eftel
LIMITED

2011 Annual Report

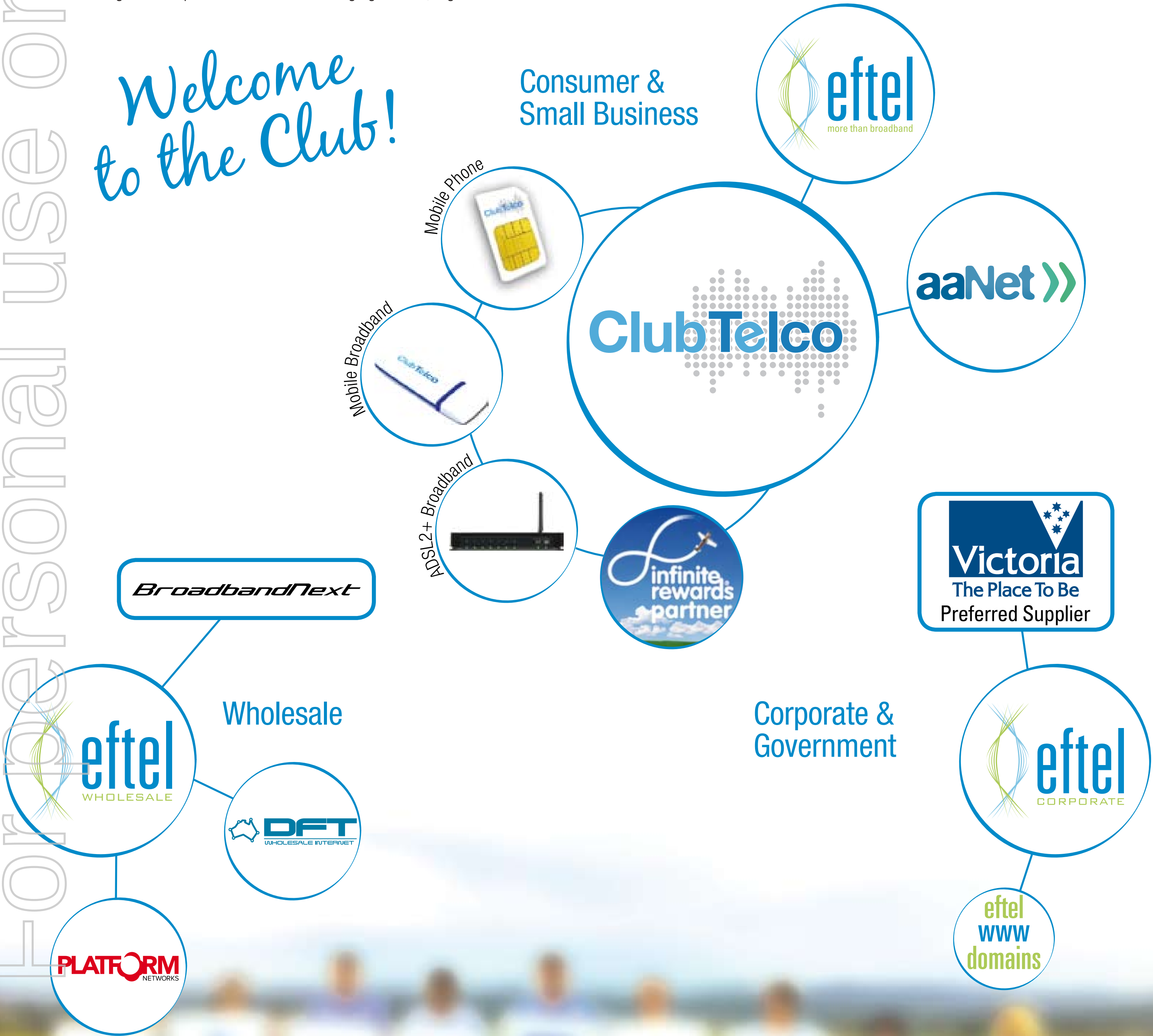
ClubTelco

Eftel Limited is a multiple award winning Internet and telecommunications provider, with offices in Perth, Gold Coast, Melbourne, Sydney, Kuala Lumpur and Manila. The company operates consumer, corporate and wholesale divisions.

The retail division is a Top 10 Internet Service Provider offering a full suite of consumer telecommunications products. Its flagship brand ClubTelco offers extensive member benefits such as dedicated account managers for a single point-of-contact relationship, no long term contracts or setup charges and a personal assistant messaging service, together with thousands of rewards across everyday products and services throughout Australia.

The corporate division offers tailored solutions to business and government clients throughout Australia. It is a preferred supplier to the Victorian Government.

The wholesale division services a third of Australia's ISPs with a complete range of fixed and mobile services. It has recently undergone a major expansion with the acquisition of Platform Networks.



Directors

Simon Ehrenfeld - Chairman
Ilario Faenza – Non-executive Director
Larry Kestelman – Non-executive Director
Paul Stevenage – Non-executive Director

Chief Executive Officer

Scott Stavretis

Company Secretary

John Raftis

Offices

Gold Coast	Kuala Lumpur
Manila	Melbourne
Perth	Sydney

Notice of Annual General Meeting

The annual general meeting of Eftel Limited will be held at:

Citigate Hotel, 707 Wellington Street, Perth
Time: 10.00am
Date: Tuesday 29 November 2011

Registered Office

1141 Hay Street
West Perth WA 6005
Ph: +61 8 9420 9999 Fax: +61 8 9481 4777
ACN 073 238 178 ABN 47 073 238 178

www.eftel.com

Share Register

Link Market Services
178 St George's Terrace
Perth WA 6000
Ph: 1300 554 474 or +61 2 8280 7111 Fax: +61 2 9287 0303

Auditor

Deloitte Touche Tohmatsu
Level 14
240 St Georges Terrace
Perth WA 6000

Solicitors

Allens Arthur Robinson
530 Collins Street
Melbourne VIC 3000

Bankers

Eftel - National Australia Bank
100 St George's Terrace
Perth WA 6000

ClubTelco – Westpac
360 Collins Street
Melbourne VIC 3000

Stock Exchange Listing

Eftel Limited shares are listed on the Australian Stock Exchange.
ASX code: EFT

Dear Fellow Shareholder

This has been the most significant period for your company in many years. Upon the recent successful purchases of ClubTelco and Platform Networks, your company is larger and stronger than ever.

On 8 April 2011, your company announced an in principle agreement to purchase ClubTelco Pty Ltd, a national telecommunications and Internet provider with offices in Queensland, Victoria and the Philippines. A formal transaction agreement was entered into on 18 April 2011.

ClubTelco is a very similar business to Eftel. It delivers around 60,000 services, including ADSL, fixed line telephony, VoIP, mobile broadband and mobile telephony, and generates approximately $28M annual turnover. ClubTelco was formed by the founders and directors of Dodo, Australia's largest privately held telecommunications company, who have been an Eftel partner since 2008.

Your Board engaged William Buck in Sydney as an Independent Expert to review the proposed transaction. They formed the view that this transaction was fair and reasonable to the existing Eftel shareholders. The transaction, which was approved by Eftel shareholders in June, doubled the size of your company in just a few months. Eftel now boasts 120,000 active services and in excess of $55M p.a. annual turnover.

The ClubTelco agreement also brought in $2.1M of additional equity capital injected by the new shareholders. Combined with the introduction of the ClubTelco business the new capital brought into the business is estimated at $9.6M. The shares were issued at approximately 1.243cents each, which represented an 18% premium to the one month weighted average price at the time of the announcement.

Apart from being your company's largest ever merger or acquisition deal, the proposed transaction introduced a fresh controlling interest in the form of the key stakeholders in Dodo. They bring to your company significant financial support, buying power, new product opportunities and marketing expertise.

Eftel's history is one of merger and acquisition, and we continue to foreshadow our intention to keep growing through this process. As already demonstrated by the market's reaction over the last few months, there is upside to shareholder value in this strategy.

We do not believe scaling up through merger and acquisition stops here. Numerous companies of similar and even larger size have in recent years exited the market as standalone entities. We believe the present structure of the industry continues to demand urgent scaling up. We regard the recent acquisition of Platform Networks as simply the first cab off the rank in what promises to be a much more ambitious period for the company's renewed growth aspirations.

As part of the significant changes made during the year, we have also been able to attract the services of Scott Stavretis as the new CEO of your company. Scott has come across from Dodo, where he was responsible for the executive management and operations of the entire group. He has over 15 years of Internet and telecommunications experience. Since its inception in 2001, he has played a pivotal role in Dodo's growth into Australia's largest private telecommunications group. He was also responsible for forming related entities including Dodo Power & Gas and ClubTelco. With your approval earlier this year, Scott personally put in $500,000 of investment into your company at the same price as the other new investors.

Your company now boasts over 300 team members, with offices in Melbourne, Sydney, Perth, Gold Coast, Manila and Kuala Lumpur.

Most significantly, your company now has a strong capacity to grow simultaneously through sales and acquisitions, hence accelerating its ongoing growth prospects.

We thank you once again for your investment in Eftel.

S Ehrenfeld

Simon Ehrenfeld MBA MMR
Chairman

Dear Fellow Shareholder

I was honoured to be appointed as your CEO in April this year. Since that time I have prioritised improving key elements of the value chain from supplier relations to consumer marketing strategies. Our key supplier contracts have been successfully renegotiated, which will provide a substantial improvement straight to our bottom line. I have also implemented an aggressive marketing strategy within our consumer division that has already provided a significant increase in sales over the past three months.

The key to this industry is to buy right, sell right and service our customers well. All of these elements are now well in place, which enables us to directly challenge our major competitors.

I have been continuing the company's acquisition strategy, which is a major focus of our future growth. The most recent acquisition, being Platform Networks, has seen Eftel's wholesale business double in size. We are now in the process of launching new wholesale products that will be sold to this now much larger customer base and will enable us to attract new wholesale clients.

I recognise that as we continue to acquire new businesses, we need to ensure that we focus on rapid integration to ensure we deliver synergies quickly to maximise profits. To achieve this we have adopted a single billing system strategy as well as structured a new operations team to head up these projects whilst we also keep the organisation focused on the rest of the business.

The company's internal team has been restructured to enable us to focus growing our consumer, corporate and wholesale divisions simultaneously. I have appointed a new senior management team that now consists of some very experienced and talented staff from within as well as new managers from outside of the company. These new appointments are industry leaders in their areas and will bring a wealth of knowledge and success to our company.

Over the previous three months our consumer and wholesale customer bases have both doubled in size with the ClubTelco and Platform Networks acquisitions. This has now given us the scale we need when the National Broadband Network (NBN) is rolled out across the country. Scale is necessary for the economics to work for any provider that wants to connect to all the points-of-presence of the new national fibre network. We have also now entered into agreements with NBN Co. to provide services, not only to our consumer and corporate clients, but also as an aggregator for our wholesale clients so that they can provide these services to their end customers.

The ClubTelco membership concept has proven to deliver results. Turning customers into members, it offers extensive member benefits including dedicated account managers, a personal assistant messaging service and a comprehensive rewards programme. This high level of customer service and membership benefits sets us apart from our competitors, which is a critical component to our strategy as we move into a NBN world where customer service will be a key differentiating element when customers are choosing their provider.

My team and I look forward to what will be a very exciting year for Eftel and delivering considerable results to our shareholders.

Scott Stavretis

Chief Executive Officer

Definitions

It is very important to read the following definitions in order to assist with understanding this report.

For the purposes of this report:

ClubTelco Pty Ltd refers to the company purchased by Eftel Ltd on 30 June 2011. As required by Australian Accounting Standard AASB3, The Eftel Group is deemed to have been acquired by ClubTelco Pty Ltd at 30 June 2011 under the reverse acquisition rules.

Eftel Ltd or **Listed Entity** or **Company** means only the legal entity of Eftel Ltd, which is listed on the Australian Stock Exchange (ASX: EFT). Eftel Ltd is the legal parent of ClubTelco Pty Ltd.

Eftel Group means Eftel Ltd and all its subsidiaries prior to the purchase of ClubTelco Pty Ltd on 30 June 2011.

Consolidated Entity means the Eftel Group and ClubTelco Pty Ltd combined, where the Eftel Group is deemed to be acquired by ClubTelco Pty Ltd as required by Australian Accounting Standard AASB3.

