



 **TEL.PACIFIC**<sup>TM</sup>  
**2013**  
**ANNUAL REPORT**

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Dear Shareholder,

On behalf of the Board of Tel.Pacific Limited, I am pleased to present the Annual Report for the 2013 financial year. As we mentioned last year, the Company incurred a number of one off costs to realise the anticipated profitability from its merger with Gotalk. I am happy to announce that the anticipated synergies have now largely been achieved.

Revenue for this financial year increased to \$81.1 million. Reported EBITDA was \$6.5 million, up from a loss of \$1.6 million from the previous year, or a change of 500%. Reported NPAT was \$3.8 million compared to a loss of \$7.1 million last financial year.

As an outstanding matter associated with the acquisition of gotalk in December 2011, the Company was able to agree to the sale of the gotalk wholesale business to Symbio Wholesale Pty Limited on 14 December 2012. Also on that date, the Company reached a settlement with the previous gotalk shareholders which resulted in the repurchase and subsequent cancellation of 13% of the Company's issued shares owned by those shareholders for no consideration. In addition, the Company's outstanding loan notes to former gotalk shareholders were reduced by \$1.3 million.

More recently, the Company signed a three year rental agreement with a major Australian carrier for the use of the MRTM Platform. The agreement allows the carrier and our mobile business to run side by side to further expand the scale of the platform. This will bring an increase in revenue, and cost savings as part of this deal, which will be realised in financial year 2014.

The Annual Report shows a robust operating and financial performance achieved in an increasingly challenging environment. The Company continues to be well-positioned to capitalise on opportunities that come in the current market.

As a shareholder myself and on behalf of the board, I would like to thank you for your continued support. I am looking forward to reporting for the next financial year.

Yours sincerely,



Greg McCann  
Chairman

## CEO and Managing Director's Review

Another financial year has come and gone, and I am delighted to report to you the results of our operations over the year.

The financial year saw the Company focus on maintaining its existing revenues and reducing costs, to build a solid platform which the Company can use to compete and maintain its competitive edge in a very tight market. Entrants in the pre-paid industry are continuing to offer their services at or below cost. However, the Company remains in a good position to be able to capitalise on its strengths and focus on more profitable services in the face of this competition.

### **GOTALK CONSOLIDATION**

Last financial year, the Company decided to expedite the capture of synergies from the gotalk acquisition and realise future profitability, paying a number of once off costs to streamline the gotalk and Tel.Pacific businesses. While there is still pressure on our calling card revenues as the Company further consolidates the broad range of products and services brought about through the acquisition, we are at the stage where the consolidation of products and back end operations is near completion. This should stabilise existing revenues.

### **CALLING CARDS and MOBILE**

Our calling card business remains the largest in Australia and New Zealand. As such, calling cards remain the profit driver of the business, while we are building a critical mass of customers for our mobile business. The introduction of new and innovative mobile plans into the market has resulted in increased profit margins. The aim is to continue building on the mobile business while maintaining the profitability of the calling card business.

### **MOBILE REAL TIME MANAGEMENT PLATFORM (MRTM)**

In a good result, the profitability of the MRTM platform has been secured for the near term - with the signing of a major carrier for the rental of the MRTM IP for a period of three years. This has resulted in upgrading to new all MRTM hardware components and further reinforcing geographical redundancy throughout the platform.

To provide the necessary know-how in support and maintenance, a software company has been contracted to manage this process as well as the development and support of the platform for expansion and growth.

### **FOCUS**

The Company has historically operated mainly in the pre-paid space. However, in the coming year, products by the Company will be rolled out to cater to more post-paid services. Furthermore, other post-paid services will be derived from what the Company does best - by enhancing its existing product lines. By using our existing channels and our call centres, the Company will explore new revenue streams in the coming year.

### **CONCLUSION**

I would like to take this opportunity to thank all those who have been involved with Tel.Pacific and gotalk over the past year. We have greatly appreciated the work put in by our retail outlets, our suppliers, the management team, the Board of Directors and our colleagues to provide better value for our shareholders in the long run.



Chiao-Heng (Charles) Huang  
CEO and Managing Director

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

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

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

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

**Chiao-Heng (Charles) Huang** B Eng  
Managing Director and Chief Executive Officer  
Appointed 28 February 1996

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

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

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

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

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

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

## Board of Directors

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

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

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

**Stephe Wilks** B Sc, LL.M  
Non-Executive Director  
Appointed 2 April 2007

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

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

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

Your directors present their report on the consolidated entity consisting of Tel.Pacific Limited (the Company) and the entities it controlled during the year ended 30 June 2013.

**Directors**

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

Greg McCann	Chairman (Non-executive)
Chiao-Heng (Charles) Huang	Managing Director, Chief Executive Officer
Barry Chan	Director, Chief Operating Officer
Jeffrey Ma	Director, Chief Financial Officer, Company Secretary
Stephe Wilks	Director (Non-executive)
Stephen Picton	Director (Non-executive) - resigned on 7 February 2013
Ian Solomon	Director (Non-executive) - resigned on 7 February 2013

**Company Secretary**

Nick Geddes FCA, FCIS

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

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

**Principal Activities**

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

**Operating Result for the Financial Year**

Operating revenue from continuing operations of \$81,148,771 (2012: \$78,788,253) was 3.0% above that reported for the previous year.

