

Appendix 4D Half-year Report

TEL.PACIFIC LIMITED

ABN 99 073 079 268

Current Reporting Period:	Half-year Ended 31 December 2013
Previous Corresponding Period:	Half-year Ended 31 December 2012

Results for Announcement to the Market

		Change		Amount
Revenue from ordinary activities	Down	-18%	To	\$35,356,530
Profit before interest expense, taxation, depreciation and amortisation (EBITDA)	Down	-37%	To	\$3,150,280
Profit from ordinary activities after tax attributable to members	Down	-54%	To	\$1,614,284
Net profit for the period attributable to members	Down	-54%	To	\$1,614,284

Earnings Per Share

	31 December 2013 Cents	31 December 2012 Cents
Basic earnings per share	1.51	2.85
Diluted earnings per share	1.51	2.79

Net Tangible Asset Backing

	31 December 2013 Cents	31 December 2012 Cents
Net tangible asset per share*	(12.22)	(13.93)

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

Dividend

No interim dividend was declared or payable for the half year ended 31 December 2013.

Review and Results of Operations

\$000's	Half-year Ended 31 December 2012	Half-year Ended 31 December 2012 (Underlying Result) (1)	Half-year Ended 31 December 2013	% of Previous Correspondence Period (PCP)	% of Half-year Ended 31 December 2012 (Underlying Result) (1)
Revenue	42,847	42,847	35,357	-18%	-18%
EBITDA	4,960	3,144	3,150	-37%	0%
NPAT	3,472	1,656	1,614	-54%	-3%

(1) Reported half year EBITDA of \$5.0 million and NPAT \$3.5 million for the half year ended 31 December 2012 have been adjusted for non-recurring items totalling \$1.8 million resulting from the settlement of issues associated with the acquisition of the Gotalk business in December 2011.

Revenue of the consolidated entity for the half year decreased to \$35.4 million, down 18% compared to the previous corresponding period (PCP), due to decrease of revenue in the overall calling card market and fierce competition in the mobile sector.

Gross margin for the half year of 29.4% was up by 2.8% (compared to the PCP 26.6%), as a result of the improvement in mobile margin and the increase in income generated from both the interconnect and transit arrangement with carriers and the Mobile Real Time Monitoring (MRTM) intelligent network platform operations. Overall, earnings before interest expense, taxation, depreciation and amortisation (EBITDA) and net profit after tax (NPAT) of the consolidated entity for the half year ended 31 December 2013 amounted to \$3.2 million (down 37% over the PCP) and to \$1.6 million (down 54% over the PCP) respectively.

Compared with the underlying result of last half year, EBITDA and NPAT for the half year ended 31 December 2013 would have been no change at 0% and down 3% respectively.

Over the half year, net assets increased by \$1.5 million (up 25%) to \$7.4 million, which is consistent with and attributable to the current half year's profit after tax.

Current assets decreased by \$1.8 million (down 11%) to \$15.1 million, largely due to a fall in trade receivables and deferred commission costs due to declining growth in both calling card and mobile, while non-current assets decreased by \$1.5 million (down 6%) to \$24.5 million, largely due to the decrease in tax losses to be carried forward after utilisation, in the current period.

Current liabilities decreased by \$2.8 million (down 8%) to \$31.2 million largely as a result of the repayment of trade creditors, while non-current liabilities decreased by \$1.9 million (down 66%) to \$1.0 million, mainly attributable to the repayment of vendor notes.

As at 31 December 2013, cash and bank deposits stood at \$5.1 million, representing an increase of \$0.1 million (up 2%) during the half year.

Controlled Entities

The group does not have any interests in associates or joint ventures outside the group, nor have there been any changes in entities controlled during the period.

Foreign Entities

The results from foreign entities is disclosed in Note 9 to the half year report. The entity controlled by the Group in Hong Kong continues to be dormant.

