appointed 2 April 2007

Greg holds a Bachelor of Business (Accounting) degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

He has had 24 years of financial consulting experience with Deloitte Touche Tohmatsu. During this time he has held a variety of senior leadership positions including the roles of Managing Partner for Papua New Guinea (1987 to 1990), Managing Partner for Queensland (1990 to 1995), Managing Partner for New South Wales (1995 to 1997), Managing Director of Deloitte Consulting / ICS Australia (1979 to 2001) and more recently Associate Managing Director of Deloitte Consulting for Australia and New Zealand (1999 to 2004).

Greg has extensive experience with boards and senior executives at CEO level. He is currently the Managing Director of Executive Computing Pty Limited, an independent software and consulting services supplier to the Asia Pacific region. Greg is also Chairman of Moko.mobi Limited, a global provider of mobile social networking services and is on the board of the law firm, Lander & Rogers. Greg is also a Non-Executive Director of NBN Tasmania Limited, a company established to rollout the national broadband network services in Tasmania.

Chiao-Heng (Charles) Huang **B Eng**
Managing Director and Chief Executive Officer
Appointed 28 February1996

Charles founded the Company in 1996 as an ISP whilst in his third year of studying towards a Bachelor of Mechanical Engineering degree at Sydney University. Following the deregulation of the telecommunications industry, Charles sought the opportunity to resell voice products in Australia and in 1999 he decided to transform the Company from a technology oriented ISP to a marketing and innovation-oriented player in the prepaid calling card sector.

He has successfully steered Tel.Pacific from a start-up company to its current position as a leading player in the calling card market. Charles has developed a robust business model and a cost-effective sales channel strategy.

Barry Chan **B Eng**
Executive Director and Chief Operating Officer
Appointed 29 September 1999

Barry holds a degree in Mechanical Engineering from the University of Sydney.

Barry joined the Company in 1999 in a customer service trainee role. He moved on to work in different areas within the Company, learning every aspect of the business. Appointed Head of Sales and Marketing in June 2004, he has played a key role in creating a very successful sales distribution channel. Prior to that Barry held positions as Product Manager, Customer Service Manager, Business Development Manager and Sales Executive.

Barry has been a significant driver in achieving the impressive growth in the prepaid telecommunication products of the Company.

Jeffrey Ma **B A, FCA, F Fin**
Executive Director, Chief Financial Officer and Company Secretary
Appointed 22 November 2004

Jeffrey joined the Company in 2000 with more than 15 years financial services experience. He holds a Bachelor of Arts (Accounting and Financial Management) degree from the University of Sheffield, England and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australia.

He has over 11 years of financial services experience gained with Credit Lyonnais Australia Limited, a merchant bank, where he held the position of Company Secretary and Head of Finance and Administration in his last five years and was a Member of the Management Committee. Jeffrey also worked for two years in Westfield Holdings Limited; a listed property management and development company. He has an extensive professional background, having also worked for Coopers and Lybrand (now PricewaterhouseCoopers) in Hong Kong and with a chartered accounting firm in London.

Ryan O'Hare
Non-Executive Director
Appointed 2 April 2007

Ryan has over 15 years experience in the telecommunications industry. He has held a variety of senior management positions including General Manager of Professional Energy Services Pty Limited (1990 to 1994), one of Australia's leading energy and telecommunications cost management companies, managing operations in Sydney and Los Angeles.

In 1994 he co-founded the corpTEL group of companies, where he served as Chairman and Chief Executive Officer until its sale to AAPT Limited in 1998. In 1998, prior to its sale to AAPT, corpTEL was one of Australia's largest and most successful privately owned telecommunications service providers with revenues exceeding $100m.

Ryan also co-founded ASX listed People Telecom in 2000 where he has served as a Director and Chief Executive Officer.

Stephe Wilks **BSc, LLM**
Non-Executive Director
Appointed 2 April 2007

Stephe holds Bachelor of Science and Law degrees from Macquarie University and a Master of Laws from Sydney University.

He has over 15 years experience in the telecommunications industry in a variety of senior management roles including Regional Director Regulatory Affairs with BT Asia Pacific (1995 to 1998), Director Regulatory and Public Affairs at Optus, and Managing Director of XYZed Pty Limited (an Optus Company) (1998 to 2002), Chief Operating Officer of Nextgen Networks (2002 to 2003), Chief Operating Officer at Personal Broadband Australia and Consulting Director at NM Rothschild & Sons (2003 to 2005).

Stephe is an active non-executive director with public and private company experience. He is presently a Non-Executive Director of Longreach Group Limited, Service Stream Limited, Tel.Pacific Limited and 3 Q Holdings Limited, Chairman of Mooter Media Limited, and an Advisory Board member of the Network Insight Group.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Best Practice Recommendations.

The Best Practice Recommendations are not mandatory. However, the company provides this statement in its annual reports disclosing the extent to which the company has followed the Best Practice Recommendations.

	Best Practice Recommendations	Compliance	Comment
1	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those function.	Complies	The company's Corporate Governance Policy sets out the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and running of the company to the Chief Executive Officer.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Board has constituted a sub-committee of members as the Remuneration and Nomination Committee (each of the independent Directors, and the Chief Executive Officer), which formally reviews the performance of senior executives each year.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complies	The Corporate Governance Statement is included in the company's Annual Report, and the Annual Report published on the company's website at www.telpacific.com.au.
2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	Does not comply	50% of Board members are independent directors. The company is of the view that the Board is structured in such a way as to add value and that the number of directors is appropriate for the size and complexity of the business.
2.2	The chairperson should be an independent director.	Complies	Greg McCann is the independent non-executive Chairman.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Complies	The Chairman is Greg McCann. The Chief Executive Officer is Chiao-Heng (Charles) Huang.
2.4	The board should establish a nomination committee	Complies	The Board has appointed a Remuneration and Nomination Committee, which comprises the independent Chairman, Chief Executive Officer and two independent non-executive directors.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complies	The performance of the Board and each of its directors and committees is formally reviewed by the Chairman each year, and the Chairman by the Remuneration and Nomination Committee (in the Chairman's absence).

2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies	The Corporate Governance Policy sets out the board function and composition, and this policy is available on the company's website at www.telpacific.com.au.
3	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies	The Board has adopted a charter that formalizes the roles and responsibilities of the Board. The Corporate Governance Policy provides that the company actively promote a set of values designed to assist all personnel in their dealings with each other, competitors, customers and the community. The Audit and Risk Committee overviews areas of risk in the company and provides further guidance on policies and practices required to assure confidence in the company's integrity. The company is committed to doing business honestly and fairly and competing on its merits and complying with all relevant laws and statutory obligations. The company has put in place a formal Trade Practices Compliance program.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Complies	The Board has developed a Securities Dealing Policy that applies to trading in the company's securities by directors and employees.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies	The Corporate Governance Policy and the Securities Dealing Policy are available on the company's website at www.telpacific.com.au.
4	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	Complies	The Board has appointed an Audit and Risk Committee.
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Complies	The Audit and Risk Committee comprises the three non-executive directors. The Chairman of the Audit and Risk Committee (Stephe Wilks) is not the Chairman of the Board.
4.3	The audit committee should have a formal charter.	Complies	The Audit and Risk Committee charter is set out in the company's Corporate Governance Policy.

4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Complies	The Corporate Governance Policy sets out the Audit and Risk Committee charter and this policy is available on the company's website at www.telpacific.com.au.
5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies	The company has a continuous disclosure program in place designed to ensure the factual presentation of the company's financial position. The Corporate Governance Policy provides that shareholders are to be kept informed of all major developments affecting the company's activities and state of affairs through announcements to the ASX. Given the size of the company and the skills of the Board, disclosure matters are ultimately reviewed by the Board following executive management advice and information.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complies	The Corporate Governance Policy is available on the company's website at www.telpacific.com.au.
6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Complies	The company's Corporate Governance Policy provides that the Board is responsible for communicating with and protecting the rights and interests of all shareholders. The policy includes a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the company's activities.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies	All relevant announcements made are placed on the company's website at www.telpacific.com.au after they have been released to the ASX.
7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies	The Board has appointed an Audit and Risk Committee with responsibility for the effectiveness of risk management and internal compliance and control.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	A risk management framework program has been put in place to manage the company's material business and financial risks, and management is required to report periodically to confirm that those risks are being managed effectively.

7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	The Board requires the Chief Executive Officer and the Chief Financial Officer to make such a declaration in accordance with S295A of the Corporations Act 2001 at the relevant time.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complies	The Corporate Governance Policy sets out the internal control framework and this policy is available on the company's website at www.telpacific.com.au.
8	**Encourage enhanced performance**		
8.1	The board should establish a remuneration committee.	Complies	The Board has appointed a Remuneration and Nomination Committee comprised of the company's three independent non-executive directors and Chief Executive Officer.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	The company's constitution provides that the remuneration of non-executive directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of $350,000 per annum. Those remuneration arrangements are separate from those applicable to executive directors and senior executives; and non-executive directors do not participate in the company's performance incentive plan.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	Complies	The remuneration of all directors is disclosed in each year's Annual Report. The Corporate Governance Policy sets out the remuneration guideline and this policy is available on the company's website at www.telpacific.com.au.

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2009.

Directors

The names of the directors in office at any time during or since the end of the year are:

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)

All directors have been in office since the start of the financial year to the date of this report.

Company Secretary

Nick Geddes FCA, FCIS

Nick is the principal of Australian Company Secretaries, a company secretarial practice, that he formed in 1993. He is President and Board Chairman of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Nick is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Chartered Secretaries Australia.