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

Jeremy Cousins – 1 July 2010 to 30 November 2010
Simon Ehrenfeld
Ilario Faenza - appointed 9 May 2011
Larry Kestelman – appointed 28 July 2011
John Lane – 1 July 2010 to 14 April 2011
Paul Stevenage
Oren Zohar - 14 April 2011 to 24 May 2011

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Chief Executive Officer

The position of Chief Executive Officer of the Eftel Group was held by John Lane from the start of the financial year to 14 April 2011 and by Scott Stavretis from 14 April 2011 to 30 June 2011. Mr Stavretis has been Chief Executive Officer of the Consolidated Entity from 30 June 2011 to the date of this report.

Company Secretary/Chief Financial Officer

John Raftis held the position of company secretary of Eftel Ltd throughout the financial year and until the date of this report. Mr Raftis held the position of Chief Financial Officer of the Eftel Group from the start of the financial year to 30 June 2011, and of the Consolidated Entity from 30 June 2011 to the date of this report.

Principal Activities

The principal activities of the economic entity during the financial year were:

- Telecommunications and supply of Internet services;

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Operating Results

After providing for income tax, the profit of the Consolidated Entity for the period ending 30 June 2011 was $746,000.

Dividends Declared or Recommended

A total dividend of $746,000 was declared by ClubTelco Pty Ltd during the period ended 30 June 2011. This amount was due and payable from the retained profits of ClubTelco Pty Ltd to the shareholders of ClubTelco Pty Ltd prior to the sale of 100% of their shares to the Listed Entity. The Eftel Group did not declare a dividend for the 2010-11 year. As required by Australian Accounting Standard AASB3, the dividend declared by ClubTelco Pty Ltd is reported as the dividend declared by the Consolidated Entity.

Review of Operations - Eftel Group

Significant events during the 2010-11 Reporting Period:

Restructure and finalisation of $2.25M long-term debt facility.

Decision to sell MSAN network assets and retain BroadbandNext as a partnered arrangement.

Appointment of new CEO Mr Scott Stavretis

Review of Operations - ClubTelco Pty Ltd

Significant events during the 2010-11 Reporting Period:

Restructure of Business

Introduction of New Mobile Products

Review of Operations - Consolidated Entity

Significant events during the 2010-11 Reporting Period

Doubling the size of the business through the purchase of ClubTelco, and issuing new securities to entities associated with the vendors of ClubTelco.

Raising $2.6M from and issuing new securities to entities associated with the vendors of ClubTelco and an entity associated with Mr Stavretis.

Significant events since the end of the Reporting Period:

On 25 July 2011, announcement of a signed an agreement with NBN Co. to participate in the mainland National Broadband Network trials.

On 23 August 2011, announcement concerning the acquisition of 100% of the shares in Platform Networks, a wholesale Internet and telecommunications service provider. The consideration is up to $150,000 in staged payments and is dependent upon the meeting of performance targets in the continuing Platform Networks business. The business had assets of $2.264M and liabilities of $2.861M. This working capital deficiency has been supported by a line of credit with Dodo Wholesale Pty Ltd for $1.5M repayable in August 2013.

No Other Matters

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Financial Position

The net assets of the Consolidated Entity were $6.476M at 30 June 2011.

Significant Changes in State of Affairs

During the year, the size of the business doubled through the purchase of ClubTelco Pty Ltd by Eftel Ltd, with Eftel Ltd issuing new securities to the ClubTelco Pty Ltd vendors. The Consolidated Entity also raised $2.1M from and issued further securities in Eftel Ltd to entities associated with the vendors.

As required by Australian Accounting Standard AASB3, the Eftel Group is deemed to be acquired by ClubTelco Pty Ltd at 30 June 2011 under the reverse acquisition rules. As the acquisition occurred at the close of business on 30 June 2011, the operating results reflect only the financial performance of ClubTelco Pty Ltd for the period to 30 June 2011.

The consolidated statement of financial position reflects the Consolidated Entity.

The period represented in the financial report is from the date of incorporation of ClubTelco Pty Ltd on 7 June 2010 to 30 June 2011. Although the preliminary accounts lodged 31 August 2011 provide separate figures for the period 7 June 2010 to 30 June 2010, Eftel Ltd has deemed that it cannot justify the use of the resources that would be associated with preparation of fully audited accounts for that brief period.

Material differences from the Appendix 4E

The final audited financial accounts differ materially from the Appendix 4E due to:

1. The reporting period was amended to reflect the period of 7 June 2010 to 30 June 2011. In the Appendix 4E the report reflected a full year for 2011 and a period of 23 days for 2010. In accordance with the Corporations Act 2001 a company is allowed to extend it first reporting period to cover a maximum of eighteen months. As a result the reported service revenue now includes $1,745K from June 2010 and Net Profit After Tax ("NPAT") includes the $42K from June 2010.
2. Derecognition of customer base value resulting from the initial purchase of assets from Gotalk Communications Pty Ltd ("Gotalk") by ClubTelco Pty Ltd. Given that ClubTelco Pty Ltd was a wholly-owned subsidiary of Gotalk at the time of the asset transfer, the value of the transaction is reduced to the carrying value of the assets, being $242K. The effect is to reduce the value issued capital by $1,606K and reduce the intangible assets by $1,606K. Accordingly the recognised amortisation expense for 2011 of $321K is reversed, resulting in an equivalent increase in NPAT.
3. Reduction of accrual for redundancies by $280K resulting in reduced current liabilities and reduced value of goodwill on acquisition. No effect on reported NPAT.
4. Correction of net present value calculation for onerous contracts resulting in reduced liabilities of $388K and an equivalent reduction of goodwill on acquisition. No impact on reported NPAT.
5. Inventory held by ClubTelco was expensed resulting in a reduction in Current Assets of $47K and an equivalent reduction in reported NPAT.
6. Correction of GST calculation for revenue of ClubTelco resulting in decreased current liabilities of $157K and an equivalent increase in revenue.
7. Correction of deferred tax assets calculation resulting in increased Deferred Tax Asset of $115K and an equivalent increase in NPAT.

Future Developments

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

Information on Board Members and Senior Officers

Simon Ehrenfeld MBA MMR - EXECUTIVE CHAIRMAN (Age 44)

Simon served as the CEO of Eftel Limited (formerly Datafast Telecommunications Ltd) from 2002-2009, during which time the group grew to become a Top 10 National Internet Provider with Australia's 6th largest broadband network. He holds a Master of Business Administration degree with 5 Dux awards and a Director's Letter from the University of Western Australia, as well as a Masters in Management Research.

Simon is a former State President and Honorary Life Member of the Young Liberal Movement of Australia. He served as Managing Director of various ISPs in the Eftel Group for 13 years and as Chairman since March 2009.

Simon is a member of the audit and remuneration committees

Ilario Faenza - NON-EXECUTIVE DIRECTOR (Age 40)

Ilario has over 20 years experience in the information technology and telecommunications industry. In addition to executive roles in the sector, he has worked on several mergers and acquisitions of companies focused on this market.

Ilario is a founder and Executive Director of Aggregato Pty Ltd, a Mobile Virtual Network Aggregator and Enabler. He also served as a Non-Executive Director of Tel.Pacific Limited, Australia's largest publicly listed Calling Card & International Mobile calling company, from 2009 to 2011.

Ilario joined the Board this year and is a member of the audit committee.

Larry Kestelman Dip. Acc. - NON-EXECUTIVE DIRECTOR (Age 45)

Larry joined the Board after Eftel's recent successful purchase of ClubTelco, a company that he originally founded. He is best known in the telecommunications industry for founding the extremely successful retail consumer telecommunications company, come energy provider Dodo Australia.

Larry is one of Australia's most accomplished young entrepreneurs and in 2005 was listed as the 8th wealthiest young Australian in BRW 100's Under 40 list.

Larry is currently a Director of Dodo Australia, Dodo Power and Gas, Infinite Rewards, Shangri-la Constructions and Acquire Asia Pacific.

John Raftis CPA ACIS - COMPANY SECRETARY / CHIEF FINANCIAL OFFICER (Age 42)

John holds a Bachelor of Business degree, and completed his CPA with one of the highest rankings in Australia. He is also a Chartered Secretary and holds a Dux Award in Corporate Governance. John has over 20 years of industry-based accounting experience. John has been with ISPs in the group for 11 years.

John also serves as secretary to the audit committee.

Scott Stavretis - CHIEF EXECUTIVE OFFICER (Age 31)

Scott comes from Dodo Australia, where he was responsible for the executive management and operations of the entire group. He has over 15 years of Internet and telecommunications experience.

Since its inception in 2001, Scott has played a pivotal role in Dodo's growth into Australia's largest private telecommunications group. He was also responsible for forming related entities including Dodo Power & Gas and ClubTelco.

Scott has been Chief Executive Officer of the Eftel Group since April 2011 and of the Consolidated Entity since June 2011.

Paul Stevenage CPA - NON-EXECUTIVE DIRECTOR (Age 42)

Paul has recently completed service as CFO of the Dick Smith Group, a division of Woolworths Ltd. He has previously served in senior roles elsewhere within Woolworths as well as other major Australian companies, including Boral Ltd, Mayne Nickless and BGC. Paul is a former Lions Youth of the Year, Commonwealth of Nations Youth of the Year, and Murdoch University Guild President. He holds a Bachelor of Commerce degree, and has served as a Director for 8 years.

Paul serves as chairman of the remuneration committee and the audit committee.

Other Directors who held office during the year

Jeremy Cousins - NON-EXECUTIVE DIRECTOR (Age 44)

Jeremy has over 20 years experience in a variety of commercial roles, including 11 years in the Internet and telecommunications industry. He served at the highest executive levels of Eftel Limited, most recently as Commercial Relations Manager prior to serving a 3 year term as a Non-executive Director from 2007 to 2010.

Jeremy served as a member of the audit committee.

John Lane - CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR (Age 43)

John has 20 years experience in sales and IT, including co-founding multimedia and Internet business Hotmix Group, and taking Internet directory aussie.com.au public in 1999. He was with the Eftel Group for 9 years, during which time he negotiated numerous ISP acquisitions and BroadbandNext partnerships.

John previously served as Chief Operating Officer and National Sales Manager of Eftel.

John has served as a Director since 2008 and as Chief Executive Officer and Managing Director from 2009 to 2011.

Oren Zohar - NON-EXECUTIVE DIRECTOR (Age 40)

Mr Zohar is a prominent corporate advisory, restructuring and recapitalisation specialist with significant transactional experience. He was a founding partner of KordaMentha in Perth and more recently served as Managing Director of Primewest Capital.

Oren served as a Director during the Eftel/ClubTelco transition in April/May 2011.

REMUNERATION REPORT (Audited)

As required by Australian Accounting Standard AASB3, the Eftel Group is deemed to be acquired by ClubTelco Pty Ltd at 30 June 2011 for reporting purposes. Consistent with the financial report contained within this Annual Report, the remuneration report discloses the remuneration paid by ClubTelco Pty Ltd to its key executives and management for the period ended 30 June 2011.

Directors and Key Management Personnel of ClubTelco Pty Ltd during the year were as follows:

Vishal Bhalla	Customer Operations Manager	Appointed 29 July 2010
Luke Golledge	Software Development Manager	Appointed 19 August 2010
Larry Kestelman	Director[1]	Appointed 7 June 2010, Resigned 30 June 2011
Pauline Sabin	Marketing Manager	Appointed 9 August 2010
Michael Slepoy	Director[1]	Appointed 7 July 2010, Resigned 30 June 2011
Scott Stavretis	Group Executive Manager/Director[1]	

[1] Messrs Kestelman and Slepoy resigned as Directors of ClubTelco Pty Ltd effective from 30 June 2011 and Mr Stavretis was appointed a Director of ClubTelco Pty Ltd on the same date.

From the above group, Ms Sabin (as General Manager – Consumer Division) and Mr Stavretis (as Chief Executive Officer) have continued as Key Management Personnel of the Consolidated Entity, and Mr Kestelman was appointed as a Director of the Listed Entity on 28 July 2011.

In addition, the Listed Entity had the following Directors at 30 June 2011:

Simon Ehrenfeld	Executive Chairman
Ilario Faenza	Non-executive Director
Paul Stevenage	Non-executive Director

In addition, the following Key Management Personnel of the Eftel Group continued as Key Management Personnel of the Consolidated Entity from 30 June 2011:

John Raftis	Chief Financial Officer and Company Secretary
Paul Rolfe	Director of Carrier Relations
Jurgen Steinert[1]	Non-executive Director
Richard Swancott	General Manager - Product and Operations

[1] Employment ceased 22 September 2011

In addition, the following Key Management Person was recently added:

Kathryn Marshall[1]	General Manager - Corporate and Wholesale Sales

[1] Commenced after 30 June 2011 no disclosures concerning the period ending 30 June 2011 are applicable to this report.