TEL.PACIFIC LIMITED

A.B.N. 99 073 079 268

**Financial Report
For The Half-Year Ended
31 December 2013**

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Jeffrey Ma
Nick Geddes, Australian Company Secretaries Pty Limited

REGISTERED OFFICE

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AUDITOR

BDO East Coast Partnership
Level 11, 1 Margaret Street, Sydney NSW 2000

SOLICITOR

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

Addisons Lawyers
Level 12, 60 Carrington Street, Sydney NSW 2000

SHARE REGISTRY

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2013.

Directors

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

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

Principal Activities

The principal activities of the consolidated entity during the half-year were pre-paid telephony products and services, including pre-paid mobile and related services in Australia, New Zealand and Singapore. These activities have not changed during the period.

Review and Results of Operations

\$000's	Half-year Ended 31 December 2012	Half-year Ended 31 December 2012 (Underlying Result) (1)	Half-year Ended 31 December 2013	% of Previous Correspondence Period (PCP)	% of Half-year Ended 31 December 2012 (Underlying Result) (1)
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Compared with the underlying result of last half year, EBITDA and NPAT for the half year ended 31 December 2013 would have been no change at 0% and down 3% respectively.

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Current liabilities decreased by \$2.8 million (down 8%) to \$31.2 million largely as a result of the repayment of trade creditors, while non-current liabilities decreased by \$1.9 million (down 66%) to \$1.0 million, mainly attributable to the repayment of vendor notes.

DIRECTORS' REPORT (Continued)

Review and Results of Operations (Continued)

As at 31 December 2013, cash and bank deposits stood at \$5.1 million, representing an increase of \$0.1 million (up 2%) during the half year.

Business Outlook

As reported to the market over the past couple of years, the prepaid calling card business faces a challenging future with ongoing competition and declining revenue growth, particularly driven by the trend towards prepaid mobile products.

To mitigate the impact of the declining calling market, Management continues to employ strategies to focus on the mobile market, and leveraging the Company's MRTM platform and associated operations.

In addition, the Company has continued to seek opportunities to diversify the risk associated with the prepaid business and to explore new revenue streams in the postpaid space.

On 21 February 2014, a retail electricity and gas authorisation has been granted by the Australian Energy Regulator to the Company's wholly owned subsidiary, CovaU Pty Limited. Upon receipt of relevant authorisations, CovaU will be able to retail electricity and gas in each National Energy Law jurisdiction.

The provision of retail electricity and gas postpaid services to residential and businesses is expected to generate a more stable income stream in the future. Management is pleased to advise that the Company will commence rolling out the postpaid services in April 2014.

The majority of the Company's voice termination is sourced and paid in USD while revenue is received in local currency. There is a foreign exchange risk that gross margin for the financial year may be impacted, should the AUD continue to weaken and increased costs are not passed on to customers.

Dividend

No interim dividend was declared or payable for the half year ended 31 December 2013.

Auditor's Independence Declaration

The Auditor's independence declaration as required by s307c of the Corporations Act 2001, 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 24 February 2014

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

As lead auditor for the review of Tel.Pacific Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Paul Bull
Partner

BDO East Coast Partnership

Sydney, 24 February 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Half-year Ended 31 December 2013 \$	Half-year Ended 31 December 2012 \$
Revenue		35,356,530	42,846,688
Cost of sales		<u>(24,959,373)</u>	<u>(31,470,569)</u>
Gross profit		10,397,157	11,376,119
Other income	3	<u>124,533</u>	<u>2,471,321</u>
		<u>10,521,690</u>	<u>13,847,440</u>
Operating expenses		(3,614,421)	(4,440,809)
Employee benefits expense		<u>(3,756,989)</u>	<u>(4,446,377)</u>
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)		3,150,280	4,960,254
Depreciation and amortisation		<u>(456,418)</u>	<u>(724,689)</u>
Earnings before interest expense and taxation (EBIT)		2,693,862	4,235,565
Finance costs		<u>(109,572)</u>	<u>(278,446)</u>
Profit before income tax		2,584,290	3,957,119
Income tax expense		<u>(970,006)</u>	<u>(485,121)</u>
Profit for the period		<u>1,614,284</u>	<u>3,471,998</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(142,935)</u>	<u>(35,886)</u>
Other comprehensive income for the period, net of tax		<u>(142,935)</u>	<u>(35,886)</u>
Total comprehensive income for the period		<u>1,471,349</u>	<u>3,436,112</u>
Profit attributable to:			
Members of Tel.Pacific Limited		<u>1,614,284</u>	<u>3,471,998</u>
Total comprehensive income attributable to:			
Members of Tel.Pacific Limited		<u>1,471,349</u>	<u>3,436,112</u>
		Cents	Cents
Earnings per share			
- Basic earnings per share		1.51	2.85
- Diluted earnings per share		1.51	2.79