Principal Activity

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

Operating Result for the Financial Year

Operating revenue from continuing operations of $63,777,276 (2008 - $47,420,107) was 34.5% above that reported for the previous year.

Earnings before interest expense, taxation, depreciation and amortisation (EBITDA) from continuing operations were $4,532,456 (2008 - $4,804,279), down 5.7% on the previous year. The net profit from continuing operations after tax was $2,535,103 (2008 - $2,929,568), representing a decrease of $394,465 or 13.5% over the previous year.

Review of Operations

$000's	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2009 (Underlying Profit*)	Change of Underlying Profit* on PCP
Revenue	47,420	63,777	63,777	34.5%
EBITDA	4,804	4,532	5,395	12.3%
NPAT	2,930	2,535	3,258	11.2%

* Underlying profit is calculated by removing certain non-recurring items as discussed below.

Tel.Pacific's revenue growth for the year ended 30 June 2009 was very solid, increasing to $63.8 million (2008: $47.4 million; up 34.5%). The increase of $16.4 million demonstrated both the company's ongoing organic growth ($5.9 million), and the success of targeted acquisitions and new operations in New Zealand ($10.5 million).

However, the reported earnings before interest expense, tax, depreciation and amortisation (EBITDA) and net profit after tax (NPAT) of the consolidated entity for the year ended 30 June 2009 were down on the previous year.

The decrease in EBITDA and NPAT, despite the solid revenue performance, was primarily due to the impact of dramatic exchange rate fluctuations during the year, the interest rate plunge and a number of non-recurring items.

The material fall in the AUD/USD exchange rate, in particular during the second quarter, significantly increased carrier costs, at a speed not previously encountered by the business. The company took measures to improve the gross margin, which included 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. Overall, the gross margin was down 2.2% to 23.4% compared to the previous year.

The average effective interest rate fell by 5.2% from 7.4% to 2.2% during the year. As a result interest income decreased by $218k compared to the previous year.

Operating expenses and depreciation also included a number of non-recurring items. These non-recurring items totalling $1,033k (net of tax $723k) represented one-off make good and office relocation costs ($220k), accelerated depreciation of office improvement and furniture ($170k), and foreign exchange losses ($643k) resulting from purchase of forward exchange contracts for short term price fixing and that short term price fixing had ceased prior to the financial year end.

Excluding the non-recurring items, the net underlying profit after tax for the year was $3.3 million.

Overall, the result represented a robust operating and financial performance achieved in a challenging environment. As at 30 June 2009, the company presented a strong balance sheet, with a total of $13.6 million in cash balance and bank deposits.

Dividend

A fully franked interim dividend of 0.4 cents per share was declared on 20 February 2009 with a record date of 4 March 2009. A fully franked final dividend of 0.4 cents per share was declared on 24 August 2009 with a record date of 7 September 2009 and payment date of 21 September 2009.

Share Buy-back

During the year there was a voluntary share buy-back. The directors felt this was an appropriate investment of excess cash as it was thought the company share price was undervalued. The company bought back on market and cancelled a total of 6,464,387 ordinary shares at an average price of $0.11 per share (2008 - 1,348,688 ordinary shares at an average price of $0.14 per share). The board believes this added value to the company and is satisfied with the result.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the financial year ended 30 June 2009.

Significant Events After Balance Date

On 24 August 2009, the directors of Tel.Pacific Limited declared a final dividend on ordinary shares. The total amount of $408,748 represents a fully franked dividend of 0.40 cents per share. The record date for the final dividend is 7 September 2009. The intended date of payment is 21 September 2009. The final dividend has not been provided for in the 30 June 2009 financial statements.

Future Developments and Expected Results

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Securities Holdings

As at the date of this report, the interests of the directors in the shares and options of the company were:

Director	Number of Ordinary Shares	Number of Share Options
Greg McCann	250,000	750,000
Chiao-Heng (Charles) Huang	41,947,173	4,000,000
Barry Chan	7,237,716	2,000,000
Jeffrey Ma	2,446,823	2,000,000
Ryan O'Hare	-	500,000
Stephe Wilks	-	500,000

Refer to Note 24 of the financial statements for further details.

Employees

The consolidated entity employed 89 full time equivalent people as of 30 June 2009 (30 June 2008: 95).

Share Options

The company established an Employee Option Plan (EOP) in May 2007 to assist in the recruitment, reward, retention and motivation of employees. The options granted under the plan do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option.

As at the date of this report, there were 10.75 million unissued ordinary shares under options. Refer to Note 20 (c) to the financial statements for further details of the options outstanding.

As at 30 June 2009, no shares were issued as a result of the exercise of options.

Directors Meetings

The number of directors' meetings (including meeting of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board Meetings	Audit and Risk Committee	Remuneration and Nomination Committee
Number of meeting held	**12**	**3**	**2**
Number of meeting attended			
Greg McCann	12	3	2
Chiao-Heng (Charles) Huang	12	n/a	2
Barry Chan	12	n/a	n/a
Jeffrey Ma	12	n/a	n/a
Ryan O'Hare	12	3	2
Stephe Wilks	12	3	2

n/a denotes director is not and was not a member of the committee during the year.

As at the date of this report the company had an Audit and Risk Committee and a Remuneration and Nomination Committee.

Members acting on the committee of the Board were:

Audit and Risk Committee
Stephe Wilks (Chairman)
Greg McCann
Ryan O'Hare

Remuneration and Nomination Committee
Greg McCann (Chairman)
Chiao-Heng (Charles) Huang
Ryan O'Hare
Stephe Wilks

Indemnification and Insurance of Directors and Officers

The company has entered into a directors' & officers' insurance contract on 30 June 2008 for the purpose of insuring against any liability that may arise from the directors carrying out their duties and responsibilities in their capacity as officers of the company. The amount of the premium was $12,600.

Remuneration Report

Remuneration Policy

The Remuneration and Nomination Committee of the Board of Directors of the company is responsible for determining and recommending to the Board of Directors remuneration arrangements for the directors, the Managing Director and the senior management team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of the remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Non-executive Director Remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided among the directors as agreed. The latest determination was at the Annual General Meeting held on 20 April 2007 when shareholders approved an aggregate remuneration of $350,000 per year payable to non-executive directors for their services as directors, including their services on a committee of directors.

The Remuneration and Nomination Committee determines payments to the non-executive directors and will review their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Each non-executive director receives a fee for being a director of the company. An additional fee may also be paid for each board committee on which a director sits.

Senior Manager and Executive Director Remuneration

Remuneration granted to the executive directors and other senior executives has regard to the company's financial and operational performance.

The Remuneration and Nomination Committee determines the base salary of the executive directors and will review their remuneration annually against the external market and individual contribution to the company. Performance pay based on overall corporate performance may be made available to executive team.

Each executive director and senior executive receives remuneration commensurate with their position and responsibilities within the company.

Remuneration of Directors

The following tables set out the remuneration received by the directors of the company during the financial years ending 30 June 2009 and 30 June 2008.

2009	**Short Term Benefits**		**Post Employment**	**Equity Based**	**Total**
	Salary and Fees	Non-Cash Benefits	Superannuation	Options	
	$	**$**	**$**	**$**	**$**
Greg McCann	63,000	-	5,670	-	68,670
Chiao-Heng (Charles) Huang	170,000	-	15,300	-	185,300
Barry Chan	140,123	-	12,611	-	152,734
Jeffrey Ma	141,705	23,102	15,474	-	180,281
Ryan O'Hare	42,000	-	3,780	-	45,780
Stephe Wilks (1)	59,400	-	-	-	59,400
	616,228	23,102	52,835	-	692,165

2008	**Short Term Benefits**		**Post Employment**	**Equity Based**	**Total**
	Salary and Fees	Non-Cash Benefits	Superannuation	Options (2)	
	$	**$**	**$**	**$**	**$**
Greg McCann	60,000	-	5,400	116	65,516
Chiao-Heng (Charles) Huang	160,000	-	14,400	619	175,019
Barry Chan	117,078	7,537	11,609	310	136,534
Jeffrey Ma	137,427	18,342	14,356	310	170,435
Ryan O'Hare	40,000	-	3,600	77	43,677
Stephe Wilks (1)	50,000	-	-	77	50,077
	564,505	25,879	49,365	1,509	641,258

(1) Director fees have been paid to High Expectations Pty Limited, for procuring the services of Stephe Wilks to act as a Director. High Expectations Pty Limited is responsible for Stephe Wilks' employment expenses, including statutory superannuation.

(2) This represents the value of options that have been issued to the named directors or their nominees under the Employee Option Plan. The value of these options has been determined in accordance with the Australian Accounting Standards AASB 2 Share-based Payment.

Details of Executives

The names and positions of each executive in the company who received the highest remuneration and having the greatest authority within the company, along with the components of their remuneration are provided below.

Executive	**Position**
Charles Hsieh	National Sales Manager
Gavin Mattig	Group Human Resources Manager
Huy Nguyen	National Sales Manager

The following tables set out the remunerations received by the executives of the company during the financial years ending 30 June 2009 and 30 June 2008.

2009	Short Term Benefits		Post Employment	Equity Based	Total
	Salary and Fees	Non-Cash Benefits	Superannuation	Options	
	$	$	$	$	$
Charles Hsieh	109,387	21,419	11,142	-	141,948
Gavin Mattig	100,399	13,688	10,852	-	124,939
Huy Nguyen	128,844	-	11,218	-	140,062
	338,630	35,107	33,212	-	406,949

2008	Short Term Benefits		Post Employment	Equity Based	Total
	Salary and Fees	Non-Cash Benefits	Superannuation	Options	
	$	$	$	$	$
Charles Hsieh	112,218	23,885	11,871	-	147,974
Gavin Mattig	90,344	14,354	10,911	-	115,609
Huy Nguyen	132,850	-	11,579	-	144,429
	335,412	38,239	34,361	-	408,012

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past three years.

