

Appendix 4D Half-year Report

TEL.PACIFIC LIMITED
ABN 99 073 079 268

Current Reporting Period:	Half-year Ended 31 December 2009
Previous Corresponding Period:	Half-year Ended 31 December 2008

Results for Announcement to the Market

		Change	Change (Underlying Profit*)		Amount
Revenue from ordinary activities	Down	-12.3%	-12.3%	To	\$27,939,870
Profit before interest expense, taxation, depreciation and amortisation (EBITDA)	Up	60.9%	12.6%	To	\$2,498,562
Profit from ordinary activities after tax attributable to members	Up	68.3%	6.8%	To	\$1,363,930
Net profit for the period attributable to members	Up	68.3%	6.8%	To	\$1,363,930

* Please refer to Review and Results of Operations below for further commentary regarding the 2008 half-year underlying profit.

Earnings Per Share

	31 December 2009 Cents	31 December 2008 Cents
Basic earnings per share	1.33	0.75
Diluted earnings per share	1.33	0.75

Net Tangible Asset Backing

	31 December 2009 Cents	31 December 2008 Cents
Net tangible asset per share	7.31	6.19

Dividends

	Amount per Security Cents	Franked amount per Security Cents
Interim dividend for current reporting period (Payable 19 March 2010)	0.40	0.40
Record date for determining entitlements to dividend	5 March 2010	n/a
Final dividend for previous reporting period (Paid 21 September 2009)	0.40	0.40

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Review and Results of Operations

\$000's	Half-year Ended 31 December 2008	Half-year Ended 31 December 2008 Underlying Profit*	Half-year Ended 31 December 2009	% of PCP Underlying Profit*
Revenue	31,841	31,841	27,940	-12.3%
EBITDA	1,552	2,219	2,499	12.6%
NPAT	810	1,277	1,364	6.8%

*Underlying EBITDA of \$2,219k and underlying NPAT of \$1,277k have been adjusted for non-recurring expenses of \$667k and \$467k respectively, relating to office relocation and forward exchange contracts.

Revenue of the consolidated entity for the half year decreased to \$27.9 million (down by 12.3% compared with the same period last year), as the Company focused primarily on more profitable revenue streams. Over the half year, in keeping with the Company's strong focus on profitable revenues, certain products were discontinued because they were not as profitable as projected.

With the ongoing focus on profitability, and despite the decrease in revenue, the Company delivered a strong operating profit in the half year, with earnings before interest expense, taxation, depreciation and amortisation (EBITDA) of \$2.5 million, up by 12.6% compared with the PCP underlying profit. Net profit after tax (NPAT) was \$1.4 million up by 6.8% compared with the PCP underlying profit.

In addition to the termination of certain lower profitability products, the increase in profit was driven by improved gross margins from lower carrier costs and the strong Australian dollar.

On 29 January 2010, Tel.Pacific signed a Network Capacity Agreement with Vodafone to acquire capacity on the Vodafone Mobile Digital Network, to allow Tel.Pacific to provide services to its own end users under its own brands. The recent launch of Hello Mobile was implemented under this agreement.

The Company remained debt free with a total of \$14.1 million in the cash balance and bank deposits as at 31 December 2009.

Controlled Entities

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

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TEL.PACIFIC LIMITED

A.B.N. 99 073 079 268

**Interim Financial Report
For The Half-Year Ended
31 December 2009**

TEL.PACIFIC LIMITED

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TEL.PACIFIC LIMITED

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Jeffrey Ma
Nick Geddes, Australian Company Secretaries Pty Limited

REGISTERED OFFICE

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

Web Site: www.telpacific.com.au

AUDITOR

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

SOLICITOR

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

SHARE REGISTRY

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

TEL.PACIFIC LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2010.