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	As at 31 December 2013 \$	Restated ⁽¹⁾ As at 30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,051,656	2,902,033
Trade and other receivables	4	4,972,219	5,971,285
Inventories		176,826	132,074
Other current assets		6,913,800	7,917,598
Total Current Assets		<u>15,114,501</u>	<u>16,922,990</u>
Non-Current Assets			
Property, plant and equipment		1,393,910	1,775,721
Intangible assets		20,528,774	20,528,774
Deferred tax asset		2,605,451	3,689,085
Total Non-Current Assets		<u>24,528,135</u>	<u>25,993,580</u>
TOTAL ASSETS		<u>39,642,636</u>	<u>42,916,570</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	5	12,498,948	15,332,036
Borrowings	6	2,610,081	2,253,955
Income tax payable		138,716	-
Short term provisions		1,441,081	1,192,992
Unearned revenue		14,520,247	15,253,615
Total Current Liabilities		<u>31,209,073</u>	<u>34,032,598</u>
Non-Current Liabilities			
Borrowings	6	-	1,566,049
Long term provisions		149,714	251,308
Deferred tax liabilities		855,853	1,109,968
Total Non-Current Liabilities		<u>1,005,567</u>	<u>2,927,325</u>
TOTAL LIABILITIES		<u>32,214,640</u>	<u>36,959,923</u>
NET ASSETS		<u>7,427,996</u>	<u>5,956,647</u>
EQUITY			
Issued capital	7	8,998,970	8,998,970
Reserves		342,615	485,550
Retained earnings		(1,913,589)	(3,527,873)
TOTAL EQUITY		<u>7,427,996</u>	<u>5,956,647</u>

⁽¹⁾ During the current year an error impacting the prior year has been identified and corrected via a prior year adjustment. See note 10 for more details

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2012	8,998,970	681,567	(7,520,916)	2,159,621
Profit for the period	-	-	3,471,998	3,471,998
Other comprehensive income	-	(35,886)	-	(35,886)
Total comprehensive income for the period	<u>-</u>	<u>(35,886)</u>	<u>3,471,998</u>	<u>3,436,112</u>
Transfer relating to cancellation of unissued shares ⁽¹⁾	-	(151,228)	151,228	-
Balance at 31 December 2012	<u>8,998,970</u>	<u>494,453</u>	<u>(3,897,690)</u>	<u>5,595,733</u>
Balance at 1 July 2013	8,998,970	485,550	(3,527,873)	5,956,647
Profit for the period	-	-	1,614,284	1,614,284
Other comprehensive income	-	(142,935)	-	(142,935)
Total comprehensive income for the period	<u>-</u>	<u>(142,935)</u>	<u>1,614,284</u>	<u>1,471,349</u>
Balance at 31 December 2013	<u>8,998,970</u>	<u>342,615</u>	<u>(1,913,589)</u>	<u>7,427,996</u>

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

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Half-year Ended 31 December 2013	Half-year Ended 31 December 2012
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	39,174,597	50,562,754
Payments to suppliers and employees	(37,672,574)	(49,150,067)
Interest received	67,531	78,362
Interest and other financial costs paid	(132,007)	(457,526)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,437,547</u>	<u>1,033,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(73,604)	(229,640)
Net proceeds from disposal of assets held for sale	-	400,000
Proceeds from disposal of fixed assets	-	38,737
(Payment of)/Proceeds from bank deposits	(4,398)	1,111,182
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES	<u>(78,002)</u>	<u>1,320,279</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liabilities	-	(3,827)
Repayment of vendor notes	(1,209,922)	(1,454,546)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,209,922)</u>	<u>(1,458,373)</u>
Net increase in cash held	149,623	895,429
Cash and cash equivalents at beginning of period	2,902,033	4,148,588
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,051,656</u>	<u>5,044,017</u>