In addition to reporting for the year ended 30 June 2011, the remuneration report also discloses the ongoing policies and obligations as they apply to the Directors of the Listed Entity and Key Management Personnel of the Consolidated Entity.

Remuneration Policy

Overview

There is no distinction between the remuneration policy of the Listed Entity and the remuneration policy of the Eftel Group. That policy continues for the Listed Entity and has been applied to the Consolidated Entity. Prior to 30 June 2011, ClubTelco Pty Ltd operated as a private company that did not have a formal remuneration policy.

The policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering incentives based on key performance areas affecting the economic entity's financial results. The board of Eftel Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The remuneration policy setting the terms and conditions for the Executive Directors was developed by the remuneration committee. The remuneration committee reviews the packages of the top 5 Key Management Personnel as well as all non-executive directors and the company secretary. It undertakes this process annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

The existing remuneration framework was produced by a three member remuneration committee during 2006-07. Due to the downsizing of the Board which occurred in late 2007, the remuneration committee currently comprises two members, including the chairman. As a result of this change, it is the policy of the remuneration committee to refer any resolution to increase the remuneration entitlements of the chairman (due to his executive capacity) to the Board. No resolutions of this nature were referred or required to be referred during the year.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Where they elect to be remunerated on a PAYG basis, the non-executive directors receive a superannuation guarantee contribution required by the government, which is currently 9%. They do not receive any other retirement benefits. The executive directors and other specified executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and specified executives are entitled to receive up to a further 3% matching on a dollar for dollar basis for voluntary superannuation contributions. Directors and all other employees are able to enter into salary sacrifice arrangements for their superannuation and eligible equipment such as laptop computers.

The directors and executives are employed on a continuous basis. Should the tenure of specified executive directors be terminated then they would receive a termination payment based upon their length of service and specified notice periods.

Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The basis for determining the nature and amount of remuneration for directors of the Listed Entity and Key Management Personnel of the Consolidated Entity is as follows:

The performance of executives is measured against criteria set by the remuneration committee. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. The Listed Entity has an excellent record of key executive retention and this is viewed as one of its strengths.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. This policy includes the payment of performance bonuses based on key performance indicators. The remuneration committee has set bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as it sees fit, to ensure use of the most cost effective and efficient methods.

Consolidated Performance and Earnings Per Share

	2007	2008	2009	2010	2011[1]
Figures Stated as per AASB3					
Total Revenue ($'000)	n/a	n/a	n/a	n/a	29,281
Earnings before Interest, Taxation, Depreciation & Amortisation ($'000)	n/a	n/a	n/a	n/a	681
Net Profit After Tax ($'000)	n/a	n/a	n/a	n/a	746
Basic Earnings Per Share (cents)[1]	n/a	n/a	n/a	n/a	0.124
Diluted Earnings Per share (cents)[1]	n/a	n/a	n/a	n/a	0.124
Dividends per share (cents)[1]	n/a	n/a	n/a	n/a	0.124

[1]Under AASB3, the weighted average number of shares deemed to be on issue is 603,529,130 at 30 June 2011.

	2007	2008	2009	2010	2011
Historic Figures for the Listed Entity					
Dividends per Eftel Ltd share (cents)	-	0.1	-	-	-
Eftel Ltd share price at the start of the year (cents)	6.1	8.4	5.6	3.0	1.1
Eftel Ltd share price at the end of the year (cents)	8.4	5.6	3.0	1.1	2.3

[1]Period from 7 June 2010 to 30 June 2011

Performance Based Remuneration

Various remuneration packages include a performance-based component, consisting of key performance indicators (KPIs). The intention of this programme is to align the goals of directors and executives with that of the business and shareholders. The KPIs are set annually. The KPIs are targeted in areas the board believes hold greater potential for group expansion and profit.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals. In determining whether or not a KPI has been achieved, the Consolidated Entity bases the assessment on both audited figures and information recorded in the Consolidated Entity's customer service systems.

The Consolidated Entity rewards its Key Management Personnel with incentive-based remuneration based on achieving ambitious performance targets for two key indicators – number of active accounts and EBITDA. For achieving each of these targets, the incentives are capped at $85,000 spread across all Key Management Personnel, of which no more than 60% can be paid to the executive directors. To achieve the full incentive bonus in each category, the Consolidated Entity is required to increase the number of active accounts by 20% and increase EBITDA by 20%. The number of active accounts is measured on information recorded in the Consolidated Entity's customer service systems. EBITDA is measured on comparisons of audited figures between financial years. The amount of each incentive bonus is scaled back for partial achievement of targets. For each item where the previous year's result is successfully maintained but not improved upon, no incentive bonus is payable. The Key Management Personnel are responsible as a group for working towards these targets. The Key Management Personnel also have individual KPI incentives for which a combined limit of $85,000 is payable across all Key Management Personnel, and of which no more than 60% can be paid to the executive directors. For each KPI incentive any individual is limited to 30% of the bonus.

The current incentive scheme is viewed as effective. The Consolidated Entity has recently doubled in size due to the purchase of ClubTelco Pty Ltd, a deal that was secured and implemented in a short time frame by the Listed Entity's management. In addition, Key Management Personnel have had to cope with fewer supporting resources, and this policy is continuing to be applied. Having doubled in size it is anticipated that there will be no increase in the total number of Key Management Personnel for the Combined Entity, thus averaging the overhead cost of management across a larger revenue base going forward. Over the last 5 years, the Eftel Group experienced significant reductions in labour and management costs as a proportion of revenue (28.1% in 2005-06, 22.6% in 2006-07, 18.9% in 2007-08, 16.8% in 2008-09 and 14.8% in 2009-10).

Directors and key management personnel remuneration

The aggregate compensation of the Key Management Personnel relating to the financial report as contained in this Annual Report (i.e. the Key Management Personnel of ClubTelco Pty Ltd) is set out below:

	Consolidated
	2011[1]
	$
Short-term employee benefits	339,191
Post-employment benefits	31,725
Share-based payment	-
Total	370,916

[1] Period from 7 June 2010 to 30 June 2011

Total salaries and wages costs appear as Employee Benefit Expenses in the financial report, and totalled $5.183M. The amount of those Employee Benefit Expenses paid to each director and/or key executive of the Consolidated Entity during the year was as follows:

Directors

2011	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Simon Ehrenfeld[1]	-	-	-	-	-	-	-	-	-	-
Ilario Faenza[1]	-	-	-	-	-	-	-	-	-	-
Larry Kestelman[2]	-	-	-	-	-	-	-	-	-	-
Michael Slepoy[2]	-	-	-	-	-	-	-	-	-	-
Scott Stavretis[3]	-	-	-	-	-	-	-	-	-	-
Paul Stevenage[1]	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

[1] Director of Eftel Ltd. Eftel Ltd purchased ClubTelco Pty Ltd on 30 June 2011.

[2] Directors of ClubTelco Pty Ltd. Mr Slepoy was appointed Director of ClubTelco Pty Ltd on 7 July 2010. Messrs Kestelman and Slepoy resigned as Directors of ClubTelco Pty Ltd effective from 30 June 2011. Mr Kestelman became a Director of Eftel Ltd on 28 July 2011.

[3] Mr Stavretis was a Senior Executive of ClubTelco Pty Ltd until 14 April 2011 and became a Director of ClubTelco Pty Ltd on 30 June 2011. Mr Stavretis was Key Mangement Person of the Eftel Group from 14 April 2011 to 30 June 2011.

Key management personnel

2011	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Vishal Bhalla[1]	91,832	-	-	667	8,325	-	-	100,824	-	-
Luke Golledge[2]	131,692	-	-	-	11,852	-	-	143,544	-	-
John Raftis[3]	-	-	-	-	-	-	-	-	-	-
Paul Rolfe[3]	-	-	-	-	-	-	-	-	-	-
Pauline Sabin[4]	115,000	-	-	1,198	10,350	-	-	126,548	-	-
Jurgen Steinert[3]	-	-	-	-	-	-	-	-	-	-
Richard Swancott[3]	-	-	-	-	-	-	-	-	-	-
Total	338,524	-	-	1,865	30,527	-	-	370,916	-	-

[1] Remuneration since commencement of employment with ClubTelco Pty Ltd on 29 July 2010 until 30 June 2011. Classification as a Key Management Person does not apply to the Consolidated Entity and ceased upon completion of the purchase by Eftel Ltd of ClubTelco Pty Ltd on 30/6/ 2011.

[2] Remuneration since commencement of employment with ClubTelco Pty Ltd on 19 August 2010 until 30 June 2011. Classification as a Key Management Person does not apply to the Consolidated Entity and ceased upon completion of the purchase by Eftel Ltd of ClubTelco Pty Ltd on 30/6/ 2011.

[3] Key Management Personnel of Eftel Ltd. Eftel Ltd purchased ClubTelco Pty Ltd on 30 June 2011.

[4] Remuneration since commencement of employment with ClubTelco Pty Ltd on 9 August 2010.

Performance Income as a Proportion of Total Remuneration

Executive directors and executives are offered performance bonuses based on set monetary figures, rather than proportions of their salary. The remuneration committee has set bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as it sees fit, to ensure use of the most cost effective and efficient methods.

Shares and Options Issued as Part of Remuneration for the Year Ended 30 June 2011

No shares were issued to directors and executives as part of remuneration for the year ended 30 June 2011.

Number of fully paid ordinary shares of Eftel Limited in which Parent Entity Directors and other Key Management Personnel have a direct or indirect interest:

2011	Balance 07/06/2010	Received as Remuneration	Shares issued as a result of Option exercised	Change in recognition of director/ executive holdings due to appointment, retirement or resignation	Net Change Other*	Balance 30/06/2011
Directors						
Simon Ehrenfeld	46,337,737	-	-	-	475,000	47,397,388
Ilario Faenza[1]	-	-	-	-	-	-
Paul Stevenage	150,000	-		-		150,000
Other key management personnel						
Vishal Bhalla[2]	-	-	-	-	-	-
Luke Golledge[3]	-	-	-	-	-	-
Larry Kestelman[4]	-			12,393	772,517,287	772,529,680
John Raftis	6,835,320	-	-	-	210,000	7,045,320
Paul Rolfe	4,069,066	-	-	-	-	4,069,066
Pauline Sabin[5]	-	-	-	-	-	-
Michael Slepoy[4]	-	-	-	12,393	772,517,287	772,529,68
Scott Stavretis[6]	-	-	-	-	40,225,261	40,225,261
Jurgen Steinert	6,124,590	-	-	-	-	6,124,590
Richard Swancott	612,792	-	-	-	-	612,792

* Net change other refers to shares purchased or sold during the financial year.

[1] Appointed 9 May 2011

[2] Appointed 29 July 2010

[3] Appointed 19 August 2010

[4] Messrs Kestelman and Slepoy ceased to be Directors of ClubTelco Pty Ltd on 30 June 2011, on which date shares were issued to their associated entities pursuant to the purchase of ClubTelco Pty Ltd and Share Subscription Agreement. At that date Mr Kestelman and Mr Slepoy already held 12,393 shares through associated entities. Up until that time ClubTelco Pty Ltd was not a legal subsidiary of Eftel Ltd and therefore those shares were not considered for disclosure nor required to be disclosed in the 2010 Annual Report. Mr Kestelman became a Director of Eftel Ltd on 28 July 2011.

[5] Appointed 9 August 2010

[6] Mr Scott Stavretis was a key executive of ClubTelco Pty Ltd throughout the year and of Eftel Ltd from 14 April 2011. In addition it had been agreed during the 2010-11 year that Mr Stavretis would at a point in time during the 2011-12 year become a Director of Eftel Ltd. Mr Stavretis became a Director of ClubTelco Pty Ltd on 30 June 2011. The issue of shares to Mr Stavretis was approved by shareholders on 29 June 2011.

2011

No Options were on issue or expired in the period ended 30 June 2011.

Employment Contracts of Directors and Key Management Personnel

The employment conditions of the Chairman, Simon Ehrenfeld, the Chief Executive Officer, Mr Scott Stavretis, and specified executives are formalised in contracts of employment. All executives are permanent employees.