The following table shows the gross revenue, profits and dividends for the last three years. The profit for the year ended 30 June 2009 was adversely affected by one-off costs in relation to the non-recurring items as discussed in the Directors' Report. Analysis of the actual figures shows an increase in revenue and underlying profits from continuing operations. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the past years.

	2009	2008	2007 (1)
Revenue	$63.8 m	$47.4 m	$36.4 m
Profit from continuing operations after tax	$2.5 m	$2.9 m	$2.3 m
Underlying profit from continuing operations after tax	$3.3 m	$2.9 m	$2.3 m
Share price at year end	$0.09	$0.14	n/a (2)
Interim dividend	0.40 cents	-	0.17 cents
Final dividend	0.40 cents	0.70 cents	0.77 cents

n/a denotes share price not quoted on the ASX.
(1) Tel.Pacific Limited was an unlisted entity for the financial year ended 30 June 2007.
(2) Official quotation of Tel.Pacific Limited's shares commenced on 16 July 2007 on the ASX.

During the year there was a voluntary share buy-back. The directors felt this was an appropriate investment of excess cash as it was thought the company share price was undervalued. The company bought back on market and cancelled a total of 6,464,387 ordinary shares at an average price of $0.11 per share (2008 - 1,348,688 ordinary shares at an average price of $0.14 per share). The board believes this added value to the company and is satisfied with the result.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not adversely affect the objectivity and integrity of the Auditor.

PKF received or is due to receive $33,306 for the provision of non-audit services.

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

Greg McCann
Chairman

Chiao-Heng (Charles) Huang
Managing Director

Dated this 24 August 2009

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF TEL.PACIFIC LIMITED:

Auditor's Independence Declaration

As lead auditor for the review of Tel.Pacific Limited for the year ended 30 June 2009, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

PKF

Arthur Milner
Partner

Sydney, 24 August 2009

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
Revenue	2	63,777,276	47,420,107	62,152,347	46,869,157
Cost of sales		(48,835,950)	(35,295,417)	(47,265,875)	(34,418,603)
Gross profit		14,941,326	12,124,690	14,886,472	12,450,554
Other income	2	894,083	1,263,484	869,251	1,252,733
		15,835,409	13,388,174	15,755,723	13,703,287
Operating expenses	3	(5,413,357)	(3,391,957)	(5,264,379)	(3,190,327)
Employee benefits expense		(5,889,596)	(5,191,938)	(5,723,463)	(5,108,761)
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)		4,532,456	4,804,279	4,767,881	5,404,199
Depreciation and amortisation	4	(976,325)	(756,188)	(934,625)	(741,861)
Earning before interest expense and taxation (EBIT)		3,556,131	4,048,091	3,833,256	4,662,338
Finance income	5	-	205,040	-	205,040
Profit before income tax		3,556,131	4,253,131	3,833,256	4,867,378
Income tax expense	6	(1,021,028)	(1,323,563)	(1,089,610)	(1,507,085)
Net profit from continuing operations after tax		2,535,103	2,929,568	2,743,646	3,360,293
Attributable to:					
Members of Tel.Pacific Limited		2,535,103	2,929,568	2,743,646	3,360,293
Earnings per share (cents per share)					
Basic earnings per share	7	2.38	2.66		
Diluted earnings per share	7	2.38	2.66		
Dividend per share	8	0.80	0.70		

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	10	11,831,515	15,100,914	11,583,603	14,222,545
Trade and other receivables	11	9,481,001	6,223,284	10,069,474	7,513,493
Inventories	12	273,364	93,810	273,364	93,810
Other assets	13	5,227,988	3,590,244	4,983,213	3,493,072
Total Current Assets		26,813,868	25,008,252	26,909,654	25,322,920
Non-Current Assets					
Financial assets	14	-	100	97,217	10,760
Property, plant and equipment	16	3,199,511	2,239,451	3,134,155	2,136,299
Intangible assets	17	4,634,224	4,634,356	4,545,714	4,547,117
Deferred tax assets	6	856,838	650,909	534,131	447,659
Total Non-Current Assets		8,690,573	7,524,816	8,311,217	7,141,835
TOTAL ASSETS		35,504,441	32,533,068	35,220,871	32,464,755
LIABILITIES					
Current Liabilities					
Trade and other payables	18	21,860,763	20,565,586	21,055,417	20,104,325
Income tax payable		795,355	1,035,987	795,355	1,035,987
Short term provisions	19	345,717	369,705	341,393	366,913
Total Current Liabilities		23,001,835	21,971,278	22,192,165	21,507,225
Non-Current Liabilities					
Long term provisions	19	238,868	158,551	238,868	158,551
Deferred tax liabilities	6	958,170	570,745	874,173	537,871
Total Non-Current Liabilities		1,197,038	729,296	1,113,041	696,422
TOTAL LIABILITIES		24,198,873	22,700,574	23,305,206	22,203,647
NET ASSETS		11,305,568	9,832,494	11,915,665	10,261,108
EQUITY					
Issued capital	20	8,042,232	8,688,320	8,042,232	8,688,320
Reserves	21	344,688	329,377	311,689	323,438
Retained profit		2,918,648	814,797	3,561,744	1,249,350
TOTAL EQUITY		11,305,568	9,832,494	11,915,665	10,261,108

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
ISSUED CAPITAL					
Balance at start of year		8,688,320	4,200,982	8,688,320	4,200,982
Issuing new shares (IPO)		-	5,000,000	-	5,000,000
IPO costs		-	(500,000)	-	(500,000)
Deferred tax related to IPO costs		-	150,000	-	150,000
Payments related to ESOP shares		55,111	29,283	55,111	29,283
Shares buyback on market		(699,792)	(191,375)	(699,792)	(191,375)
Transaction costs on shares buyback		(2,009)	(570)	(2,009)	(570)
Deferred tax related to transaction costs		602	-	602	-
Balance at end of year	20	8,042,232	8,688,320	8,042,232	8,688,320
RESERVES					
Balance at start of year		329,377	310,298	323,438	321,775
Employee equity benefits reserve		(11,749)	1,663	(11,749)	1,663
Exchange differences on translating foreign operations		27,060	17,416	-	-
Balance at end of year	21	344,688	329,377	311,689	323,438
RETAINED PROFIT					
Balance at start of year		814,797	(1,344,771)	1,249,350	(1,340,943)
Profit for the year		2,535,103	2,929,568	2,743,646	3,360,293
Dividend paid during the year	8	(431,252)	(770,000)	(431,252)	(770,000)
Balance at end of year		2,918,648	814,797	3,561,744	1,249,350
TOTAL EQUITY		11,305,568	9,832,494	11,915,665	10,261,108

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		71,100,690	55,868,608	69,381,023	53,964,258
Payments to suppliers and employees		(68,605,066)	(49,920,322)	(66,147,412)	(49,035,482)
Interest received		772,101	984,733	749,237	964,981
Income tax paid		(1,079,810)	(486,901)	(1,079,810)	(486,901)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10	2,187,915	6,446,118	2,903,038	5,406,856
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(1,953,145)	(741,396)	(1,951,254)	(729,848)
Acquisition of business		(1,271,343)	(3,301,796)	(1,271,343)	(3,198,695)
Purchase of investments		-	-	(86,557)	(8,548)
Proceeds from disposal of equipment		27,827	7,000	27,827	104,579
Proceeds from sale of data business		-	250,000	-	250,000
Loan to other party		(30,000)	-	(30,000)	-
Payment of bank deposits		(1,096,707)	-	(1,096,707)	-
Payment for development costs		(52,650)	-	(52,650)	-
NET CASH USED IN INVESTING ACTIVITIES		(4,376,018)	(3,786,192)	(4,460,684)	(3,582,512)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from initial public offering		-	2,798,500	-	2,798,500
Payment from shares issued under ESOP		51,757	29,283	51,757	29,283
Payments for IPO costs		-	(276,038)	-	(276,038)
Payments for shares buyback on market		(699,792)	(191,375)	(699,792)	(191,375)
Payments for shares buyback costs		(2,009)	(570)	(2,009)	(570)
Dividends paid		(431,252)	(770,000)	(431,252)	(770,000)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES		(1,081,296)	1,589,800	(1,081,296)	1,589,800
Net decrease/(increase) in cash held		(3,269,399)	4,249,726	(2,638,942)	3,414,144
Cash held at the beginning of the financial year		15,100,914	10,851,188	14,222,545	10,808,401
CASH AT THE END OF FINANCIAL YEAR	10	11,831,515	15,100,914	11,583,603	14,222,545

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated, with all balances being presented in Australian dollars.

The financial report covers Tel.Pacific Limited (formerly known as Tel.Pacific Pty Limited) as an individual parent entity and Tel.Pacific Limited and the controlled entities as a consolidated entity.

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

Basis of Preparation

The 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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report of Tel.Pacific Limited and its controlled entities for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 24 August 2009.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Tel.Pacific Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a June year end.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are as applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Business Combination

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(c) Income Tax

The income tax expense represents the sum of current tax and deferred tax. Current tax is calculated on accounting profit after adjusted for any non-taxable and non-deductible items. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. It is using the tax rates that have been enacted or are substantially enacted at reporting date.