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial report of Tel.Pacific Limited and its controlled entities for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 24 February 2014.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This half-year financial report should be read in conjunction with the annual financial report of Tel.Pacific Limited for the year ended 30 June 2013 and any public announcements made by Tel.Pacific Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

Basis of Preparation

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

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

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

The Group has reported a profit for the half year of \$1.6 million and net current liabilities at 31 December 2013 of \$16.1 million. In preparing the financial report management has adopted the going concern basis of preparation which envisages the realisation of assets and the settlement of liabilities in the ordinary course of business. In reaching their conclusion on the basis of preparation, management prepared forecasts covering a 5 year period which demonstrate cash generation sufficient to enable the Group to meet its obligations as they fall due.

Significant Accounting Policies

The half-year consolidated financial report has been prepared using the accounting policies and methods of computation as those applied in the annual financial report for the year ended 30 June 2013.

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

Prior Period Adjustment

An error affecting the prior period was identified in this period in relation to the recognition of unbilled receivables and corresponding unearned revenue. In accordance with AASB 108 "*Accounting Policies, Changes In Accounting Estimates and Errors*", prior period balances have been restated and the impact of these adjustments is disclosed in more detail in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 OTHER INCOME

	Half-year Ended 31 December 2013 \$	Half-year Ended 31 December 2012 \$
Other Income		
Gain on cancellation of vendor notes ⁽¹⁾	-	1,275,000
Net gain on acquisition of wholesale business ⁽²⁾	-	541,297
Net gain arising from payment and settlement arrangement	-	1,816,297
	<u>-</u>	<u>1,816,297</u>
Interest income	67,531	78,362
Loss on disposal of assets	-	(3,515)
Written back provision for employee bonus	-	380,000
Other income	57,002	200,177
	<u>124,533</u>	<u>655,024</u>
	<u>124,533</u>	<u>2,471,321</u>

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

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

4 TRADE AND OTHER RECEIVABLES

	As at 31 December 2013 \$	As at 30 June 2013 \$
Trade receivables	6,677,989	7,598,157
Provision for impairment of receivables	(1,853,686)	(1,719,534)
Other receivables	147,916	92,662
	<u>4,972,219</u>	<u>5,971,285</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TRADE AND OTHER PAYABLES

	As at 31 December 2013 \$	As at 30 June 2013 \$
Trade payables	9,339,303	12,198,489
Other payables	4,600	4,600
Accrued expenses	2,547,604	2,609,109
Sundry payables	175,486	213,942
Goods and services tax payable	431,955	305,896
	<u>12,498,948</u>	<u>15,332,036</u>

6 BORROWINGS

	As at 31 December 2013 \$	As at 30 June 2013 \$
Current		
Vendor notes	<u>2,610,081</u>	<u>2,253,955</u>
	<u>2,610,081</u>	<u>2,253,955</u>
Non-current		
Vendor notes	-	1,566,049
	-	<u>1,566,049</u>

During the year repayments of \$1,209,923 were made in relation to vendor notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 ISSUED CAPITAL

	As at 31 December 2013 \$	As at 30 June 2013 \$
Ordinary Shares		
a) Issued and fully paid	8,856,015	8,856,015
b) Issued and partially paid	142,955	142,955
	<u>8,998,970</u>	<u>8,998,970</u>
	Number	\$
Movements in Ordinary Shares on Issue		
a) Issued and fully Paid		
Balance at 1 July 2013 and 31 December 2013	<u>95,644,985</u>	<u>8,856,015</u>
b) Issued and partially paid		
Balance at 1 July 2013 and 31 December 2013	<u>11,567,161</u>	<u>142,955</u>
	<u>107,212,146</u>	<u>8,998,970</u>