Termination Costs

Key Management Personnel can fall into one of six bands in determining the cost to the Consolidated Entity in the event that their employment is terminated, according to the following schedule:

Band	Position and Length of Service	Termination Benefit	Additional Benefit for Termination by Company
A	Service for periods less than Bands B- F	Nil	1 week per year of continuous full-time employment
B	5 years of Senior Management service and 7 Years continuous full-time employment OR 3 years Executive Director service and 5 Years continuous full-time employment OR 1 year of Managing Director service and 3 Years continuous full-time employment	1 month' s salary	1 week per year of continuous full-time employment
C	7 years of Senior Management service and 10 Years continuous full-time employment OR 5 years Executive Director service and 7 Years continuous full-time employment OR 3 years Managing Director service and 5 Years continuous full-time employment	2 months' salary	1 week per year of continuous full-time employment
D	10 years of Senior Management service and 15 Years continuous full-time employment OR 7 years Executive Director service and 10 Years continuous full-time employment OR 5 years Managing Director service and 7 Years continuous full-time employment	2 months' salary	2 weeks per year of continuous full-time employment
E	10 years Executive Director service and 15 Years continuous full-time employment OR 7 years Managing Director service and 10 Years continuous full-time employment	3 months' salary	2 weeks per year of continuous full-time employment
F	10 years Managing Director service and 15 Years continuous full-time employment	4 months' salary	2 weeks per year of continuous full-time employment

The following criteria apply to the Termination Costs Schedule:

1. Length of Service in the capacity of Senior Management, Executive Director, or Managing Director refers to service to Eftel Ltd (formerly Datafast Telecommunications Ltd) and Eftel More Than Broadband Pty Ltd (formerly Eftel Pty Ltd).
2. Length of Continuous Full-time Employment relates to service to Eftel Ltd and/or any of its subsidiaries unless otherwise agreed between Eftel Ltd or its relevant subsidiary and the Employee.
3. In any instance where the Termination Benefits are calculated to be an amount less than the Minimum Conditions of Employment, the Minimum Conditions of Employment prevail.

Termination Cost bands and Notice Periods are as per the following table:

Executive	Current Classification	Band	Termination Notice Period Required	Length of Full-time Continuous Employment
Simon Ehrenfeld	Executive Director	E*	3 months	15 years
Kathryn Marshall	Senior Management	A	2 months	<1 year
John Raftis	Senior Management	C	3 months	11 years
Paul Rolfe	Senior Management	A	2 months	15 years
Pauline Sabin	Senior Management	A**	2 months	4 years
Scott Stavretis	Senior Management	A	3 months	<1 year
Jurgen Steinert	Senior Management	D*	2 months	13 years
Richard Swancott	Senior Management	C	2 months	10 years

* Under existing agreements, for involuntary or mutually agreed termination, Mr S Ehrenfeld and Mr J Steinert are entitled to a base of 6 months termination benefit. Mr Steinert has also served 2 years of part-time employment. Termination benefits based on any periods of part-time employment are pro-rated. Mr Steinert ceased employment on 22 September 2011.

** Including previous employment with an acquired business, Ms P Sabin is deemed to have commenced employment on 28/5/07.

End of Remuneration Report

Meetings of Directors

During the financial year, 18 meetings of directors (excluding committees of directors) were held. Attendances by each director during the year were as follows:

	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Jeremy Cousins	9	9	1	1		
Simon Ehrenfeld	18	18	1	1	3	3
Ilario Faenza	1	1				
John Lane	15	15				
Paul Stevenage	18	18	2	2	3	3
Oren Zohar	2	1				

Directors' Shareholdings

The following table sets out the relevant interest in Shares and Options of the Listed Entity of all persons who held directorships at the date of this report:

	Fully Paid Ordinary Shares
	Number
Directors	
Simon Ehrenfeld	47,397,388
Ilario Faenza	-
Larry Kestelman	772,529,680
Paul Stevenage	150,000

Indemnifying Officers or Auditor

The Consolidated Entity has entered into an agreement to pay insurance premiums to indemnify directors and officers against any payment they shall become legally obligated to make arising out of claims made against them in their capacity as directors and/or officers of the Listed Entity and/or Consolidated Entity. The total annual premium is $22,718.74.

The Consolidated Entity has not entered into any arrangement to indemnify the auditors.

Options

No person entitled to exercise the Options had or has any right by virtue of the Options to participate in any share issue of any other body corporate.

As at the date of this report, there were no unissued shares or interests under options.

Environmental regulation and performance

The operations of the Consolidated Entity are not subject to any significant environmental regulations.

Proceedings on Behalf of the Listed Entity and/or Consolidated Entity

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

The Listed Entity and/or Consolidated Entity was not a party to any such proceedings during the year.

Non-audit Services

During the year ended 30 June 2011, $14,100 in fees was incurred with Deloitte Touche Tohmatsu for taxation services. In the opinion of the Board of Eftel Ltd, this does not compromise the independence of the external auditor.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 16 of the Directors' Report.

Rounding off of Amounts

The Consolidated Entity is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors of Eftel Ltd made pursuant to s. 298(2) of the Corporations Act 2001

S Ehrenfeld

Simon Ehrenfeld
Director

Dated this 30th day of September 2011.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
Eftel Limited
1141 Hay Street
WEST PERTH WA 6605

30 September 2011

Dear Directors

Auditors Independence Declaration to Eftel Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eftel Limited.

As lead audit partner for the audit of the financial statements of Eftel Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Eftel Limited produces its Corporate Governance guidelines giving consideration to the *Corporate Governance Principles and Recommendations* of the ASX Corporate Governance Council.

1. ROLE OF THE BOARD AND MANAGEMENT

The Board of Directors is responsible to shareholders for the overall corporate governance of the company. This responsibility includes:

- reviewing and determining the company's strategic direction, the annual budget and financial plans;
- overseeing and monitoring organisational performance and the achievement of the company's strategic goals and objectives;
- enhancing and protecting the reputation of the organisation;
- appointing, monitoring and rewarding the managing director/chief executive officer;
- approving all significant business transactions, including acquisitions and significant capital expenditure;
- ensuring the significant risks facing the company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are put in place;
- monitoring and approving financial and other reporting including continuous disclosure reporting; and
- reporting to shareholders.

The chief executive officer is accountable to the board for the operational management of the company within the policy and authority levels prescribed by the board. He has the authority to approve capital expenditure and business transactions within limits set by the board. The chief executive officer delegates responsibilities to the executive management as appropriate.

The performance of senior executives is evaluated by the chief executive officer. The performance of the executive management is considered with regard to the achievement of key targets set by the chief executive officer. A review of the executive management was conducted in 2010.

The performance of the chief executive officer is evaluated by the Board and takes into account the financial performance of the organisation as well as non-financial measures such as the management of stakeholders.

2. COMPOSITION OF THE BOARD

The company presently has three non-executive directors and one executive director. Of the non-executive directors, Mr Paul Stevenage and Mr Ilario Faenza are considered by the Board to be independent directors. Although the majority of the Board is not regarded as independent according to the definition in the ASX Corporate Governance Principles and Recommendations, the Board is structured so as to add value to the organisation. The non-independent directors are Mr Simon Ehrenfeld and Mr Larry Kestelman.

As Chairman of Directors, Mr Ehrenfeld is not independent according to the definition in the ASX Corporate Governance Principles and Recommendations. The Board believes that the appointment of Mr Simon Ehrenfeld to the role of executive chairman, as both the founder of the Eftel business and a longstanding former Managing Director, allows him to add significant value to the organisation.

As the controlling shareholder and CEO of the Dodo group (the company's major supplier and lender), Mr Kestelman is not independent according to the definition in the ASX Corporate Governance Principles and Recommendations. The Board believes that the appointment of Mr Kestelman, as both the founder of ClubTelco and the CEO of Dodo Australia, brings a vast amount of knowledge and experience of the the industry.

Additionally, it is envisaged that the company will shortly be appointing the CEO Mr Scott Stavretis to the Board. Mr Stavretis is not independent according to the definition in the ASX Corporate Governance Principles and Recommendations. The Board believes the appointment of Mr Stavretis to The Board, as both the company's CEO and as a person with considerable skill and experience, will add further to the strategic value and general functioning of the Board.

The increased knowledge and experience provided by including the above individuals allows the board to more effectively drive enhanced performance of the executive management.

The Directors are aware of their obligations, exercise independent judgement with regard to Board decisions, and absent themselves at all times from Board discussions regarding any related party matter or conflict of interest arises.

Directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Due to the downsizing of the Board in 2007, the Board deemed it was not necessary to have a separate nomination committee and this role was performed by the Board as a whole. The board is balanced in its composition with each current director bringing a range of complementary skills and experience to the company as indicated on page 7 of this Annual Report. The board will consider the appointment of further directors if it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

It continues to be the policy of the company for directors, officers and employees to act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. All members of the organisation are expected to abide by the code of conduct published within the Eftel Team Guide.

Eftel Ltd allows employees and directors to own and trade securities in the company under the guidelines announced to the ASX and which can be found on the company's website at www.eftel.com.:

- In accordance with ASX listing rules the company notifies the ASX of any transactions undertaken by directors in the securities of the company.

4. INTEGRITY OF FINANCIAL REPORTING

Eftel's chief executive officer and chief financial officer report in writing to the audit committee that the consolidated financial statements of Eftel and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with accounting standards.

An audit committee was established during the 2004 financial year. The current members of the Eftel audit committee are Mr Paul Stevenage, Mr Ilario Faenza and Mr Simon Ehrenfeld. The company secretary and chief financial officer John Raftis is the secretary to the committee. Mr Stevenage, who is an independent non-executive director, is the chairman of the committee. Mr Faenza is also an independent non-executive director. The composition of the committee is in line with the recommendation of the ASX Corporate Governance Principles and Recommendations. The board believes that the committee contains the technical skills and acts independently so as to discharge its obligations effectively.

The qualifications of the members of the audit committee are contained on page 7 of the Directors' Report. The meetings and attendance of the audit committee are also detailed in the Directors' Report.

The audit committee has adopted a formal charter that specifies objectives as detailed below:

- monitor the integrity of the company's financial statements and any formal announcements relating to the company's financial performance;
- investigate and resolve any disputes regarding financial reports between the external auditors and the management;
- review the company's internal financial controls and risk management systems;
- make recommendations to the board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the independence of the external auditor and overall effectiveness of the audit process; and
- report to the board on all matters and note any items of concern or areas where improvement is needed, and make recommendations as to how those concerns can be resolved.

5. CONTINUOUS DISCLOSURE TO ASX

The board of directors is responsible for monitoring compliance with ASX Listing Rule disclosure requirements. The board recognises that all investors and stakeholders are entitled to equal and timely access to balanced information that could impact, either positively or negatively, on the value of the company's share price.

The board has established a Continuous Disclosure Policy applicable to all employees of the organisation. Announcements are circulated to board members before they are released to the ASX. The company secretary is responsible, under the ASX Listing Rules, for all communications with the ASX. The chief executive officer and company secretary regularly discuss issues relating to the company's continuous disclosure obligations.

6. COMMUNICATION WITH SHAREHOLDERS

It is the policy of the company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. Mechanisms used to communicate with shareholders include:

- regular shareholder communications such as the Annual Report and the Half-Yearly Report (unless a shareholder has elected not to receive same); and
- shareholder access to communications through the use of information technology, e.g. the Eftel website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the company's strategy and goals. It is also the company's practice to ensure the group's external auditor attends the AGM.

7. RISK MANAGEMENT

The board is responsible for the oversight of the group's risk management and control framework. The audit committee assists the board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the framework.

Responsibility for control and risk management at different sites is delegated to the appropriate individual within the group with the chief executive officer having ultimate responsibility to the board for the risk management and control framework.

Existing arrangements put in place by the board to monitor risk management include:

- regular reporting to the board in respect of operations and the financial position of the group;
- circulation to the board of the minutes of each meeting of the audit committee; and
- presentations to the board by appropriate managers and/or independent advisors, where necessary on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.
- Eftel's chief executive officer and chief financial officer report in writing to the audit committee that:
  - the declaration regarding the integrity of the financial reports, provided in accordance with s295A of the Corporations Act, is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and
  - the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects in relation to financial reporting.

8. REMUNERATION

The company's policies relating to directors' and senior executives' remuneration and the level of their remuneration are set out in the Directors' Report on page 8 of this Annual Report.

A remuneration committee was established during the 2004 financial year.

The committee has established a formal charter.

The role of the remuneration committee is to:

- Review and recommend to the Board an appropriate Remuneration policy, including:
  1. Employee share plans
  2. Incentive schemes
  3. Superannuation;
- Determine the broad structure and objectives of the remuneration policy and its relationship to company performance; and
- Determine:
  1. the remuneration of all directors
  2. the fees of the company secretary
  3. the remuneration of key executives who earn above a threshold set by the Board from time to time.

It is the present practice of the board to appoint at least two directors to the remuneration committee who are separated from the day to day operations of the company. The committee comprises Mr Paul Stevenage and Mr Simon Ehrenfeld. The committee is chaired by Mr Stevenage, an independent and non-executive director. As executive chairman, the board believes Mr Ehrenfeld is the appropriate person to be the second member of the committee.