Directors

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

Greg McCann	Chairman (Non-executive)
Chiao-Heng (Charles) Huang	Managing Director, Chief Executive Officer
Barry Chan	Director, Chief Operating Officer
Jeffrey Ma	Director, Chief Financial Officer, Company Secretary
Ryan O'Hare	Director (Non-executive) - resigned on 22 January 2010
Stephe Wilks	Director (Non-executive)
Ilario Faenza	Director (Non-executive) - appointed on 22 January 2010

Principal Activities

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

Review and Results of Operations

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With the ongoing focus on profitability, and despite the decrease in revenue, the Company delivered a strong operating profit in the half year, with earnings before interest expense, taxation, depreciation and amortisation (EBITDA) of \$2.5 million, up by 12.6% compared with the PCP underlying profit. Net profit after tax (NPAT) was \$1.4 million up by 6.8% compared with the PCP underlying profit.

In addition to the termination of certain lower profitability products, the increase in profit was driven by improved gross margins from lower carrier costs and the strong Australian dollar.

TEL.PACIFIC LIMITED

On 29 January 2010, Tel.Pacific signed a Network Capacity Agreement with Vodafone to acquire capacity on the Vodafone Mobile Digital Network, to allow Tel.Pacific to provide services to its own end users under its own brands. The recent launch of Hello Mobile was implemented under this agreement.

The Company remained debt free with a total of \$14.1 million in the cash balance and bank deposits as at 31 December 2009.

Dividend

On 22 February 2010, the directors of Tel.Pacific Limited declared an interim dividend on ordinary shares. The total amount of \$428,748 represents a fully franked dividend of 0.40 cents per share. The record date for the interim dividend is Friday 5 March 2010. The intended date of payment is Friday 19 March 2010. The interim dividend has not been provided for in the 31 December 2009 financial statements.

Auditor's Independence Declaration

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

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



Greg McCann
Chairman



Chiao-Heng (Charles) Huang
Managing Director

Dated this 22 February 2010

Auditor's Independence Declaration

As lead auditor for the review of Tel.Pacific Limited for the half year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



PKF



Arthur Milner
Partner
Sydney, 22 February 2010

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

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TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
Revenue		27,939,870	31,841,344
Cost of sales		(19,558,981)	(25,362,205)
Gross profit		8,380,889	6,479,139
Other income	3	276,587	560,121
		<u>8,657,476</u>	<u>7,039,260</u>
Operating expenses		(3,154,524)	(2,562,111)
Employee benefits expense		(3,004,390)	(2,924,723)
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)		2,498,562	1,552,426
Depreciation and amortisation		(466,934)	(376,366)
Earnings before interest expense and taxation (EBIT)		<u>2,031,628</u>	<u>1,176,060</u>
Profit before income tax		2,031,628	1,176,060
Income tax expense		(667,698)	(365,572)
Profit for the period		<u>1,363,930</u>	<u>810,488</u>
Other comprehensive income			
Exchange differences on translating foreign operations		(17,615)	29,746
Other comprehensive income for the period, net of tax		(17,615)	29,746
Total comprehensive income for the period		<u>1,346,315</u>	<u>840,234</u>
Profit attributable to: Members of Tel.Pacific Limited		<u>1,363,930</u>	<u>810,488</u>
Total comprehensive income attributable to: Members of Tel.Pacific Limited		<u>1,346,315</u>	<u>840,234</u>
		Cents	Cents
Earnings per share			
- Basic earnings per share		1.33	0.75
- Diluted earnings per share		1.33	0.75
Dividend per share			
- Interim dividend proposed	4	0.40	0.40

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

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	As at 31 December 2009 \$	As at 30 June 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents		12,307,432	11,831,515
Trade and other receivables	5	10,113,568	9,481,001
Inventories		150,457	273,364
Other current assets		6,039,086	5,227,988
Total Current Assets		<u>28,610,543</u>	<u>26,813,868</u>
Non-Current Assets			
Property, plant and equipment		3,104,126	3,199,511
Intangible assets		4,582,104	4,634,224
Deferred tax asset		1,092,943	856,838
Total Non-Current Assets		<u>8,779,173</u>	<u>8,690,573</u>
TOTAL ASSETS		<u>37,389,716</u>	<u>35,504,441</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	6	22,463,020	21,860,763
Income tax payable		715,899	795,355
Short term provisions		427,825	345,717
Total Current Liabilities		<u>23,606,744</u>	<u>23,001,835</u>
Non-Current Liabilities			
Long term provisions		254,520	238,868
Deferred tax liabilities		1,106,222	958,170
Total Non-Current Liabilities		<u>1,360,742</u>	<u>1,197,038</u>
TOTAL LIABILITIES		<u>24,967,486</u>	<u>24,198,873</u>
NET ASSETS		<u>12,422,230</u>	<u>11,305,568</u>
EQUITY			
Issued capital	7	8,057,933	8,042,232
Reserves		490,467	344,688
Retained earnings		3,873,830	2,918,648
TOTAL EQUITY		<u>12,422,230</u>	<u>11,305,568</u>