8 CONTINGENT LIABILITIES

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

9 OPERATING SEGMENTS

Identification of reportable segments

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

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

Types of products and services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 OPERATING SEGMENTS (Continued)

Accounting policies and inter-segment transactions

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

	Australia \$	New Zealand \$	Singapore \$	Elimination \$	Total \$
Half-year Ended 31 December 2013					
Revenue					
Revenue from external customers	30,025,146	4,923,131	408,253	-	35,356,530
Other income	115,562	8,971	-	-	124,533
Inter-segment revenue	950,268	-	41,163	(991,431)	-
Total revenue and other income	<u>31,090,976</u>	<u>4,932,102</u>	<u>449,416</u>	<u>(991,431)</u>	<u>35,481,063</u>
Result					
Earnings before interest expense and taxation (EBIT)	2,323,447	380,693	(10,278)	-	2,693,862
Finance costs					(109,572)
Profit before income tax					<u>2,584,290</u>
Other Segment Information					
Depreciation	441,534	1,035	13,849	-	456,418
	Australia \$	New Zealand \$	Singapore \$	Elimination \$	Total \$
Half-year Ended 31 December 2012					
Revenue					
Revenue from external customers	36,545,183	5,822,970	478,535	-	42,846,688
Other income	2,460,939	10,360	22	-	2,471,321
Inter-segment revenue	2,930,014	-	49,124	(2,979,138)	-
Total revenue and other income	<u>41,936,136</u>	<u>5,833,330</u>	<u>527,681</u>	<u>(2,979,138)</u>	<u>45,318,009</u>
Result					
Earnings before interest expense and taxation (EBIT)	4,472,852	(199,567)	(35,382)	(2,338)	4,235,565
Finance costs					(278,446)
Profit before income tax					<u>3,957,119</u>
Other Segment Information					
Depreciation	708,135	1,282	15,272	-	724,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PRIOR PERIOD ADJUSTMENT

An issue was identified in the current period in relation to the recognition of unbilled receivables and corresponding unearned revenue. An amount of \$4,752,019 and \$4,051,289 was recorded as unbilled receivables at 30 June 2013 and 30 June 2012 respectively, within trade and other receivables, with the corresponding balance included in unearned revenue. Following reassessment by management it has been concluded that the unbilled receivables and unearned revenue do not qualify as assets or liabilities of the Group in accordance with the conceptual framework. Accordingly these amounts have been adjusted as disclosed in the table below.

This has been corrected by restating each of the affected financial statement line items for the 30 June 2013 and 30 June 2012 period ends.

The impact of the correction of this error has a nil effect on the net assets or reported profit and other comprehensive income of the Group.

	As at 31 December 2013	As at 30 June 2013	As at 30 June 2012
Trade and other receivables - as originally stated	4,972,219	10,723,304	10,941,331
Adjustment		(4,752,019)	(4,051,289)
Trade and other receivables - as restated	<u>4,972,219</u>	<u>5,971,285</u>	<u>6,890,042</u>
Unearned revenue - as originally stated	14,520,247	20,005,634	20,932,974
Adjustment		(4,752,019)	(4,051,289)
Unearned revenue - as restated	<u>14,520,247</u>	<u>15,253,615</u>	<u>16,881,685</u>

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

At balance date, the group has no financial instruments which are measured at fair value in the Statement of Financial

Due to their nature, the carrying amount of cash and cash equivalents, trade and other receivables, other current assets as they relate to financial assets, trade and other payables, income tax payable and borrowings is assumed to approximate their value. Accordingly no quantitative disclosures have been included.

12 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no significant events after reporting date to be disclosed as at the date of signing this report.

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*; and
 - (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 of the consolidated entity as at 31 December 2013 and of the performance for the half-year ended on that date.
- (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 a resolution of directors.

On behalf of the Board



Greg McCann
Chairman



Chiao-Heng (Charles) Huang
Managing Director

Dated 24 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tel.Pacific Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tel.Pacific Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tel.Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership



Paul Bull
Partner

Sydney, 24 February 2014