The current tax and deferred tax is recognised as an expense in the income statement, except when it relates to items directly or credited to equity, in which case the current and deferred tax is also recognised directly in equity.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent that the deferred tax liabilities arises from:
- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit or taxable income at the time of the transaction.

Deferred tax assets are recognised for all deductible temporary differences and for carrying forward of unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carrying forward of unused tax losses and tax credits can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will be occurring in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Effective 1 July 2003, for the purposes of income taxation, Tel.Pacific Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. As part of the election to enter tax consolidation, the tax consolidated group is treated as a single entity for income tax purposes.

Tel.Pacific Limited, as the head entity in the tax consolidated group, recognises, in addition to its own the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits of all entities in the group.

(d) Inventories

Inventories are initially measured and recorded at cost and are valued at the lower of cost and net realisable value.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and any impairment losses.

Plant and Equipment
Plant and Equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future consolidated benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leasehold Improvements	13%
Plant and Equipment	20% - 27%
Motor Vehicles	15%

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their useful lives or the lease term.

Lease payments are for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(g) Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transactions costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial Assets at Fair Value through Profit and Loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments.

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market and are stated at amortised cost using the effective interest rate method.

Held to Maturity Investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held to maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available for Sale Financial Assets
Available for sale financial assets include any financial assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities
Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. For the case of available for sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment loses are recognised in the income statement.

(h) Impairment of Assets

At each reporting date, the group reviews the carrying values of assets to determine whether there is indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(i) Intangibles

Goodwill
Goodwill and goodwill on consideration are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisition of is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include carrying amount of goodwill relating to the entity sold.

Acquired intangible assets
Intangible assets acquired either as part of business combination or through separate acquisition are recorded at their fair value at the date of acquisition and recognised separately from goodwill. Management judgement are applied to determined the appropriate fair value of identifiable intangible assets.

Intangible assets that are considered to have a finite life are amortised on a straight line basis over the period of expected benefit. Intangible assets that are considered to have an indefinite life are not amortised but tested for impairment in accordance with note 1 (h) on an annual basis, or where an indication of impairment exists.

Research and Development
Expenditure during the research phase of the project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identity that the project will deliver future consolidated benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future consolidated benefits over the useful consolidated life of the project.

(j) Foreign Currency Transactions and Balances

Functional and Presentational Currency
The functional currency of each group entity is measured using the currency of the primary consolidated environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentational currency.

Transactions and Balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies
The financial results and position of foreign operations whose functional currency is different from the group's presentational currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign translation reserve in the balance sheet. These differences are recognised in the income statement for the period the operation is disposed.

(k) Employee Benefits

Annual Leave/Long Service Leave
Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the future cash outflows to be made for those benefits.

Superannuation
Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

Share-based Payments
The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include, cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(n) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

Revenue from the sale of goods is recognised upon delivery of the goods sold. If the entity is acting as an agent under a sales arrangement, the revenue will be recorded on a net basis, being the gross amount billed less the amount paid to the supplier.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST due, but no paid, to the Australian Taxation Office in included under payables.

Cash flows are presented in the cash flow statements on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flow.

(p) Earnings per Share

Basic earnings per share is calculated as net profit attributable to ordinary equity holders of Tel.Pacific Limited divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated as adjusted net profit attributable to ordinary equity holders of Tel.Pacific Limited divided by the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares during the period.

(q) Comparatives

Where required by accounting standards, comparative figures have been adjusted to conform to changes in the current year.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assure a reasonable expectation of future events and are based on current trends and consolidated data, obtained both externally and within the group.

The key assumption used in the calculation of commission costs in cost of sales in the Income Statement is the effective rate which represents the average rate of actual commission paid over a period of three years. The effective rate is subject to ongoing review and updated every year.

(s) Recently Issued Accounting Standards to be Applied in Future Reporting Periods

The accounting standards and AASB interpretations that have not been early adopted for the year ended 30 June 2009, but will be applicable to the parent entity and the consolidated entity in future reporting periods are detailed below. Apart from these standards and interpretations, the directors have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant or no impact to the group.

Business Combinations
AASB 3: "Business Combinations (Revised)" is applicable for annual reporting periods beginning on or after 1 July 2009. A related omnibus standard AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127" makes a number of amendments to other accounting standards as a result of the revised AASB 3 and must be adopted at the same time.

AASB 3 changes the way in which an entity will account for business combinations. The key changes are:
- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost related to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;

- there shall be no gain or loss from transactions affecting a parent's ownership interest of subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint venture and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

AASB 3 changes the way in which an entity will account for business combinations. The key changes are:

- the definitions of a business and a business combination were amended and additional guidance was added for identifying when a group of assets constitutes a business.
- for each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.
- the period during which changes to deferred tax benefits acquired in a business combination can be adjusted against goodwill has been limited to the measurement period; and
- an acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability.
- costs the acquirer incurs in connection with the business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses.
- consideration transferred by the acquirer, including contingent consideration, must be measured and recognised at fair value at the acquisition date.

These amendments are not expected to materially impact our financial result.

Segment Reporting

AASB 8: "Operating Segments" is applicable to annual reporting periods beginning on or after 1 January 2009 and replaces AASB 114: "Segment Reporting". A related omnibus standard AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8" makes a number of amendments to other accounting standards as a result of AASB 8 and must be adopted at the same time. AASB 8 requires entities to determine operating segments based on their internal management reporting structure for the reporting of their financial performance. The adoption of AASB 8 and AASB 2007-3 are not expected to have material impact on reporting of the group's of financial performance.

Presentation of Financial Statements

AASB 101: "Presentation of Financial Statements" (Revised), AASB 2007-8: "Amendments to Australian Accounting Standards arising from AASB 101", and AASB 2007-10: "Further Amendments to Australian Accounting Standards arising from AASB 101" (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

Borrowing Costs

AASB 123: "Borrowing Costs (Revised)" is becoming applicable to annual reporting periods beginning on or after 1 January 2009. A related omnibus standard AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123" makes a number of amendments to other accounting standard as a result of the revised AASB 123 and must be adopted at the same time. The revised AASB 123 requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. All other borrowing costs are immediately recognised as expense. As the group does not currently construct or produce any qualifying assets which are financed by borrowings, the revised standard will have no impact.

Consolidated and Separate Financial Statements
AASB 127: "Consolidated and Separate Financial Statements (Amended)" is applicable for annual reporting periods beginning on or after 1 July 2009. The revised standard requires how total comprehensive income is attributed between the owners of the parent and to the non-controlling interests; and specifies how an entity measures any gain or loss arising on the loss of control of subsidiary. The group has not yet determined the extent of the impact, if any.

Other Standards
In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards and interpretations that are applicable in future years:

- AASB 2008-1: "Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations";
- AASB 2008-2: "Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation";
- AASB 2008-5: "Amendments to Australian Standards arising from the Annual Improvements Project";
- AASB 2008-6: "Further Amendments to Australian Standards arising from the Annual Improvements Project";
- AASB 2008-7: "Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate";
- AASB 2008-8: "Amendments to Australian Accounting Standards - Eligible Hedged Items";
- AASB 2008-13: "Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners"
- AASB 2009-2: "Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments;
- AASB 2009-3: "Amendments to Australian Accounting Standards - Embedded Derivatives";
- AASB 2009-4"Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2009-5: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2009-6: "Amendments to Australian Accounting Standards" arising from editorial corrections;
- AASB 2009-7: "Amendments to Australian Accounting Standards" arising from editorial corrections;
- AASB Interpretation 16: "Hedges of a Net Investment in a Foreign Operation";
- AASB Interpretation 17: "Distributions of Non-cash Assets to Owners";

The group does not expect these accounting standards and interpretations to have material impact on our financial results upon adoption.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 2: REVENUE				
Operating Activities				
- Voice Revenue	63,769,260	47,388,250	62,144,331	46,837,300
- VoIP Revenue	8,016	31,857	8,016	31,857
	63,777,276	47,420,107	62,152,347	46,869,157
Other Income				
- Interest Income	797,414	810,398	774,550	790,647
- Resale Income	64,531	435,940	64,531	435,940
- Sundry Income	32,138	12,477	30,170	12,413
- Gain on Disposal of Property, Plant and Equipment	-	4,669	-	4,669
- Foreign Exchange Gain	-	-	-	9,064
	894,083	1,263,484	869,251	1,252,733
NOTE 3: OPERATING EXPENSES				
Occupancy Expense	855,580	391,170	824,840	376,337
Advertising and promotion Expense	896,801	812,788	821,428	754,168
Communication Expense	176,144	160,108	168,028	155,735
Professional Fees	343,698	280,189	321,428	262,229
Bank and Merchant Fees	326,020	304,726	318,248	295,189
Travel Expense	466,658	489,875	445,435	476,126
Bad and Doubtful Debts Expense	428,457	421,596	427,541	421,364
Operating Lease Rentals	154,704	48,016	154,704	48,016
Foreign Exchange Losses	275,268	78,980	316,772	-
Losses on Disposal of Propety, Plant and Equipment	34,199	-	34,199	-
Losses on Foreign Currency Forward Contract	642,780	-	642,780	-
Other Expenses	813,048	404,509	788,976	401,163
	5,413,357	3,391,957	5,264,379	3,190,327
NOTE 4: DEPRECIATION AND AMORTISATION				
Depreciation of Non-current Assets	933,072	702,745	891,372	688,418
Amortisation of Research and Development	43,253	53,443	43,253	53,443
Total Depreciation and Amortisation	976,325	756,188	934,625	741,861
NOTE 5: FINANCE INCOME				
Interest Income on IPO Fund	-	205,040	-	205,040
	-	205,040	-	205,040