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

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2008	8,688,320	329,378	814,797	9,832,495
Payments related to shares issued under ESOP	39,483	-	-	39,483
Shares buyback on market	(123,453)	-	-	(123,453)
Transaction costs of shares buyback	(876)	-	-	(876)
Dividends paid	-	-	-	-
Employee equity benefits reserve	-	(11,749)	-	(11,749)
Total comprehensive income for the period	-	29,746	810,488	840,234
Balance at 31 December 2008	<u>8,603,474</u>	<u>347,375</u>	<u>1,625,285</u>	<u>10,576,134</u>
Balance at 1 July 2009	8,042,232	344,688	2,918,648	11,305,568
Payments related to shares issued under ESOP	15,701	-	-	15,701
Dividends paid	-	-	(408,748)	(408,748)
Employee equity benefits reserve	-	163,394	-	163,394
Total comprehensive income for the period	-	(17,615)	1,363,930	1,346,315
Balance at 31 December 2009	<u>8,057,933</u>	<u>490,467</u>	<u>3,873,830</u>	<u>12,422,230</u>

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

TEL.PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	30,378,380	34,542,421
Payments to suppliers and employees	(28,531,687)	(34,034,068)
Interest received	276,150	533,785
Income tax paid	(833,675)	(1,053,360)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>1,289,168</u>	<u>(11,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(372,309)	(836,688)
Purchase of business assets	-	9,950
Proceeds from disposal of assets	-	4,418
Payments of bank deposits	(47,895)	(1,282,703)
Loan to other party	-	(20,000)
NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES	<u>(420,204)</u>	<u>(2,125,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from partially paid share capital	15,701	36,129
Payments for shares buyback on market	-	(123,453)
Payments for transaction costs of shares buyback	-	(876)
Dividends paid	(408,748)	-
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>(393,047)</u>	<u>(88,200)</u>
Net increase/(decrease) in cash held	475,917	(2,224,445)
Cash and cash equivalents at beginning of period	11,831,515	15,100,914
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>12,307,432</u>	<u>12,876,469</u>

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

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The half-year financial report of Tel.Pacific Limited and its controlled entities for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 22 February 2010.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This half-year financial report should be read in conjunction with annual financial report of Tel.Pacific Limited for the year ended 30 June 2009 and any public announcements made by Tel.Pacific Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

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

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

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

Significant Accounting Policies

The half-year consolidated financial report has been prepared using the accounting policies and methods of computation as those applied in the annual financial report for the year ended 30 June 2009.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expenses not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Change in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Segment Reporting

The Group has applied the following revised accounting standard AASB 8 - 'Operating Segments' from 1 July 2009. AASB requires a 'Management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the reporting segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision officer, which is the Board of Directors.

There are no seasonal or cyclical effects on the half-year report ended 31 December 2009 for Tel.Pacific Limited.