Whenever the committee comprises only one non-executive director, any proposal to increase remuneration for the executive directors on the committee are referred to the board. The skills and experience of the remuneration committee members, and the attendance at committee meetings, are detailed in the Directors' Report.

The fees payable to individual non-executive directors have been determined by the board within the aggregate sum of $150,000 per annum provided for under clause 21.1 of the constitution. That aggregate sum can only be increased with the prior approval of the shareholders of the company at a general meeting. A non-executive director is entitled to a refund of approved expenditure and may also receive payments for consultancy work contracted for and performed on the company's behalf. The remuneration levels of executive directors are determined by the remuneration committee after taking into consideration those that apply to similar positions in comparable companies in Australia.

Corporate Governance

Unless disclosed above, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2011.

Financial Report

Consolidated Statement of Comprehensive Income for the period ended 30 June 2011

	Note	2011 $'000
Continuing Operations:		
Service revenue	4	29,252
Other revenue	4	29
Communication expenses	4	(20,336)
Employee benefits expenses	4	(5,183)
Occupancy expenses		(160)
Depreciation and amortisation expenses	4	(22)
Finance expenses	4	(29)
Other expenses	4	(2,921)
Profit/(loss) before income tax expense		630
Income tax benefit/(expense)	5	116
Net profit/(loss) for the period		746
Other comprehensive income/ (loss)		
Exchange differences on translating foreign operations		-
Total comprehensive income/ (loss) for the year attributable to members of Eftel Limited		746
Earnings per share:		
Basic (cents per share)	19	0.124
Diluted (cents per share)	19	0.124

The notes following the financial statements form part of the financial report.

Consolidated Statement of Financial Position as at 30 June 2011

	Note	2011 $'000
Current assets		
Cash and cash equivalents	6	1,156
Trade and other receivables	8	2,955
Other	9	1,168
Assets held for sale	26	4,912
Total current assets		10,191
Non-current assets		
Property, plant and equipment	10	719
Deferred tax assets	5	1,108
Goodwill	11	15,992
Other intangible assets	12	205
Total non-current assets		18,024
Total assets		28,215
Current liabilities		
Trade and other payables	13	10,257
Borrowings	14	3,351
Current tax payables	5	-
Provisions	15	2,995
Deferred revenue	16	2,168
Total current liabilities		18,771
Non-current liabilities		
Borrowings	14	962
Provisions	15	2,006
Total non-current liabilities		2,968
Total liabilities		21,739
Net assets		6,476
Equity		
Issued capital	17	6,476
Accumulated profit	18	-
Parent entity interest		6,476
Total equity		6,476

The notes following the financial statements form part of the financial report.

Consolidated statement of changes in equity for the financial year ended 30 June 2011

	Note	Issued Capital $'000	Accum Profit $'000	Total Equity $'000
Incorporation at 7 June 2010		-	-	-
Total comprehensive income/ (loss) attributable to members of the parent entity		-	746	746
Issue of shares on 10 June 2010		242	-	242
Dividends paid	20	-	(746)	(746)
Issue of 812,742,548 Ordinary fully paid shares on 30 June 2011	17	6,252	-	6,252
Share issue costs	17	(18)	-	(18)
Balance at 30 June 2011		6,476	-	6,476

The notes following the financial statements form part of the financial report.

Consolidated Statement of Cash flows for the period ended 30 June 2011

	Note	2011 $'000
Cash flows from operating activities		
Receipts from customers		27,848
Payments to suppliers and employees		(28,553)
Interest and other costs of finance paid		(29)
Net cash provided by operating activities	6(c)	(734)
Cash flows from investing activities		
Interest received		29
Payment for property, plant and equipment		(239)
Proceeds from sale of property, plant and equipment		-
Net cash received from business acquisitions	6(b)	-
Net cash (used in) investing activities		(210)
Cash flows from financing activities		
Proceeds from issues of equity securities		2,100
Payment for share issue costs		-
Proceeds from borrowings		-
Repayment of borrowings		-
Interest and other costs of finance paid		-
Dividends paid to equity holders of the parent		-
Net cash provided by/(used in) financing activities		2,100
Net increase in cash and cash equivalents		1,156
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	6(a)	1,156

The notes following the financial statements form part of the financial report.

1. General information

Eftel Limited is a publicly listed company (EFT), incorporated in Australia and operating in Australia and is referred to as the Company. Eftel owns a number of subsidiaries and has a business processing facility in Malaysia. Eftel Limited is the ultimate parent entity. Eftel Group is referred as the consolidated group prior to the acquisition. The Consolidated Entity reflects the consolidation of Eftel Group and ClubTelco Pty Ltd. The registered office and principal place of business is at 1141 Hay Street, West Perth WA 6005.

Registered Office and Principal Place of Business

1141 Hay Street
West Perth WA 6005

Other Offices

• Melbourne • Gold Coast • Sydney • Kuala Lumpur • Manila

The principal activities of the Consolidated Entity are the provision of telecommunications and supply of Internet services.

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the company and the Consolidated Entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2011.

Basis of preparation

The financial report has been prepared on the historical cost basis. All amounts are presented in Australian dollars.

On 30 June 2011 the Company issued 603,529,130 fully paid ordinary shares to the shareholders of ClubTelco Pty Ltd resulting in ClubTelco Pty Ltd becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 'Business Combinations', this transaction represents a reverse acquisition with the result that ClubTelco Pty Ltd was identified as the acquirer for accounting purposes of Eftel Limited (the "acquiree" and "legal parent").

The consolidated financial statements are issued under the name of legal parent (Eftel Limited) but are deemed to be a continuation of the legal subsidiary (ClubTelco Pty Ltd).

As ClubTelco Pty Ltd was incorporated on 7 June 2010 and was a private company up to 30 June 2011, in accordance with Corporation Act, the first reporting period can be up to 18 months. The operating results reflect only the financial performance of ClubTelco as the transaction occurred at the close of business 30 June 2011 and the consolidated statement of Financial Position at 30 June 2011 reflects the Consolidated Entity.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2011, the Consolidated Entity had net current liabilities of $8.330M and had recorded a net profit after tax of $746K for the year then ended.

The main contributing factors to the net current liability position of the Consolidated Entity at 30 June 2011 were as follows:

- ✦ Accounts payable of $1.999M and a loan of $2.250M from Dodo Wholesale Pty Ltd, which is a related party to the company's majority shareholders.
- ✦ Deferred revenue of $2.168M. Deferred revenue represents services invoiced in advance and as such, is a non-cash liability. Deferred revenue is spread across the large customer base of Eftel, and under the registered standard form of agreement for Eftel customers, prepayments (in accordance with the industry practice) are not refundable.

Subsequent to year-end the Consolidated Entity has received a letter of financial support from Dodo Australia Pty Ltd ATF the Dodo Partnership (a partnership of the Slepoy and Kestelman Family Trusts) ('Dodo Australia Pty Ltd'), being the ultimate parent entity of Dodo Wholesale Pty Ltd, which confirms the following;

- ✦ Dodo Wholesale Pty Ltd will not require payment of the accounts payable balance of $1.999M unless the Consolidated Entity has sufficient cash resources to do so and will continue to provide services on extended terms to ensure that Eftel is able to meet other creditor payments as they fall due;
- ✦ Dodo Wholesale Pty Ltd has deferred the earliest repayment of the loan of $2.25M until October 2012;
- ✦ Dodo Australia Pty Ltd has pledged to provide the necessary financial support to enable the Consolidated Entity and company to meet all their debts as and when they fall due for a period of at least 12 months from the date of signing the consolidated financial report; and
- ✦ In addition, Dodo Wholesale Pty Ltd has provided a loan facility of $1.5M to finance any cash short-falls from the operations of the Platform Networks Pty Ltd business as described in Note 29. The facility can be drawn down between 1 September 2011 and 31 August 2013. The interest rate is 15% and the facility is not repayable until 31 August 2013.

After adjusting for the deferred revenue balance and the amounts owing to Dodo Wholesale Pty Ltd, the Consolidated Entity has net current liabilities of $1.913M.

Based on the extended accounts payable terms and loan forbearance provided by Dodo Australia Pty Ltd as described above, the Consolidated Entity trading profitably as a result of the synergies resulting from the merger of Eftel and ClubTelco, the financial support received from Dodo Australia Pty Ltd, and the additional finance facility from Dodo Wholesale Pty Ltd to finance the purchase of Platform Networks Pty Ltd, the directors have prepared cash flow forecasts that indicate the company and Consolidated Entity will have sufficient cash flows to meet all working capital requirements for a period of at least 12 months from the date of signing the consolidated financial report.

Accordingly, the directors consider it appropriate for the consolidated financial statements to be prepared on the going concern basis.

Rounding of amounts

The Consolidated Entity is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period or in the period of the revision and future periods if the revision affects both current and future periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being ClubTelco Pty Ltd (the deemed parent entity for accounting purposes) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 23 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is initially recognised at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which ClubTelco Pty Ltd obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

Where the ClubTelco Pty Ltd or its subsidiaries enter into business combination transactions with related parties within the Consolidated Entity ('common control transactions'), those transactions are recognised in the Consolidated Entity's consolidated financial statements by reference to the seller's balance sheet and measured by reference to the consolidated carrying amounts of each acquired identifiable asset and liability (i.e. excluding goodwill) as recognised within the Consolidated Entity at the date of the transaction.

In the separate financial statements, investments in subsidiaries acquired from other entities are recognised based on book values of the immediate parent entity, being the legal seller. Where there is a difference between the aggregate amount recognised in respect of these transactions and the consideration paid or received, the difference is recognised as a contribution by, or distribution to, equity participants.

b. Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which as similar borrowing could be obtained from an independent financier under comparable terms and conditions.

During the year, the Company acquired ClubTelco Pty Ltd. The consideration comprises issuance of 603,529,130 fully paid ordinary shares.

As required by Accounting Standard AASB3, the Eftel group is deemed to be acquired by ClubTelco Pty Ltd at 30 June 2011 for reporting purposes. The operating results reflect only the financial performance of ClubTelco Pty Ltd for the period from incorporation on 7 June 2010 to 30 June 2011.

c. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

d. Revenue recognition

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

<u>Rendering of services</u>

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised on completion of the installation
- Internet and telephony service fees are recognised by reference to the period of time for which the service has been supplied.
- excess usage charges for Internet services and telephony call charges are recognised in arrears at the time the charges are raised.

<u>Dividend and interest revenue</u>

Dividend revenue is recognised when the shareholder's right to receive payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

e. Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

ClubTelco Pty Ltd was part of the tax-consolidated group of ClubTelco Australia Pty Ltd and tax liabilities were taken up by its parent entity (ClubTelco Australia Pty Ltd). On 30 June 2011 ClubTelco exited the tax consolidated group of ClubTelco Australia Pty Ltd.

Eftel Limited and all its wholly-owned Australian resident entities have formed a tax consolidated group under Australian taxation law from 7 January 2003. Eftel Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

The Eftel group has entered into a Tax Funding and Sharing Agreement between the entities in the tax-consolidated group. Therefore amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

g. Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified as either financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, or 'loans and receivables', and are measured at amortised cost or at fair value with changes in fair value recorded in equity, according to their classification. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

h. Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

✦ Leasehold improvements	5
✦ Plant and equipment	5

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

i. Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>Consolidated entity as lessee</u>

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Consolidated Entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

k. Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(m).

l. Intangible assets

<u>Software</u>

Software is recorded at cost less amortisation and impairment. Software is amortised over 3 years.

Internally generated software arising from internal development is recognised if, and only if, all of the following are demonstrated:

- ✦ how the intangible asset will generate probable future economic benefits;
- ✦ the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated software are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over 3 years.

<u>Purchased customer bases</u>

Purchased customer bases represent the purchase price allocated to the existing customer base acquired. The purchased customer bases are recorded at cost less amortisation and impairment. Customer bases are amortised over the estimated customer attrition of the related customer base.

<u>Intangible assets acquired in a business combination</u>

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets are acquired separately.

m. Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash inflows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n. Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

o. Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

p. Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

q. Foreign Currency

For the purpose of the consolidated financials statements, the results and financial position of Eftel Limited and its subsidiaries are expressed in Australian dollars (AUD). The functional currency of the overseas subsidiary (CGOC (M) Sdn Bhd) is Malaysian Ringgit (MYR).

In preparing the financial statements of the individual entities transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At the balance sheet date, non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing.