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$

NOTE 6: INCOME TAX EXPENSE

(a) Income Tax Expenses

The major components of income tax expense are:

Current tax expense	838,993	1,048,092	838,993	1,048,092
Adjustment for provision of tax in prior years	(30,235)	23,630	(30,235)	23,630
Deferred tax resulting from the origination and reversal of temporary differences	359,770	435,363	280,852	435,363
Deferred tax income relating from the recognition of tax loss	(147,500)	(183,522)	-	-
	1,021,028	1,323,563	1,089,610	1,507,085

(b) The prima facie income tax expense/(benefit) on profit from ordinary activities differs from the income tax expense provided in the financial statements and is reconciled as follows:

Profit before income tax expense	3,556,131	4,253,131	3,833,256	4,867,378
Prima facie tax expense on profit from ordinary activities is 30% (2009 - 30%)				
- Consolidated entity	1,066,839	1,275,939	-	-
- Parent entity	-	-	1,149,977	1,460,213
Non-allowable items	30,897	23,994	16,341	23,242
Adjustment for provision of tax in prior years	(30,235)	23,630	(30,235)	23,630
Business investment tax break	(46,473)	-	(46,473)	-
Income tax expense attributable to profit from ordinary activities	1,021,028	1,323,563	1,089,610	1,507,085
Income tax recognised directly in equity during the year	(602)	-	(602)	-

(c) Deferred tax asset/(liability)

Deferred tax items recognised in income statement				
Property, plant and equipment	(107,911)	(84,190)	(90,661)	(79,337)
Provision for employee entitlements	175,375	142,500	174,078	141,663
Allowance for doubtful debts	193,758	70,058	193,758	70,058
Provision for lease incentive	-	14,430	-	14,430
Trade and other payables	91,238	143,111	88,581	114,946
Deferred commission costs	(826,083)	(478,238)	(759,678)	(450,217)
Income tax losses - see (1) below	318,411	174,248	-	-
Other	(23,164)	(8,317)	(23,164)	(8,317)
	(178,376)	(26,398)	(417,086)	(196,774)

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Deferred tax items recognised in equity - see (2) below				
IPO costs	76,562	106,562	76,562	106,562
Transactions costs related to share buyback	482	-	482	-
	77,044	106,562	77,044	106,562
Net deferred tax asset/(liability)	(101,332)	80,164	(340,042)	(90,212)
Net deferred tax asset/(liability) is split as follows:				
Deferred tax assets recognised in the balance sheet	856,838	650,909	534,131	447,659
Deferred tax liabilities recognised in the balance sheet	(958,170)	(570,745)	(874,173)	(537,871)
	(101,332)	80,164	(340,042)	(90,212)

(1) A deferred tax asset for the unused tax losses of a New Zealand subsidiary to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(2) When the underlying transactions to which the deferred tax relates are recognised directly in equity in accordance with applicable accounting standards, the temporary differences associated with these adjustments are also recognised directly in equity.

(d) Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Tel.Pacific Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. As part of the election to enter tax consolidation, the tax consolidated group is treated as a single entity for income tax purposes.

Tel.Pacific Limited, as the head entity in the tax consolidated group, recognises, in addition to its own transactions, the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits of all entities in the group.

NOTE 7: EARNINGS PER SHARE

	Consolidated	
	2009	2008
	$	$
Basic earnings per share (cents per share)	2.38	2.66
Diluted earnings per share (cents per share)	2.38	2.66
Net earnings used in the calculation of basic and diluted EPS	2,535,103	2,929,568
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used	106,674,318	109,929,041

None of the options on issue were considered to be potentially dilutive as the exercise price is in excess of the fair value of the shares at 30 June 2009.

NOTE 8: DIVIDENDS PAID AND PROPOSED

(a) Recognised Amounts

	Consolidated and Company			
	2009		2008	
	Cents per Share	Total $	Cents per Share	Total $
(i) Dividends paid during the year:				
Interim dividend - fully franked	0.4	431,252	-	-
Final dividend - fully franked	-	-	0.7	770,000
Total	0.4	431,252	0.7	770,000
(ii) Dividends declared and not recognised as a liability:				
Final dividends - fully franked (1)	0.4	408,748	-	-

(1) The final dividend was proposed on 24 August 2009. This amount has not been recognised as a liability in the 2009 financial year but will be brought into account in the 2010 financial year.

(b) Franking Credit Balance

	Consolidated	
	2009 $	2008 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30% (2008 - 30%)	1,041,339	146,350
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	795,355	1,036,580
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the receipt of dividends recognised as receivable as at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent financial year	-	-
The amount of franking credits available for future reporting periods:	1,836,694	1,182,930
- Impact on franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during period	(175,178)	-
	1,661,516	1,182,930

The tax rate at which paid dividends have been franked is 30% (2008 - 30%).

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 9: AUDITORS REMUNERATION				
Auditing or reviewing the Financial Reports	83,975	100,897	83,975	100,897
Taxation Services	33,306	32,260	33,306	32,260
	117,281	133,157	117,281	133,157

NOTE 10: CASH AND CASH EQUIVALENTS

(a) Cash Balance

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash at Bank	11,831,515	15,100,914	11,583,603	14,222,545
	11,831,515	15,100,914	11,583,603	14,222,545

(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Profit after income tax	2,535,103	2,929,568	2,743,646	3,360,293
Non-cash flows in profit				
Depreciation expense	976,325	756,188	934,625	741,861
Share based payment	(8,394)	1,663	(8,394)	1,663
Loss/(Gain) on asset disposals	34,199	(4,669)	34,199	(4,669)
Changes in assets and liabilities				
(Increase)/Decrease in prepayments	(107,702)	(24,959)	(120,956)	(22,215)
(Increase)/Decrease in trade & other debtors	(4,045,585)	(5,268,522)	(3,065,836)	(6,064,743)
Increase/(Decrease) in trade & other creditors	2,718,044	7,926,494	2,322,835	7,424,849
Increase/(Decrease) in other provisions	62,149	112,939	60,618	110,147
Movement in amounts due from subsidiaries	-	-	2,301	(140,330)
Movement in foreign currency translation reserve	23,776	17,416	-	-
	2,187,915	6,446,118	2,903,038	5,406,856

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current:				
Trade Debtors	4,015,345	2,756,241	3,973,544	2,729,995
Less: Allowance for Doubtful Debts	(645,861)	(285,217)	(645,861)	(285,217)
Unbilled Receivables - see Note 18 (a)	4,202,023	2,976,196	4,064,616	2,904,615
Bank Deposits (1)	1,760,033	663,326	1,760,033	663,326
Other Debtors	149,461	112,738	134,461	105,032
Amounts Due from Subsidiaries	-	-	782,681	1,395,742
	9,481,001	6,223,284	10,069,474	7,513,493

(1) Bank deposits represent term deposits which are held as security for bank guarantee.

The movement in the allowance for doubtful debts in respect of trade receivables in detailed below:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Opening balance	(285,217)	(186,733)	(285,217)	(186,733)
- additional allowance	(402,656)	(142,335)	(402,656)	(142,335)
- amounts used	38,277	20,668	38,277	20,668
- amounts reversed	3,735	23,183	3,735	23,183
Closing balance	(645,861)	(285,217)	(645,861)	(285,217)

Credit Policy

The group requires customers to pay in accordance with agreed terms. Trade debtors are non-interest bearing and are generally on 30-90 days terms. A provision for impairment is recognised when there is objective evidence that an individual trade debtor is impaired. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet.

NOTE 12: INVENTORIES

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current:				
Inventories	273,364	93,810	273,364	93,810

Inventories are held at the lower of cost and net realisable value.

NOTE 13: OTHER ASSETS

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current:				
Deferred Commission Costs	4,937,926	3,385,362	4,702,991	3,291,957
Prepayments	257,054	149,352	255,914	146,608
Security Deposit	33,008	55,530	24,308	54,507
	5,227,988	3,590,244	4,983,213	3,493,072

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 14: FINANCIAL ASSETS				
Investment (1)	-	100	-	100
Unlisted Controlled Entities - see Note 15 Investment in Subsidiaries at Cost	-	-	97,217	10,660
	-	100	97,217	10,760

(1) Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

NOTE 15: CONTROLLED ENTITIES

	Country of Incorporation	Holding 2009 %	Holding 2008 %	Investment 2009 $	Investment 2008 $
Parent Entity					
Tel.Pacific Limited	Australia				
Controlled Entities - Consolidated Entity					
Interest at Cost					
Rivernet Pty Limited	Australia	100%	100%	12	12
Hello Card Pty Limited	Australia	100%	100%	100	100
Tel.Pacific ESOP Pty Limited	Australia	100%	100%	1	1
Tel.Pacific (Hong Kong) Limited	Hong Kong	100%	100%	2,000	2,000
Tel.Pacific New Zealand Limited	New Zealand	100%	100%	8,546	8,546
Tel.Pacific Singapore Pte Limited	Singapore	100%	100%	86,558	1
				97,217	10,660