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
Other Income		
Interest income	261,736	519,898
Other revenue	14,851	40,223
	<u>276,587</u>	<u>560,121</u>

4 DIVIDENDS PAID AND PROPOSED	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
a) Dividends paid during the half year: Final franked dividends for financial year 30 June 2009: 0.4 cents (2008: nil)	408,748	-
b) Dividends declared and not recognised as a liability: Interim franked dividends for financial year 30 June 2010: 0.4 cents (2009: 0.4 cents)	428,748	431,252

5 TRADE AND OTHER RECEIVABLES	As at 31 December 2009 \$	As at 30 June 2009 \$
Trade Debtors	4,800,388	4,015,345
Less: Allowance for Doubtful Debts	(626,279)	(645,861)
Unbilled Receivables	4,001,039	4,202,023
Bank Deposits (relating to bank guarantees)	1,807,930	1,760,033
Other Debtors	130,490	149,461
	<u>10,113,568</u>	<u>9,481,001</u>

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 TRADE AND OTHER PAYABLES	As at 31 December 2009 \$	As at 30 June 2009 \$
Trade Creditors	2,864,656	2,555,727
Other Creditors	40,851	93,024
Accrued Expenses	2,000,293	1,553,618
Sundry Creditors	137,730	152,554
Goods and Services Tax Payable	251,162	675,710
Unearned Revenue (see below)	17,168,328	16,830,130
	<u>22,463,020</u>	<u>21,860,763</u>
Unearned revenue comprises:		
- Revenue Received in Advance	8,619,786	8,616,401
- Trade Debtors	4,547,503	4,011,706
- Unbilled Receivables	4,001,039	4,202,023
	<u>17,168,328</u>	<u>16,830,130</u>
	As at 31 December 2009 \$	As at 30 June 2009 \$
7 ISSUED CAPITAL		
Ordinary Shares		
a) Issued and Fully Paid	7,999,055	7,999,055
b) Issued and Partially Paid	58,878	43,177
	<u>8,057,933</u>	<u>8,042,232</u>
	Number	\$
Movements in Ordinary Shares on Issue		
a) Issued and Fully Paid		
Balances at 1 July 2009 and at 31 December 2009	<u>95,644,985</u>	<u>7,999,055</u>
b) Issued and Partially Paid		
Balance at 1 July 2009	6,541,940	43,177
Payments related to shares issued under ESOP	-	15,701
Shares issued under ESOP approved at AGM on 30 November 2009	5,000,000	-
Balance at 31 December 2009	<u>11,541,940</u>	<u>58,878</u>
	<u>107,186,925</u>	<u>8,057,933</u>

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 OPERATING SEGMENTS

Identification of reportable segments

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

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

Types of products and services

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

Accounting policies and inter-segment transactions

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

	Australia	New Zealand	Elimination	Total
	\$	\$	\$	\$
Half-year Ended 31 December 2009				
Revenue				
Revenue from external customers	26,369,587	1,570,283	-	27,939,870
Other income	273,822	2,765	-	276,587
Total revenue	26,643,409	1,573,048	-	28,216,457
Inter-segment revenue	850,631	-	(850,631)	-
Total income	27,494,040	1,573,048	(850,631)	28,216,457
Result				
Segment result	2,119,748	(88,120)	-	2,031,628
Earnings before interest expense and taxation	2,119,748	(88,120)	-	2,031,628

TEL.PACIFIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 OPERATING SEGMENTS (Continued)

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

There has been no material change in the total segment assets from the amounts disclosed in the last financial report.

9 CONTINGENT LIABILITIES

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

10 EVENTS AFTER THE BALANCE SHEET DATE

On 22 January 2010, Ilario Faenza was appointed as a director of Tel.Pacific Limited, filling a casual vacancy created by the resignation of Ryan O'Hare who resigned as a director.

On 22 February 2010, the directors of Tel.Pacific Limited declared an interim dividend on ordinary shares. The total amount of \$428,748 represents a fully franked dividend of 0.40 cents per share. The record date for the interim dividend is Friday 5 March 2010. The intended date of payment is Friday 19 March 2010. The interim dividend has not been provided for in the 31 December 2009 financial statements.

TEL.PACIFIC LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the half-year ended on that date of the consolidated entity.
- (b) as at the date of the declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Greg McCann
Chairman



Chiao-Heng (Charles) Huang
Managing Director

Dated this 22 February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tel.Pacific Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tel.Pacific Limited (the company), which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tel.Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tel.Pacific Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**PKF****Arthur Milner****Partner****Sydney, 22 February 2010**

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