On consolidation, the assets and liabilities of the Consolidated Entity's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Consolidated Entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

r. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

s. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was $15.992M. Refer note 11.

Useful lives of property, plant and equipment

As described at 2(h), the Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives of the property, plant and equipment of the Consolidated Entity are appropriate.

Valuation of customer bases

The Consolidated Entity has used an external independent valuation to determine the fair value of the Eftel Group customer base. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the customer bases.

t. Deferred Revenue

Deferred revenue represents the value of services invoiced in advance of the period in which the service will be provided. Deferred revenue is recorded as a liability until it is recognised as being earned in future reporting periods as the invoiced services are provided.

u. Adoption of new and revised Accounting Standards

Eftel Limited has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2011. The following standards have had an impact on the Consolidated Entity:

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.	Beginning 1 January 2010	This has been adopted for the year ended 30 June 2011	The adoption of this standard had no impact on the Company.
AASB 2009-8: Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions AASB 2. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Company settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.	Beginning 1 January 2010	This has been adopted for the year ended 30 June 2011	The adoption of this standard had no impact on the Company.
AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues. Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.	Beginning 1 February 2010	This has been adopted for the year ended 30 June 2011	The adoption of this standard had no impact on the Company.

v. Standards and Interpretations in issue not yet adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2011:

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]. AASB 9 simplifies the classifications of financial assets into two categories: ✦ Those carried at amortised cost; and ✦ Those carried at fair value. Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. Removes the tainting rules associated with held-to-maturity assets. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.	Beginning 1 January 2013	This will be adopted for the year ending 30 June 2014	Management has yet to assess the impact on adoption
AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]. AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 January 2011	This will be adopted for the year ending 30 June 2012.	Management has yet to assess the impact on adoption.

v. Standards and Interpretations in issue not yet adopted (con't)

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009). Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party.	Beginning 1 January 2011	This will be adopted for the year ending 30 June 2012.	Management has yet to assess the impact on adoption
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Amendments to AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13	Beginning 1 July 2011	This will be adopted for the year ending 30 June 2012.	Management has yet to assess the impact on adoption.
AASB 10 Consolidated Financial Statements Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements and INT-112 Consolidation - Special Purpose Entities.	Beginning 1 January 2013	This will be adopted for the year ending 30 June 2013.	Management has yet to assess the impact on adoption.
AASB 11 Joint Arrangements Replaces AASB 131 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.	Beginning 1 January 2013	This will be adopted for the year ending 30 June 2013.	Management has yet to assess the impact on adoption.
AASB 12 Disclosure of Interests in Other Entities Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Beginning 1 January 2013	This will be adopted for the year ending 30 June 2013.	Management has yet to assess the impact on adoption.
AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 Replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:	Beginning after 1 January 2013	This will be adopted for the year ending 30 June 2013.	Management has yet to assess the impact on adoption.

3. Segment information

The Consolidated Entity has adopted AASB 8 Operating Segments. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The accounting policies of the reportable segments are the same as the Consolidated Entity's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of common share communication costs, central administration costs and directors' salaries, investment revenue, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The Consolidated Entity has generated its major revenue from the following products and services:

	2011 $'000
Broadband Internet	8,116
Mobile phone	1,260
VoIP	5,115
Home Phone	12,984
Other	1,777
Total service revenue	29,252

The Consolidated Entity operates solely in the telecommunications industry in Australia. The Consolidated Entity's principal activity is provision of Internet and telephony services. The Consolidated Entity is aggregated into single reportable segment given the similarity of the services provided, method in which services are delivered, types of customers and regulatory environment. There are no inter-segment transactions. There was no single customer that contributed 10% or more to the Consolidated Entity's revenue for 2011.

4. Revenue and Expenses

	2011 $'000
a. Revenue	
Revenue from the rendering of services	29,252
Interest revenue:	
Bank deposits	29
	29,281
b. Finance costs	
Other interest charges	29
c. Depreciation, amortisation, foreign exchange differences included in income statement	
Depreciation of non-current assets	20
Amortisation of non-current assets	2
	22
d. Employee benefits expense includes:	
Salary & wages	1,792
Sub-contractors payments	3,097
Defined contribution superannuation expense	152
Other employee benefits	142
	5,183
e. Net bad and doubtful debts included in other expenses	
Trade debtors (note 8)	2,122

5. Income Taxes

	2011 $'000
a. Income tax recognised in profit or loss	
Tax expense comprises:	
Current tax expense	188
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-
Deferred tax revenue recognised in the current year	(304)
Total tax expense/(benefit)	(116)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operations	630
At the statutory income tax rate of 30%	188
Non-deductible expenses	-
Adjustments through Equity	-
Effect of expenses that are not deductible in determining taxable profit	(304)
Income tax attributable to entity	(116)

At an effective income tax rate of -18.42%

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2011 $'000
b. Current tax liabilities	
Current tax payables:	
Income tax payable attributable to:	
Parent entity	-
Other	-
	-
c. Deferred tax balances	
Deferred tax assets comprise:	
Provisions	472
Allowance for doubtful debts	1,234
Other	83
	1,789
Deferred tax liabilities comprise:	
Tax allowances relating to property, plant and equipment	617
Other	64
	681

5. Income taxes (Con't)

Taxable and deductible temporary differences arise from the following:

2011	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Deferred tax liabilities:							
Tax allowances relating to property, plant and equipment	-		-	617	-	-	617
Other	-		-	64	-	-	64
	-	-	-	681	-	-	681
Deferred tax assets:							
Provisions	-		-	472	-	-	472
Provision for doubtful debts	-	250	-	984	-	-	1,234
Other	-	54	-	29	-	-	83
	-	304	-	1,485	-	-	1,789

Tax consolidation

Relevance of tax consolidation to the Consolidated Entity

ClubTelco Pty Ltd was part of the tax-consolidated group of ClubTelco Australia Pty Ltd and tax liabilities were taken up by its parent entity (ClubTelco Australia Pty Ltd). On 30 June 2011 ClubTelco exited the tax consolidated group of ClubTelco Australia Pty Ltd.

Eftel Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 7 January 2003 and are therefore taxed as a single entity from that date.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, each of the entities in the tax-consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement between members of the tax-consolidated group will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

6. Notes to the cash flow statement

a. Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2011 $'000
Cash and cash equivalents	1,156
Bank overdraft	-
	1,156

b. Businesses acquired (note 24)

During the financial year businesses were acquired, details of the acquisition are as follows:

	2011 $'000
Consideration	
Cash and cash equivalents	-
	-
Cash obtained through acquisition of businesses	-

c. Reconciliation of profit for the period to net cash flows from operating activities

	2011 $'000
Profit for the period	746
Depreciation and amortisation of non-current assets	22
Interest income received and receivable	(29)
Increase/(decrease) in current tax liability	(116)
Increase/(decrease) in deferred tax balances	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:	
(Increase)/decrease in assets:	
Trade and term receivables	422
Other operating assets	(86)
Inventories	-
Increase/(decrease) in liabilities:	
Trade creditors and accruals	(1,673)
Provisions	180
Deferred revenue	(200)
Net cash from operating activities	(734)

d. Cash balances not available for use

Total restricted cash at 30 June 2011 was $880k. The company provides bank guarantees as security for various suppliers. These guarantees are secured in turn by an equivalent value of term deposits placed with the relevant financial institution. The term deposits are held in the company's name and are restricted from use whilst the bank guarantees are on issue.

e. Non-cash financing activities

On 7 June 2010, ClubTelco Pty Ltd issued 100 fully paid ordinary shares and a further 1,848,317 fully paid ordinary shares for the purchase of assets from GoTalk Communications Pty Ltd on 10 June 2010. Refer as Note 17, 24 (b)

During the period, Eftel issued 603,529,130 fully paid ordinary shares, consideration for the acquisition of ClubTelco Pty Ltd, which become a wholly owned subsidiary representing a reverse acquisition. Refer Note 17, 24 (c)

40,225,261 fully paid ordinary shares have been issued for the conversion of a $500,000 loan as approved by shareholders on 29 June 2011. Refer Note 17.

7. Remuneration of auditors

	2011 $
Audit or review of the financial report	
Deloitte Touche Tohmatsu[1]	-

[1] Eftel Limited incurred $134,250 (2010: $70,180) for audit fees with Deloitte Touche Tohmatsu.

8. Current trade and other receivables

	2011 $'000
Trade receivables[1]	6,953
Allowance for doubtful debts	(4,030)
	2,923
Other receivables:	
Other	32
	32
	2,955
Ageing of past due but not impaired	
30 - 60 days	902
60 - 90 days	674
90+ days	378
Total	1,954
Movement in the allowance for doubtful debts	
Acquisition through business combination	1,908
Movement in the allowance for doubtful debts	2,122
Unwind of discount	-
Balance at the end of the year	4,030
Age of impaired trade receivables	
60 - 90 days	24
90+ days	4,006
Total	4,030

[1] Trade receivables are generally on 10 to 30 day terms and other receivables are generally on 30 day terms. A provision has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past recovery experience.

The concentration of credit risk is reduced due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

Trade receivables greater than 30 days are assessed and then provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience. All other customers where evidence exists to suggest that the collection of the receivable is in question will be provided for to the extent that the Consolidated Entity believes that the balance is irrecoverable.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Consolidated Entity does not hold any collateral over these balances.

9. Other current assets

	2011 $'000
Accrued revenue	452
Prepayments	240
Other	476
	1,168

10. Property, plant and equipment

	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Total $'000
Gross carrying amount				
Incorporation at 7 June 2010	-	-	-	-
Additions	65	124	-	189
Acquisitions through business combinations (note 25)	1	451	98	550
Balance at 30 June 2011	66	575	98	739
Accumulated depreciation/ amortisation and impairment				
Incorporation at 7 June 2010	-	-	-	-
Depreciation expense	(6)	(14)	-	(20)
Balance at 30 June 2011	(6)	(14)	-	(20)
Net book value				
As at 30 June 2011	60	561	98	719

11. Goodwill

	2011 $'000
Net book value	
Balance at beginning of period	-
Additional amounts recognised from business combinations occurring during the period (note 24)	15,992
Impairment losses for the year	-
Balance at end of period	15,992

At 30 June 2011, the deemed acquisition of Eftel resulted in goodwill being provisionally recognised under AASB 3 Business Combinations and no impairment test was conducted at that point as the acquisition occurred on 30 June 2011.

Allocation of goodwill to cash-generating units

Goodwill has been allocated to one individual cash-generating unit being the national telecommunications network, through which all revenue is generated. The company operates in one geographical region in one business segment being the telecommunications industry in Australia.

12. Other intangible assets

	Software $'000	Customer Bases $'000	Total $'000
Gross carrying amount			
Incorporation at 7 June 2010	-	-	-
Additions	28	-	28
Acquisitions through business combinations (note 25)	72	107	179
Balance at 30 June 2011	100	107	207
Accumulated amortisation and impairment			
Incorporation at 7 June 2010	-	-	-
Amortisation expense	(2)	-	(2)
Balance at 30 June 2011	(2)	-	(2)
Net book value			
As at 30 June 2011	98	107	205

13. Current trade and other payables

	2011 $'000
Trade payables[1 2]	7,143
Sundry creditors and accrued expenses[2]	2,784
Other payables	330
	10,257

[1]Terms of major suppliers are typically 30-60 days.
[2] Refer to Note 27 for related party trade and other payables.

14. Borrowings

Current	
Secured- at amortised cost	
Obligations under finance leases and hire purchase contracts (note 22)	80
Loans from related parties (Refer to note 27)	2,864
Vendor financing facilities[1]	277
	3,221
Unsecured- at amortised cost	
Other loans	130
	3,351
Non-current	
Secured- at amortised cost	
Other Loans	30
Loans from related parties (Refer to note 27)	932
	962

[1] Secured by equipment at a fixed rate between 12% per annum. This amount is due in equal monthly instalments over the period from July 2011 until October 2011

15. Provisions

	2011 $'000
Employee benefits[1]	706
Onerous contracts[2]	4,295
	5,001
Current	2,995
Non-current	2,006
	5,001

[1] The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees.
[2] The provision for onerous contracts represents the present value of the future payments that the Consolidated Entity is presently obligated to make under non-cancellable onerous contracts, less revenue expected to be earned. The unexpired term of the contract is 2 years.