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Motor Vehicles	163,706	53,833	163,706	53,833
Less: Accumulated Depreciation	(18,989)	(35,932)	(18,989)	(35,932)
	144,717	17,901	144,717	17,901
Network Equipment & Software	4,168,380	3,133,611	4,055,237	3,022,092
Less: Accumulated Depreciation	(2,172,233)	(1,961,471)	(2,119,531)	(1,948,704)
	1,996,147	1,172,140	1,935,706	1,073,388
Office Equipment & Software	614,964	1,045,473	611,514	1,043,559
Less: Accumulated Depreciation	(366,775)	(761,787)	(365,221)	(761,219)
	248,189	283,686	246,293	282,340
Office Fittings & Furniture	407,462	631,258	403,701	627,928
Less: Accumulated Depreciation	(61,604)	(341,044)	(60,862)	(340,768)
	345,858	290,214	342,839	287,160
Real Estate Properties	519,146	519,146	519,146	519,146
Less: Accumulated Depreciation	(54,546)	(43,636)	(54,546)	(43,636)
	464,600	475,510	464,600	475,510
	3,199,511	2,239,451	3,134,155	2,136,299

Movement in Carrying Amount

2009 Consolidated	**Motor Vehicles $**	**Network Equipment & Software $**	**Office Equipment & Software $**	**Office Fittings & Furniture $**	**Real Estate Properties $**	**Total $**
Balance at the beginning of the year	17,901	1,172,140	283,686	290,214	475,510	2,239,451
Additions	160,910	1,374,360	101,727	316,148	-	1,953,145
Disposal	(22,538)	(39,488)	-	-	-	(62,026)
Depreciation Expense	(11,556)	(512,802)	(137,252)	(260,552)	(10,910)	(933,072)
Foreign currency exchange difference	-	1,937	28	48	-	2,013
Balance at the end of the year	144,717	1,996,147	248,189	345,858	464,600	3,199,511
Company						
Balance at the beginning of the year	17,901	1,073,388	282,340	287,160	475,510	2,136,299
Additions	160,910	1,374,360	100,219	315,765	-	1,951,254
Disposal	(22,538)	(39,488)	-	-	-	(62,026)
Depreciation Expense	(11,556)	(472,554)	(136,266)	(260,086)	(10,910)	(891,372)
Balance at the end of the year	144,717	1,935,706	246,293	342,839	464,600	3,134,155

2008 Consolidated	**Motor Vehicles $**	**Network Equipment & Software $**	**Office Equipment & Software $**	**Office Fittings & Furniture $**	**Real Estate Properties $**	**Total $**
Balance at the beginning of the year	25,975	1,024,468	225,745	362,173	486,419	2,124,780
Additions	-	542,936	193,820	4,640	-	741,396
Acquisition through business combinations	-	84,263	1,598	-	-	85,861
Disposal	-	-	(2,331)	-	-	(2,331)
Depreciation Expense	(8,074)	(472,017)	(135,146)	(76,599)	(10,909)	(702,745)
Foreign currency exchange difference	-	(7,510)	-	-	-	(7,510)
Balance at the end of the year	17,901	1,172,140	283,686	290,214	475,510	2,239,451
Company						
Balance at the beginning of the year	25,975	1,024,468	225,745	362,173	486,419	2,124,780
Additions	-	535,033	193,505	1,310	-	729,848
Acquisition through business combinations	-	70,000	-	-	-	70,000
Disposal	-	(97,580)	(2,331)	-	-	(99,911)
Depreciation Expense	(8,074)	(458,533)	(134,579)	(76,323)	(10,909)	(688,418)
Balance at the end of the year	17,901	1,073,388	282,340	287,160	475,510	2,136,299

NOTE 17: INTANGIBLE ASSETS

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Year

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Goodwill	4,471,572	4,480,251	4,383,062	4,393,012
Accumulated impaired losses	-	-	-	-
	4,471,572	4,480,251	4,383,062	4,393,012
Company Formation Expenses	-	850	-	850
Patent	2	2	2	2
	2	852	2	852
Trademarks	110,000	110,000	110,000	110,000
	110,000	110,000	110,000	110,000
Research and Development	212,980	160,330	212,980	160,330
Less: Accumulated Amortisation	(160,330)	(117,077)	(160,330)	(117,077)
	52,650	43,253	52,650	43,253
	4,634,224	4,634,356	4,545,714	4,547,117

Movement in Carrying Amount

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Goodwill				
Balance at the beginning of the year	4,480,251	-	4,393,012	-
Acquisition through business combinations	-	4,480,251	-	4,393,012
Adjustment related to stamp duty overpaid	(9,950)	-	(9,950)	-
Foreign currency exchange difference	1,271	-	-	-
Balance at the end of the year	4,471,572	4,480,251	4,383,062	4,393,012
Trademarks				
Balance at the beginning of the year	110,000	-	110,000	-
Acquisition through business combinations	-	110,000	-	110,000
Balance at the end of the year	110,000	110,000	110,000	110,000
Research and Development				
Balance at the beginning of the year	43,253	96,696	43,253	96,696
Additions	52,650	-	52,650	-
Amortisation Expense	(43,253)	(53,443)	(43,253)	(53,443)
Balance at the end of the year	52,650	43,253	52,650	43,253

(b) Description of the Group's Intangible Assets and Goodwill

After initial recognition, goodwill acquired through business combinations is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Trademarks, acquired through business combinations, have been assessed as having an infinite life and is measured at cost less any accumulated impariment lossess.

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and is amortised using the straight-line method over the periods disclosed in Note 1. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(c) Impairment Testing of Goodwill

As at 30 June 2009, the carrying amount of goodwill was $4,471,572 (2008 - $4,480,251).

Goodwill acquired through business combinations has been allocated to two individual cash generating units (CGU) for impairment testing as follow:

Australian CGU

The recoverable amount of the Australian CGU has been determined based on the fair value less cost to sell methodology using cash flow projections based on financial budgets approved by management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 10.53% (2008 - 10.36%). The model did not incorporate a growth rate beyond the five year period.

The calculation of fair value less cost to sell is most sensitive to the following key assumptions:
- usage rates and margins being maintained at rates achieved in the recent past; and
- the discount rate applied to cash flow projections

Management consider that any reasonable changes in the key assumptions to the cash flow projections would not result in the carrying value of the Australian CGU exceeding its recoverable amount.

New Zealand CGU

The recoverable amount of the New Zealand CGU has been determined based on the fair value less cost to sell methodology using cash flow projections based on financial budgets approved by management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 11.66% (2008 - 11.47%). The model did not incorporate a growth rate beyond the five year period.

The calculation of fair value less cost to sell is most sensitive to the following key assumptions:
- usage rates and margins being maintained at rates achieved in the recent past; and
- the discount rate applied to cash flow projections

Management consider that any reasonable changes in the key assumptions to the cash flow projections would not result in the carrying value of the Australian CGU exceeding its recoverable amount.

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current:				
Trade Creditors	2,555,727	2,850,724	2,549,826	2,832,693
Other Creditors	93,024	1,374,318	93,024	1,374,317
Accrued expenses	1,553,618	945,446	1,536,822	933,154
Sundry Creditors	152,554	226,944	150,412	221,799
Goods and Services Tax Payable	675,710	510,625	637,507	498,723
Unearned Revenue - see Note 18 (a)	16,830,130	14,657,529	16,087,826	14,243,639
	21,860,763	20,565,586	21,055,417	20,104,325
(a) Unearned revenue comprises of:				
- Revenue Received in Advance (1)	8,616,401	8,983,447	8,053,305	8,667,384
- Trade Debtors (2)	4,011,706	2,697,886	3,969,905	2,671,640
- Unbilled Receivables (3)	4,202,023	2,976,196	4,064,616	2,904,615
	16,830,130	14,657,529	16,087,826	14,243,639

(1) Revenue received in advance represents the unused component of paid calling cards.
(2) Trade debtors represent the used component of unpaid calling cards - see Note 11.
(3) Unbilled receivable represent the unused component of unpaid calling cards - see Note 11

NOTE 19: PROVISIONS

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Short Term Provisions				
Fringe Benefit Tax Provision	-	5,153	-	5,153
Leave Entitlement Provision	345,717	316,451	341,393	313,659
Lease Incentive Provision	-	48,101	-	48,101
	345,717	369,705	341,393	366,913
Long Term Provisions				
Leave Entitlement Provision	238,868	158,551	238,868	158,551
Movements in Provisions				
(a) Leave Entitlement Provision (Short Term)				
Opening balance	316,451	187,233	313,659	187,233
- additional provisions	78,396	209,782	76,864	206,990
- amount used	(49,130)	(80,564)	(49,130)	(80,564)
Closing balance	345,717	316,451	341,393	313,659
(b) Lease Incentive Provision				
Opening balance	48,101	142,497	48,101	142,497
- amount used	(48,101)	(94,396)	(48,101)	(94,396)
Closing balance	-	48,101	-	48,101
(c) Leave Entitlement Provision (Long Term)				
Opening balance	158,551	79,225	158,551	79,225
- additional provisions	80,317	79,326	80,317	79,326
Closing balance	238,868	158,551	238,868	158,551

NOTE 20: ISSUED CAPITAL

	Consolidated and Company			
	2009		2008	
	Number	$	Number	$
(a) Ordinary Shares				
Issued and Fully Paid	95,644,985	7,999,055	101,851,312	8,659,037
Issued and Partially Paid - see (1) below	6,541,940	43,177	6,800,000	29,283
	102,186,925	8,042,232	108,651,312	8,688,320
(b) Movements in Ordinary Shares on Issue				
Balance at the beginning of the year	108,651,312	8,688,320	85,000,000	4,200,982
Issue of 25,000,000 ordinary shares at $0.20 per share through the initial public offering on 5 July 2007	-	-	25,000,000	5,000,000
IPO costs associated with the above shares issued	-	-	-	(500,000)
Deferred tax recognised related to share transactions' costs	-	602	-	150,000
Payments related to ESOP shares	-	55,111	-	29,283
Shares buyback on market	(6,464,387)	(699,792)	(1,348,688)	(191,375)
Transaction costs related to shares buyback	-	(2,009)	-	(570)
Balance at the end of the year	102,186,925	8,042,232	108,651,312	8,688,320

(1) The issue of shares under ESOP has been treated as issue of share options in accordance with the pronouncement of the International Financial Reporting Interpretations Committee. Where the company funds the acquisition of its own shares via a loan to employees with recourse only to the shares, it is treated as an option grant and accounted for under AASB 2 Share-based Payment. No loan or equity is booked initially. The company has effectively given the employee an option exercisable sometime in the future to buy a share at a set price. For information relating to shares issued under the ESOP during the financial year, refer to Note 25 (a).

Effectively 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares carry one vote per share and carry the right to dividends.

(c) Share Options - see Note 25 (b)

Options granted under the Employee Option Plan (EOP) on 23 May 2007 to directors and a former director to take up ordinary shares in the capital of the parent entity and outstanding as at 30 June 2009 are:

Exercise Period	Exercise Price $	2009 Number	2008 Number
23 November 2007 to 23 November 2010	0.225	5,375,000	5,375,000
23 November 2008 to 23 November 2011	0.25	5,375,000	5,375,000
		10,750,000	10,750,000

(d) Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share supported by financial assets. The group does not have borrowings.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, buy-back shares and share issues.

Management paid dividends $431,252 during 2009 (2008 - $770,000).

During the year a total of 6,464,387 ordinary shares at an average price of $0.11 per share (2008 - 1,348,688 ordinary shares at an average price of $0.14 per share) was bought back on market and cancelled. The Directors felt this was an appropriate investment of excess cash as it was thought the company share price was undervalued. That buyback program has completed on 12 May 2009.

Apart from the above, there have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 21: RESERVES				
(a) Foreign Currency Translation Reserve				
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.				
Balance at the beginning of the year	5,939	(11,477)	-	-
Gain on translation of overseas controlled entities	27,060	17,416	-	-
Balance at the end of the year	32,999	5,939	-	-
(b) Employee Equity Benefits Reserve				
The employee equity benefits reserve records the value of equity benefits provided to employees and directors as part of their remuneration.				
Balance at the beginning of the year	323,438	321,775	323,438	321,775
Share-based payments	(11,749)	1,663	(11,749)	1,663
Balance at the end of the year	311,689	323,438	311,689	323,438
Total Reserves	344,688	329,377	311,689	323,438

NOTE 22: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
- not later than 1 year	1,072,867	452,827	1,005,077	452,827
- later than 1 year but not later than 5 years	4,172,606	574,578	4,127,315	574,578
Total Lease Commitments	5,245,473	1,027,405	5,132,392	1,027,405

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase by 4.25% per annum.

NOTE 23: ACQUISITIONS

During the year ended 30 June 2008 the following acquisitions were made:

(a) C2 Comms Calling Card Business

On 20 November 2007, Tel.Pacific Limited acquired the calling card business of C2 Comms for consideration of $3.12 million including acquisition costs.

The C2 business is focused on international calling cards, including the following brands: Click South Asia, Click Africa, No Bull, True Time, Compass, Snap, My World, Sweet Talk and Click Vietnam.

	$
Consideration	
Cash consideration for acquisition	3,000,000
Costs of acquisition	127,756
Total cost of combination	3,127,756

	C2 Comms Fair Value $	C2 Comms Carrying Value $
Assets recognised at acquisition date		
Property, plant and equipment	70,000	70,000
Intangible assets	110,000	-
Goodwill	2,947,756	-
Total	3,127,756	70,000

	$
Profit and loss from acquisition date until 30 June 2008	
Revenue	4,842,999
EBITDA	455,518
EBIT	430,362
NPAT	301,253

(b) Prepaid World Calling Card Business

On 20 June 2008, Tel.Pacific Limited acquired the calling card business of Prepaid World Pty Limited for consideration of $1.45 million including acquisition costs.

Prepaid World's calling card brands include Lite, Kooky, Moon Lite, Spicy, Cactus, Kurry, Ice, Sweet Deal, Bonsai, Bonjour, Lebanon Forever, City Chat, Ten Dollar and Five Dollar.

	$
Consideration	
Deferred consideration	1,390,909
Cost of acquisition	54,347
Total cost of combination	1,445,256

	Prepaid World	
	Fair Value $	Carrying Value $
Assets recognised at acquisition date		
Goodwill	1,445,256	-
Total	1,445,256	-

	$
Profit and loss from acquisition date until 30 June 2008	-

(c) Other Acquisition

On 29 October 2007, Tel.Pacific Limited through the wholly-owned subsidiary Tel.Pacific New Zealand Limited, purchased the phone card business of Teligate (NZ) Limited for the consideration of $114,497 (NZD130,000).

(d) Other Information Relating to Acquisitions

The company accounted for the combination using the provisional values as the initial accounting for a business combination can be determined only provisionally by the end of the 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 company is unable to provide the adjusted consolidated revenue and consolidated profit for the year ended 30 June 2008 for the Group if the acquisitions during fiscal 2008 had occurred on 1 July 2007. The main reason is that the acquirees' accounting policies adopted were incompatible with the Group, which is prepared on an accrual basis.

In each case, 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.

NOTE 24: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel

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)

Executives

Charles Hsieh	National Sales Manager
Gavin Mattig	Group Human Resources Manager
Huy Nguyen	National Sales Manager

(b) Remuneration of Key Management Personnel

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Short-term Employee Benefits	1,013,067	964,035	1,013,067	964,035
Post-employment Benefits	86,047	83,726	86,047	83,726
Termination Benefits	-	-	-	-
Share-based Payments	-	1,509	-	1,509
	1,099,114	1,049,270	1,099,114	1,049,270

The remuneration paid to the key management personnel is detailed in the Directors' Report.

(c) Equity Instrument Disclosure relating to Key Management Personnel

Share Holdings

The number of ordinary shares in the company held directly, indirectly or beneficially during the financial year by key management personnel and their related entities are as follows:

	Total Shares Held at Beginning of Year	On Exercise of Options	Net Other Changes	Total Shares Held at End of Year	Shares that Held Nominally
Greg McCann	250,000	-	-	250,000	250,000
Chiao-Heng (Charles) Huang	41,947,173	-	-	41,947,173	1,407,600
Barry Chan	7,237,716	-	-	7,237,716	1,650,610
Jeffrey Ma	2,441,073	-	5,750	2,446,823	1,886,800
Charles Hsieh	195,500	-	-	195,500	195,500
Huy Nguyen	913,463	-	-	913,463	622,200

Total shareholdings include shares held by key management personnel and their related entities. Unless related to the Executive Share Ownership Plan - see Note 25 (a), shares acquired or disposed during the year were on an arm's length basis at market price.

Option Holdings

The number of share options granted to key management personnel during the financial year under the Employee Option Plan - see Note 25 (b) is as follows:

	Balance at Beginning of Year	Options Exercised	Net Other Changes	Balance at End of Year	Exercisable at 30 June 2009
Greg McCann	750,000	-	-	750,000	750,000
Chiao-Heng (Charles) Huang	4,000,000	-	-	4,000,000	4,000,000
Barry Chan	2,000,000	-	-	2,000,000	2,000,000
Jeffrey Ma	2,000,000	-	-	2,000,000	2,000,000
Ryan O'Hare	500,000	-	-	500,000	500,000
Stephe Wilks	500,000	-	-	500,000	500,000

NOTE 25: EMPLOYEE BENEFITS

(a) Executive Share Ownership Plan

The Executive Share Ownership Plan (ESOP) was approved by the Annual General Meeting and established on 24 May 2007.

Under the terms of the ESOP, the company has granted each of the participating executives a limited recourse loan equal the purchase value of the shares which is repayable within 10 years. The financial assistance becomes immediately repayable in the event of dismissal, resignation, death or retirement of the executive. The financial assistance is secured over the shares and the rights attached to the shares.

All shares issued pursuant to the plan are held by a trustee appointed by the company in trust for the employee until such time as the financial assistance is repaid. 60% of all dividends and distributions made in respect of the shares must be applied towards repayment of the financial assistance. Voting rights attached to the shares may only be exercised by the trustee holder in the best interest of the executive.

For accounting purposes, the share issue under the ESOP has been treated as option grant and the value of the options vested has been accounted for and included in the result of the period. Any repayment of the financial assistance will be treated as partial payment to be applied towards the payment of shares issued under the ESOP.

(b) Employee Option Plan

The Employee Option Plan (EOP) was approved by the Annual General Meeting and established on 23 May 2007.

Each option issued under the plan will be issued free of charge. The exercise price for options granted under the EOP will be the price fixed by the Board prior to the grant of the options. The options granted under the EOP may be subject to such other restrictions on exercise as may be fixed by the directors prior to the grant of the options including, without limitation, length of services by the employee and threshold prices at which shares are traded on the Australian Securities Exchange (ASX) . Any restrictions so imposed by the directors must be set out on the option certificate.

The options granted under the EOP do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option. The number of shares issued on the exercise of options will be adjusted for bonus issues made prior to the exercise of the options.

Under the EOP, the directors may invite employees to participate in the EOP and receive options. The plan is open to employees of the company or its subsidiaries who the Board determine to be entitled to participate in the EOP. The number of share underlying options granted under the EOP when aggregated with:

a) the maximum number of shares that could be issued on exercise of unexercised EOP options and any other employee incentive share or option plan; and

b) the number of shares issued on exercise of options under the EOP and any other employee incentive share or option plan in the last 5 years,

must not exceed 5% of the issued shares at the time of grant of the options. This restriction will not prevent the company from granting options under the EOP where a prospectus has been lodged with the Australian Securities and Investments Commission in respect of the grant of those options.