16. Other current liabilities

	2011 $'000
Deferred revenue	2,168
	2,168

17. Issued capital

	2011 $'000
1,062,501,255 fully paid ordinary shares (2010: 249,458,707)	6,476
	6,476

Movement in ordinary shares on issue	$'000
Incorporation at 7 June 2010	-
Issue of shares on 10 June 2010 (note 25a)	242
Issue of shares under business combination on 30 June 2011 (note 25)	3,652
Issue of shares on 30 June 2011	2,100
Conversion of loan to shares on 30 June 2011	500
Share issue costs	(18)
At 30 June 2011	6,476

On 30 June 2011, ClubTelco Pty Ltd completed a reverse acquisition of Eftel Limited under AASB3 "Business Combinations". Details of the accounting treatment applied for the acquisition is set out in Note 2 and details of the acquisition are set out in Note 24. The issued capital and share options below are that of the legal parent entity, Eftel Limited.

	No.
At 1 July 2009	166,697,664
Issue of shares under employee share option plan	58,491
Issue of shares	82,702,552
At 1 July 2010	249,458,707
Issue of shares under business combination (note 25)	603,529,130
Issue of shares on 30 June 2011	209,213,418
At 30 June 2011	1,062,201,255

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

There are no options issued in the current period or outstanding at 30 June 2011.

18. Accumulated profit

	2011 $'000
Balance at beginning of financial year	-
Net profit attributable to members of the parent entity	746
Dividends provided for	(746)
Balance at end of financial year	-

19. Earnings per share

	2011 Cents per share
Basic earnings per share:	
From continuing operations	0.124
Total basic earnings per share	0.124
Diluted earnings per share:	
From continuing operations	0.124
Total diluted earnings per share	0.124

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 $'000
Earnings	746

	2011
Weighted average number of ordinary shares for the purposes of basic earnings per share	603,529,130

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2011 $'000
Earnings	746

	2011
Weighted average number of ordinary shares used in the calculation of basic EPS	603,529,130
Weighted average number of ordinary shares used in the calculation of diluted EPS	603,529,130

There were no options on issue during the period.

20. Dividends

ClubTelco Pty Ltd declared dividends of $730k out of pre 30 June 2011 accumulated profits and this was payable to shareholder prior to the deemed acquisition of Eftel.

21. Contingent liabilities and contingent assets

The Directors are unaware of any contingencies at the date of this report.

22. Leases

Finance leases

Leasing arrangements

Finance leases relate to plant and equipment with lease terms of between 2 and 3 years. The borrowings on the finance leases are secured by the assets financed. The Consolidated Entity retains ownership of the plant and equipment at the conclusion of the lease agreement.

Finance lease liabilities

	2011	
	Minimum future lease payments **$'000**	**Present value of minimum future lease payments** **$'000**
No later than 1 year	80	80
Later than 1 year and not later than 5 years	-	-
Minimum lease payments[1]	80	80
Less future finance charges	-	-
Present value of minimum lease payments	80	80
Included in the financial statements as:		
Current borrowings (note 14)		80
Non-current borrowings (note 14)		-
		80

[1] Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

Operating leases relate to property with lease terms between 1 and 5 years. The majority of operating lease contracts contain market review clauses in the event that the Consolidated Entity exercises its option to renew. The Consolidated Entity does not have an option to purchase the property at the expiry of the lease period.

	2011 **$'000**
Non-cancellable operating leases contracted for but not capitalised in the financial statements	
Not longer than 1 year	338
Longer than 1 year and not longer than 5 years	243
	581

23. Subsidiaries

Detail of Eftel Ltd's subsidiaries at the end of the period are as follows:

Name of entity	Country of incorporation	Ownership interest 2011 %	Ownership interest 2010 %
Subsidiaries			
Datafast Telecommunications Pty Ltd	Australia	100%	100%
Datafast (Sites) Pty Ltd	Australia	100%	100%
Datafast (Melbourne Central) Pty Ltd	Australia	100%	100%
Business Technologies Pty Ltd	Australia	100%	100%
Network Technology Pty Ltd	Australia	100%	100%
Northvoice Communications Pty Ltd	Australia	100%	100%
VivaNET Pty Ltd	Australia	100%	100%
Viva.com Pty Ltd	Australia	100%	100%
Vivanet Australia Pty Ltd	Australia	100%	100%
Eftel More Than Broadband Pty Ltd	Australia	100%	100%
Tower.Net Pty Ltd	Australia	100%	100%
Spacenet Holdings Pty Ltd	Australia	100%	100%
Xcomm (WA) Pty Ltd	Australia	100%	100%
Q-Net Australia Pty Ltd	Australia	100%	100%
Quality Internet Services Pty Ltd	Australia	100%	100%
Eftel Radio Pty Ltd	Australia	100%	100%
Eftel Tasmania Pty Ltd	Australia	100%	100%
Southern Star Technologies Pty Ltd	Australia	100%	100%
Eftel Rural Pty Ltd	Australia	100%	100%
Keypoint Pty Ltd	Australia	100%	100%
Paradox Digital Pty Ltd	Australia	99.99%	99.99%
Planet Netcom Pty Ltd	Australia	100%	100%
Planet Netcom Radioworx Pty Ltd	Australia	100%	100%
M Power Technologies Pty Ltd	Australia	100%	100%
CGOC (Malaysia) Sdn Bhd	Malaysia	100%	100%
ClubTelco Pty Ltd	Australia	100%	0%

24. Acquisition of businesses

a. During the year, the Company acquired ClubTelco Pty Ltd. The consideration comprises issuance of 603,529,130 fully paid ordinary shares in Eftel Limited. Pursuant to Accounting Standard AASB3 'Business Combinations', this transaction represents a reverse acquisition with the result that ClubTelco Pty Ltd was identified as the acquirer of Eftel Limited (the "acquiree" and "legal parent"). The Eftel group is deemed to be acquired by ClubTelco Pty Ltd at 30 June 2011 for reporting purposes. The principal business of the acquired business is internet service provision. The Consolidated Entity has paid a premium for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations.

The net assets acquired in the businesses and the goodwill arising, are as follows:

		Eftel	
2011	**Carrying Value**	**Fair value adjustment**	**Recognised on acquisition**
Net assets acquired	**$'000**	**$'000**	**$'000**
Net assets acquired:			
Trade and other receivables	691		691
Other current assets	668		668
Assets held for sale	4,912		4,912
Property, plant and equipment	550		550
Deferred tax assets	4,226	(3,422)	804
Goodwill	10,346	(10,346)	-
Intangible assets – software	72		72
Intangible assets – customer base	670	(563)	107
Trade and other payables	(9,132)		(9,132)
Deferred revenue	(1,396)		(1,396)
Provisions	(4,819)		(4,819)
Conversion loan	(500)		(500)
Other borrowings	(4,313)		(4,313)
	1,975	(14,331)	(12,356)
Consideration			3,636
Goodwill on Acquisition			15,992

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit from synergies, revenue growth, future market development and the assembled workforce of the Eftel Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period as the acquisition occurred on the last day of the reporting period.

Had these business combinations been effected at 1 July 2010, the revenue of the Consolidated Entity from continuing operations would have been $56.241m.

b. On 10 June 2010, ClubTelco Pty Ltd acquired business assets from Gotalk Communications Pty Ltd, which was the parent entity of ClubTelco Pty Ltd at that point in time. As this was a transaction amongst common owned companies, this was exempted from the business combination standard and the assets were transferred at the carrying amount at the date of the transaction. Shares issued were deemed to be issued for a consideration of $242k to reflect the carrying amount of identifiable assets transferred by Gotalk Communications Pty Ltd, which related to inventory.

25. Financial Instruments

a. Capital risk management

The Consolidated Entity manages its capital to ensure that entities in the Consolidated Entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in notes 17 and 18 respectively.

The Consolidated Entity operates its capital in a manner such that surplus cash is used to reduce debts to lower costs and increase profit, or the acquisition of competitor businesses, to increase revenue and profit.

Operating cash flows are used to maintain and expand the Consolidated Entity's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

The Consolidated Entity's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

None of the Consolidated Entity's entities are subject to externally imposed capital requirements.

Gearing ratio

The Consolidated Entity's Audit Committee and Board of Directors reviews the capital structure numerous times throughout the year. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

	2011 $'000
Financial assets	
Debt[i]	4,313
Cash and cash equivalents	(1,156)
Net debt	3,157
Equity[ii]	6,476
Net debt to equity ratio	48.7%

[i]Debt is defined as long-term and short-term borrowings, as detailed in note 14.

[ii]Equity includes all capital and retained earnings.

b. Categories of financial instruments

	2011 $'000
Financial assets	
Loans and receivables	2,955
Cash and cash equivalents	1,156
	4,111
Financial liabilities	
Trade Payables	9,904
Other Payables	330
Financial Leases	80
Other borrowings	4,233
	14,547

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables. The carrying amount reflected above represents the company's and the Consolidated Entity's maximum exposure to credit risk for such loans and receivables.

25. Financial Instruments (Con't)

c. Foreign currency risk management

The Consolidated Entity is exposed to foreign exchange fluctuations in relation to the purchase of network equipment (US Dollars) and the payment of customer support call centre staff in Malaysia (Malaysian Ringgit), and the payment of contracted support call centre in Philippines (Philippines Peso). Exchange rate exposures are managed within approved policy parameters.

Judgements of reasonably possible movements:

2011	Maximum Exposure A$'000	Foreign Exchange Movement +10% Profit $'000	+10% Equity $'000	-10% Profit $'000	-10% Equity $'000
Financial non-current liabilities					
Borrowings	277	25	25	(30)	(30)
Net Effect		(25)	(25)	30	30
Net Effect after Tax (rate of 30%)		(18)	(18)	21	21

d. Interest rate risk management

The company and the Consolidated Entity is exposed to minimal interest rate risk as it borrows funds at both fixed and variable interest rates. The risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and variable interest bearing liabilities. The Directors believe that as all interest bearing liabilities are not at risk of varying interest rates.

At 30 June 2011, the Consolidated Entity has $562,220 (2010: nil) of financial liabilities at risk to variable interest rate.

e. Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or Consolidated Entity of debtors under financial instruments entered into by the Consolidated Entity.

The Consolidated Entity's funds are deposit at reputable financial institutions.

f. Fair values

The carrying amount of cash, cash equivalents and short-term investments approximates fair value because of their short term to maturity. The carrying amount of trade receivables and trade payables approximate fair value.

The fair values of other loans and amounts due are recorded at the face value as the loans are subject to interest charges and agreed repayment schedules.

For other assets and other liabilities the fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets.

Refer to note 1(g) for the financial assets policies.

g. Liquidity risk management

The board of directors have ultimate responsibility for the management of liquidity risk. The Consolidated Entity manages the risk by maintaining adequate cash reserves and continuously monitoring cash flows and through the implementation of cash flow forecasts which are reviewed by the Board of Directors.

The following tables detail the company's and Consolidated Entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Consolidated Entity can be required to pay. The tables include both interest and principal cash flows:

2011	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months - 1 year $'000	1-5 years $'000	5+ years $'000	5+ years $'000
Non-interest bearing	-	-	10,234		-	-	-
Finance lease liabilities	12.30%	9	27	44	-	-	-
Fixed interest rate instruments	13.44%	17	51	547	3,057	-	-
Variable interest rate instruments	15.40%	34	102	271	155	-	-
		60	10,414	862	3,212	-	-

26. Asset for Sale

The Group intends to dispose of plant and equipment and anticipates that the disposal will be completed in the next 6 months. The major classes of assets and liabilities of the business are as follows:

	2011 $'000
Property, plant and equipment	4,912
Assets held for sale (note 24)	4,912
Other payables	153
Borrowings	2,567
Liabilities associated with assets held for sale	2,720
Net assets classified as held for sale	2,192
Amounts recognised directly in equity associated with assets held for sale	-

The asset for sale was acquired as part of the business combination disclosed in Note 24.

27. Related party disclosures

a. Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

b. Key management personnel

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report in the Directors' Report designated as audited.