If the company, after having granted any option under the EOP, reduces its issued share capital or subdivides or consolidates its shares, the number of the shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be in accordance with the ASX Listing Rules.

Options granted under the EOP are not transferable.

The fair value of the option grant under the EOP is estimated at the date of grant using a Black-Scholes Options Pricing Model applying the following inputs:

	Tranche 1	**Tranche 2**
Grant Date	23-May-07	23-May-07
Exercisable Date	23-Nov-07	23-Nov-08
Expiry Date	23-Nov-10	23-Nov-11
Number of Options on Issue	5,375,000	5,375,000
Exercise Price	$0.225	$0.25
Time to Maturity	1.4 years	2.4 years
Underlying Share Price	$0.09	$0.09
Expected Share Price Volatility	19.21%	19.21%
Risk-free Interest Rate	4.56%	4.56%
Dividend Yield	7.78%	7.78%

The expected life of the options is based on historical data, which may not eventuate in the future. The expected share price volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Included under employee benefits expense in the income statement is Nil (2008 - $1,663) in relation to the amortised cost of these EOP transactions.

(c) Superannuation Plan

The company contributes to employee superannuation plans in accordance with contractual and statutory requirements.

(d) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expenses were as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Options issued under Employee Option Plan	-	1,663	-	1,663
Payments related to ESOP Shares	(8,394)	-	(8,394)	-
	(8,394)	1,663	(8,394)	1,663

(e) Employee Numbers

Number of full-time equivalent employees	89	95	84	89

NOTE 26: CONTINGENT LIABILITIES

As at 30 June 2009 the consolidated entity has issued bank guarantees and stand-by letter of credit totalling $1,230,135 (2008 - $649,689) for which term deposits are held to secure this amount.

Apart from the bank guarantees and stand-by letter of credit, there are no contingent liabilities as at the date of signing of this report.

NOTE 27: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group undertakes transactions in a range of financial instruments including:
- Cash assets;
- Trade and other receivables;
- Trade and other payables; and
- Investments.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks.

(a) Interest Rate Risk

The group's exposure to interest rate risk is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates. The effective weighted average interest rates on those financial assets and financial liabilities is as follows:

Consolidated

	Note	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Non-Interest Bearing	Total
			$	$	$	$	$
2009							
Financial Assets							
Cash	10	2.17%	10,915,985	-	-	915,530	11,831,515
Receivables - Term deposit	11	6.07%	-	1,760,033	-	-	1,760,033
			10,915,985	1,760,033	-	915,530	13,591,548

	Note	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Non-Interest Bearing	Total
			$	$	$	$	$
2008							
Financial Assets							
Cash	10	7.35%	8,191,045	6,756,699	-	153,170	15,100,914
Receivables - Term deposit	11	7.75%	-	663,326	-	-	663,326
			8,191,045	7,420,025	-	153,170	15,764,240

(b) Foreign Currency Risk

The group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar and NZ dollar.

Foreign exchange risk arises from future commercial transactions and net investments in foreign operations.

The transactional currency exposure will be minimised by seeking economically favourable local suppliers. When it is required, the group will enter into forward exchange contracts to reduce and minimise its currency exposures.

Foreign currency risk also arises on translation of the net assets of our non Australian controlled entities which have different functional currency. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve. The group does not seek to hedge this exposure taking consideration of current net investment position.

(c) Credit Risk

The group's maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The group does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. In addition, receivable balances are monitored on an ongoing basis.

There are no significant concentrations of credit risk within the group.

(d) Liquidity Risk

The group's objective is to be self-funding by the generation of positive cash flows.

(d) Net Fair Values

The aggregate carrying values of financial assets and financial liabilities recognised at the balance date represents the net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(f) Summarised Sensitivity Analysis

Interest Rate Risk

The following sensitivity analysis is based on interest rate exposures arising from the effect on interest income on net average balance of cash and cash equivalents and term deposits from 10 per cent movement in interest rates during the year.

A sensitivity of plus or minus 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

	Year Ended 30 June 2009				Year Ended 30 June 2008			
	Profit / Loss		Equity		Profit / Loss		Equity	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	$	$	$	$	$	$	$	$
Consolidated								
Financial assets								
Cash and cash equivalents	25,216	(25,216)	-	-	66,913	(66,913)	-	-
Accounts receivable	2,269	(2,269)	-	-	1,712	(1,712)	-	-
Increase/(Decrease)	27,485	(27,485)	-	-	68,625	(68,625)	-	-
Company								
Financial assets								
Cash and cash equivalents	24,560	(24,560)	-	-	67,037	(67,037)	-	-
Accounts receivable	2,306	(2,306)	-	-	1,775	(1,775)	-	-
Increase/(Decrease)	26,866	(26,866)	-	-	68,812	(68,812)	-	-

Foreign Exchange Risk

The sensitivity analysis is based on foreign currency risk exposures on financial instruments and net foreign investment balances as at balance date. Foreign currency risk arising from financial instruments represents a financial risk.

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movements.

	Year Ended 30 June 2009				Year Ended 30 June 2008			
	Profit / Loss		Equity		Profit / Loss		Equity	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	$	$	$	$	$	$	$	$
Consolidated								
Financial liabilities								
Trade and other payables	62,897	(46,976)	52,083	(63,657)	(13,324)	6,979	43,126	(43,331)
Increase/(Decrease)	62,897	(46,976)	52,083	(63,657)	(13,324)	6,979	43,126	(43,331)
Company								
Financial liabilities								
Trade and other payables	62,897	(46,976)	-	-	71,086	(86,883)	-	-
Increase/(Decrease)	62,897	(46,976)	-	-	71,086	(86,883)	-	-

NOTE 28: SEGMENT REPORTING

The consolidated entity operates in one business segment, being the provision of pre-paid telephony products and services, in the geographical locations of Australia and New Zealand. Tel.Pacific New Zealand Limited started operation on 29 October 2007.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

Geographic segments

	Australia $	New Zealand $	Elimination $	Total $
2009				
Revenue				
Revenue from external customers	59,993,269	3,784,007	-	63,777,276
Other income	869,302	24,781	-	894,083
Inter-segment revenue	2,159,078	-	(2,159,078)	-
Total segment revenue	63,021,649	3,808,788	(2,159,078)	64,671,359
Result				
Earning before interest expense and taxation (EBIT)	3,785,358	(229,227)	-	3,556,131
Other Segment Information				
Depreciation	891,372	41,700	-	933,072
Amortisation	43,253	-	-	43,253
Assets and Liabilities				
Segment assets	35,369,766	1,014,572	(879,897)	35,504,441
Segment liabilities	23,476,992	1,564,479	(842,598)	24,198,873
2008				
Revenue				
Revenue from external customers	46,199,646	1,220,461	-	47,420,107
Other income	1,252,740	19,808	(9,064)	1,263,484
Inter-segment revenue	669,511	-	(669,511)	-
Total segment revenue	48,121,897	1,240,269	(678,575)	48,683,591
Result				
Earning before interest expense and taxation (EBIT)	4,660,221	(612,130)	-	4,048,091
Other Segment Information				
Depreciation	688,418	14,327	-	702,745
Amortisation	53,443	-	-	53,443
Assets and Liabilities				
Segment assets	32,513,226	1,426,244	(1,406,402)	32,533,068
Segment liabilities	22,304,762	1,816,221	(1,420,409)	22,700,574

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE

On 24 August 2009, the directors of Tel.Pacific Limited declared a final dividend on ordinary shares. The total amount of $408,748 represents a fully franked dividend of 0.40 cents per share. The record date for the final dividend is 7 September 2009. The intended date of payment is 21 September 2009. The final dividend has not been provided for in the 30 June 2009 financial statements.

NOTE 30: RELATED PARTY TRANSACTIONS

Information relating to controlled entities is set out in Note 15. Transactions occurred between certain of these entities during the period, all of which are eliminated from the consolidated accounts.

During the year, the company has paid rental totalling $27,820 (2008 - $24,700) on normal commercial terms and conditions no more favourable than those available to other parties, to Jeffrey Ma, in relation to the Brisbane Office.

During the year, the company has paid rental totalling $26,476 (2008 - $15,175) on normal commercial terms and conditions no more favourable than those available to other parties, to First Goldland Pty Limited, in which Barry Chan owns 10% shareholding, in relation to the Perth Office.

During the year, the company has paid telecommunications voice services expense totalling $64,892 (2008 - $4,871) on normal commercial terms and conditions no more favourable than those available to other parties, to Next Telecom Pty Limited whom Ryan O'Hare is a controlling shareholder.

NOTE 31: COMPANY DETAILS

The company is incorporated and domiciled in Australia.

The registered office and principal place of business of the company is:

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

DIRECTORS' DECLARATION

The Directors of Tel.Pacific Limited declare that:

(a) in the Directors' opinion the financial statements and notes on pages 16 to 53, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 11 to 14, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

Dated at Sydney on 24 August 2009

Greg McCann
Chairman

Chiao-Heng (Charles) Huang
Managing Director

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Tel.Pacific Limited

Report on the Financial Report

We have audited the accompanying financial report of Tel.Pacific Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of Tel.Pacific Limited (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PKF

Chartered Accountants
& Business Advisers

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Tel.Pacific Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Tel.Pacific Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Acts 2001.

PKF

PKF

Arthur Milner
Partner

Sydney, 24 August 2009