The aggregate compensation of the key management personnel of the Consolidated Entity and company is set out below:

	2011 $
Short-term employee benefits	**339,191**
Post-employment benefits	**31,725**
Share-based payment	**-**
Total	**370,916**

c. Loan disclosures

Eftel Limited did not provide any loan facilities to directors or executives during the year.

d. Other transactions with directors and key management personnel:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The profit from operations includes the following items of revenue and expense that resulted from transactions with key management personnel or their related entities:

	2011 $
Consolidated profit including the following expenses arising from transactions with key management personnel of the Group or their related parties:	
Other telecommunication expenses	
Acquire Asia Pacific Pty Ltd[3]	**52,871**
Acquire Asia Pacific Manila Inc.[4]	**1,527,967**
Dodo Wholesale Pty Ltd[1]	**14,169,589**
Infinite Rewards Pty Ltd[2]	**25,843**
	15,776,270

27. Related party disclosures (Con't)

	2011 $
Total liabilities arising from transactions other than compensation with key management personnel or their related parties:	
Trade & other payables	
Acquire Asia Pacific Pty Ltd[3]	-
Acquire Asia Pacific Manila Inc.[4]	136,053
Dodo Wholesale Pty Ltd[1]	1,999,828
Infinite Rewards Pty Ltd[2]	25,843
	2,161,724
Borrowings	
The Carnarvon Trust[6]	500,000
The Carnarvon Trust[7 8]	426,623
Dodo Wholesale Pty Ltd[5]	2,250,000
Jenesta Pty Ltd ATF Aurora Property Trust[10]	562,220
John Raftis[11]	56,893
Mr Scott Stavretis[9]	-
	3,795,736

[1] Dodo Wholesale Pty Ltd is a division of Dodo Australia Pty Ltd. Mr Larry Kestelman and Mr Michael Slepoy are directors of these companies. Dodo Wholesale Pty Ltd provides Internet and telecommunication services to ClubTelco Pty Ltd. Payment terms are 30 days. Dodo Australia Pty Ltd has provided extended terms to ensure the Consolidated Entity has sufficient cash resources.
All transactions between Dodo Wholesale Pty Ltd and Eftel during the year were at arms length.

[2] Infinite Rewards Pty Ltd is a company of which Mr Larry Kestelman and Mr Michael Slepoy are directors. Infinite Rewards Pty Ltd provides the Membership Rewards Programme to ClubTelco Pty Ltd. Payment terms are 30 days.

[3] Acquire Asia Pacific Pty Ltd is a company of which Mr Larry Kestelman And Mr Scott Stavretis are directors. Acquire Asia Pacific Pty Ltd provides professional services to ClubTelco Pty Ltd. Payment terms are 7 days.

[4] Acquire Asia Pacific Manila Inc. is a company of which Mr Larry Kestelman and Mr Scott Stavretis are directors. Acquire Asia Pacific Manila Inc provides call centre services to ClubTelco Pty Ltd. Payment terms are 30 days.

[5] Dodo Wholesale Pty Ltd is a company of which Mr Larry Kestelman and Mr Michael Slepoy are directors. Dodo Wholesale Pty Ltd has provided a loan of $2,250,000 to Eftel Ltd at an interest rate of 11.5%. The loan is secured by a fixed and floating charge over Eftel Ltd. This loan was renegotiated on 28 September 2011 and the repayments will commence in October 2012 and is fully repayable by October 2013.

[6] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld are Trustees for the Carnarvon Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. The loan is repayable by July 2014, has a fixed interest rate of 19.2%, and is secured against specified second hand plant and equipment. During the 2011 financial year interest and fees of $98,400 were paid by Eftel Ltd.

[7] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld are Trustees for the Carnarvon Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. The loan commenced 16 June 2011, is repayable by July 2013 and has a fixed interest rate of 19.2%. During the year interest and fees of $18,700.81 were paid by Eftel Ltd.

[8] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld have provided assets as security for the loan of Jenesta Pty Ltd ATF the Aurora Property Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. This facility carries a fixed interest rate of 11.5%. During the 2011 financial year interest and fees of $69,375.00 were paid by Eftel Ltd.

[9] A loan from Mr Scott Stavretis was provided on 16 May 2011 as part of a convertible loan agreement with a fixed interest rate of 19.2% and repayable in full by August 2011. The loan was settled in full on 30 June 2011 by the issue of 40,225,261 shares in Eftel Ltd as per the resolution passed by shareholders at General Meeting. During the 2011 financial year interest of $7,101.37 was accrued by Eftel Ltd.

[10] A secured loan from Jenesta Pty Ltd (ATF Aurora Property Trust), of which Mr Jurgen Steinert is a director provided at an average of 15.23% per annum. Mr Paul Rolfe is an investor in the Trust. This loan is repayable by 2013. During the 2011 financial year interest and fees of $110,817.05 were paid by Eftel Ltd.

[11] A loan from Mr John Raftis was provided on 23 April 2009 with a fixed interest rate of 19.2% and repayable in full by July 2013. The loan is secured against part of the customer base of the parent company. During the 2011 financial year interest and fees of $11,723.50 were paid by Eftel Ltd

27. Related party disclosures (Con't)

e. Key management personnel equity holdings

Number of shares in which Directors and other key management personnel have a direct or indirect interest:

	Balance 07/06/2010	Received as Remuneration	Shares issued as a result of Options exercised	Change in recognition of director/ executive holdings due to appointment, retirement or resignation	Net Change Other*	Balance 30/06/2011
Directors						
Simon Ehrenfeld[1]	46,922,388	-	-	-	475,000	47,397,388
Ilario Faenza	-	-	-	-	-	-
Paul Stevenage	150,000	-	-	-	-	150,000
Other key management personnel						
Vishal Bhalla	-	-	-	-	-	-
Luke Golledge	-	-	-	-	-	-
Larry Kestelman[2]	-	-	-	12,393	772,517,287	772,529,680
John Raftis	6,835,320	-	-	-	210,000	7,045,320
Paul Rolfe	4,069,066	-	-	-		4,069,066
Pauline Sabin	-	-	-	-	-	-
Michael Slepoy[3]	-	-	-	12,393	772,517,287	772,529,680
Scott Stavretis[4]	-	-	-	-	40,225,261	40,225,261
Jurgen Steinert	6,124,590	-	-	-	-	6,124,590
Richard Swancott	612,792	-	-	-		612,792

* Net change other refers to shares purchased or sold during the financial year.

[1] Mr Simon Ehrenfeld is a director of Paradox Investments Pty Ltd and Northlink Holdings Pty Ltd, companies that held 26,162,786 and 5,161,892 shares in Eftel respectively.

[2] Mr Larry Kestelman ceased to be a director of ClubTelco Pty Ltd on 30 June 2011, at which time he held 12,393 shares in Eftel. Up until that time, the company was not a legal subsidiary of Eftel Ltd and therefore those shares were not required to be disclosed in the 2010 Annual Report.

[3] Mr Michael Slepoy ceased to be a director of ClubTelco Pty Ltd on 30 June 2011.

[4] Mr Stavretis was a key executive of ClubTelco Pty Ltd throughout the year and of Eftel Ltd from 14 April 2011. In addition it had been agreed during the 2010-11 year that Mr Stavretis would at a point in time during the 2011-12 year become a Director. The issue of shares to Mr Stavretis was approved by shareholders on 29 June 2011. The loan of $500,000 was converted into shares on 30 June 2011.

f. Number of Options in which Directors and other key management personnel have either a direct or indirect interest:

There was no Options issued or held by the Directors and the key management personnel.

g. Parent entity and controlling party

The immediate parent and ultimate controlling party respectively of the Group are ClubTelco Australia Pty Ltd and Capri Holdings Number 6 Pty Ltd as Trustree for the Kestelman Family Trust No.6.

28. Parent entity (Eftel Limited) disclosures

	2011 $'000	2010 $'000
Financial Position		
Assets		
Current assets	10,569	1,574
Non-current assets	16,986	23,794
Total assets	27,555	25,368
Liabilities		
Current liabilities	14,268	9,744
Non-current liabilities	962	2,932
Total liabilities	15,230	12,676
Net assets	12,325	12,692
Equity		
Issued capital	50,004	39,920
Accumulated profit/ (loss)	(37,679)	(27,228)
Total equity	12,325	12,692
Financial performance		
Profit for the year	(10,451)	(1,800)
Other comprehensive income	-	-
Total comprehensive income	(10,451)	(1,800)
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	-	-
Contingent liabilities of the parent entity		
	-	-
Commitments for the acquisition of property, plant and equipment by the parent entity		
Plant and equipment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

29. Subsequent events

On 23 August 2011, Eftel announced the acquisition of wholesale telecommunications service provider Platform Networks Pty Ltd. The consideration is up to $150k in staged payments and is dependent upon the meeting of performance targets in the continuing Platform Networks business.

The business has a working capital deficiency which has been supported by a line of credit with Dodo Wholesale Pty Ltd for $1.5M repayable in August 2013.

As at the date of issue management have accounted for the acquisition on a provisional basis. The net assets acquired in the business and the goodwill arising are as follows:

	Platform Networks		
2011		**Fair value adjustment**	**Recognised on acquisition**
Net assets acquired	**$'000**	**$'000**	**$'000**
Net assets acquired:			
Cash & cash equivalents	26		26
Trade and other receivables	1,531		1,531
Property Plant & Equipment	567		567
Intangible Assets - Software	140		140
Trade and other payables	(2,459)		(2,459)
Provisions	(2)		(2)
Borrowings	(400)		(400)
	(597)	-	(597)
Consideration			150
Goodwill on Acquisition			747

The directors declare that:

a. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b. in the directors' opinion the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

c. in the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

d. the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On Behalf of the Directors

Simon Ehrenfeld

Director

Dated this 30th day of September 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Eftel Limited

Report on the Financial Report

We have audited the accompanying financial report of Eftel Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 50.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 Eftel Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Eftel Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion the Remuneration Report of Eftel Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 30 September 2011

Eftel Limited - Distribution of Holders of Equity Securities as at 15 September 2011

Size of Holding	Number of Shareholders	Number of Ordinary Fully Paid Shares
1 - 1,000	278	107,649
1,001 - 5,000	198	511,651
5,001 - 10,000	216	1,694,360
10,001 - 100,000	487	16,749,806
100,001 - 9,999,999,999	178	1,043,137,789
Total	1,357	1,062,201,255

Unmarketable Parcels

The number of shares held in shareholdings with less than marketable parcels is 5,720,126.

Eftel Ltd - Substantial Shareholders as at 15 September 2011

Substantial Holder	Shares at time of notification	Voting Power at time of notification	Notification
ClubTelco Australia Pty Ltd	772,529,680	72.73%	Substantial Shareholder Notice dated 04/07/2011
Cannes Management Pty Ltd	772,529,680	72.73%	Substantial Shareholder Notice dated 04/07/2011
MIS Investments Pty Ltd	772,529,680	72.73%	Substantial Shareholder Notice dated 04/07/2011

* ClubTelco Australia Pty Ltd (603,529,130 shares), Cannes Management Pty Ltd (113,222,065 shares) and MIS Investments Pty Ltd (55,766,092 shares) are associated parties.

Eftel Limited - Top 20 Shareholders as at 15 September 2011

Rank	Shareholder		Number of ordinary full paid shares	% of issued ordinary capital held
1.	CLUBTELCO AUSTRALIA PTY LTD		603,529,130	56.82%
2.	CANNES MANAGEMENT PTY LTD	KESTELMAN FAMILY NO.2	113,234,458	10.66%
3.	MIS INVESTMENTS PTY LTD	SLEPOY FAMILY NO.3	55,766,092	5.25%
4.	QUOIN (INT) LIMITED		42,772,878	4.03%
5.	STAV NOMINEES PTY LTD	STAVRETIS FAMILY	40,225,261	3.79%
6.	PARADOX INVESTMENTS PTY LTD		26,162,786	2.46%
7.	MR SIMON EHRENFELD		16,072,710	1.51%
8.	JASFORCE PTY LTD		10,100,000	0.95%
9.	NETNODE PTY LTD		9,400,000	0.88%
10.	MR LUKE MACKINNON		6,770,666	0.64%
11.	JENESTA PTY LTD	<THE STEINERT FAMILY A/C>	6,081,590	0.57%
12.	MR JEREMY COUSINS		5,854,250	0.55%
13.	NORTHLINK HOLDINGS PTY LTD	<PARADOX INVESTMENTS S/F A/C>	5,161,892	0.49%
14.	MRS NORMA ROSINA EHRENFELD		4,678,410	0.44%
15.	MR JOHN FRANKLYN LANE		4,587,601	0.43%
16.	MR PAUL ALEXANDER ROLFE		4,069,066	0.38%
17.	MR JOHN ROBERT RAFTIS		3,925,920	0.37%
18.	CONCEPTUAL INTERNET AUSTRALIA PTY LTD		3,925,000	0.37%
19.	SAVCRETE PTY LTD	<SEARLE SUPER FUND A/C>	2,955,866	0.28%
20.	TENDWORD PTY LTD	<DAVID FAWCETT SUP PLAN A/C>	2,750,000	0.26%
	Total Top 20 Shareholders		**968,023,576**	**91.13%**
	Total Number of Issued Ordinary Shares		**1,062,201,255**	**100.00%**

eftel LIMITED

1141 Hay Street, West Perth, WA 6005
Tel. 1300 550 550 Fax. 1300 368 200
www.eftel.com.au