Earnings before interest expense, taxation, depreciation, amortisation and impairment (EBITDA) from continuing operations were \$6,505,106, up from the previous year loss of (\$1,625,482). Net profit from continuing operations after tax was \$3,841,814, up 154.0% compared to the loss in the previous year of (\$7,115,249).

**Review of Operations**

\$000's	Year ended 30 June 2012	Year ended 30 June 2012 (Underlying Result <sup>(1)</sup> )	Year ended 30 June 2013	Year ended 30 June 2013 (Underlying Result <sup>(2)</sup> )	% Change of Underlying Result on PCP
Revenue	78,788	78,788	81,149	81,149	3.0%
EBITDA	(1,625)	136	6,505	4,689	3347.9%
NPAT	(7,115)	(1,119)	3,842	2,026	281.0%

<sup>(1)</sup> Reported FY2012 EBITDA of (\$1.6 million) and NPAT of (\$7.1 million) have been adjusted for non-recurring items in relation to one off restructuring costs of \$2.1 million, net gain from sales of Melbourne office of \$0.3 million and goodwill impairment losses of \$4.8 million.

<sup>(2)</sup> Reported FY2013 EBITDA of \$6.5 million and NPAT of \$3.8 million have been adjusted for non-recurring items totalling \$1.8 million resulting from the settlement of issues associated with the acquisition of the gotalk business in December 2012.

## Directors' Report

Revenue of the consolidated entity for the year increased to \$81.1 million, up 3.0% compared to the previous corresponding period (PCP), attributable to increased revenue from the gotalk business acquired in December 2011.

Gross profit of the consolidated entity increased to \$20.5 million (up 20.0% over the previous year), attributable to the improvement in overall gross margin from 21.6% to 25.2%, up 3.6%. The improvement largely came from the increase in the Australian calling card margin, offset by a lower margin in New Zealand resulting from a substantial increase in carrier costs.

Earnings before interest expense, taxation, depreciation and amortisation (EBITDA) and the net profit after tax (NPAT) of the consolidated entity for the year ended 30 June 2013 increased from (\$1.6 million) to \$6.5million, (up 500.2% over the PCP) and from (\$7.1 million) to \$3.8 million, (up 154.0% over the PCP) respectively.

On 14 December 2012, the Company reached settlement with the previous gotalk shareholders (including the key former executives) of all outstanding issues associated with the acquisition of the gotalk business in December 2011. The agreement resulted in the cancellation of the Company's shares issued and to be issued to the previous gotalk shareholders for no monetary consideration and a reduction of the outstanding vendor note balance of \$1.3 million. At the time of the settlement agreement, the Group acquired the wholesale business of gotalk Pty Limited and subsequently disposed of it on the same day. No consideration was paid for the acquisition resulting in a net gain of \$0.5 million, recognised in 'other income' and no gain or loss arose on disposal. Further details of the acquisition and disposal are provided in Notes 2 and 24 to the consolidated financial statements.

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

Excluding the non-recurring item of \$1.8 million, underlying EBITDA and NPAT would have been \$4.7 million (up 3,347.9% over the PCP) and \$2.0 million (up 281.0% over the PCP) respectively.

The remaining office of gotalk in the Gold Coast was closed down following expiry of the lease on 31 May 2013 and fixed assets which were no longer required were written off via accelerated depreciation (totalling \$0.4 million).

The total cash balance and bank deposits which were held as security for bank facilities amounted to \$5.0 million as at 30 June 2013, while borrowings stood at \$3.8 million (reduced by \$5.3 million compared to the last financial year of \$9.1 million).

### Dividends

No dividend was declared for the year ended 30 June 2013.

### Significant Changes in State of Affairs

On 28 March 2013, a special resolution for approval of a Selective Buy Back Agreement was passed at a general meeting to cancel 16,052,818 shares, following the repurchase of these shares under the Payment and Settlement Agreement with certain previous gotalk shareholders, dated 14 December 2012. The total shares on issue after the cancellation was 107,212,146. Of the total of 16,078,039 shares repurchased, 25,221 shares which were repurchased after the general meeting were transferred to Tel.Pacific ESOP Pty Limited.

Effective from 1 April 2013, all retail business and assets of gotalk Pty Limited have been transferred to Tel.Pacific Limited as part of corporate restructuring to consolidate the group's telephony products and services.

### Significant Events After Balance Date

On 11 July 2013, the Company entered into a Master Software and Services Supply Agreement with Vodafone Hutchison Australia Pty Limited in connection with a rental arrangement to use the Mobile Real Time Management Platform.



## Future Developments and Expected Results

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

## Environmental Issues

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

## Directors' Securities Holdings

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

Director	Number of Ordinary Shares
Greg McCann	614,200
Chiao-Heng (Charles) Huang	43,890,173
Barry Chan	8,469,116
Jeffrey Ma	3,678,223
Stephe Wilks	750,000

See Note 25 to the consolidated financial statements for further details.

## Employees

The consolidated entity employed 109 full time equivalent employees as of 30 June 2013 (2012: 132).

## Directors' Meetings

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

Number of Meetings	Board Meetings	Audit and Risk Committee	Remuneration and Nomination Committee
	Attend / Held <sup>(1)</sup>	Attend / Held <sup>(1)</sup>	Attend / Held <sup>(1)</sup>
Greg McCann	12 / 12	1 / 1	2 / 2
Chiao-Heng (Charles) Huang	12 / 12	n/a	2 / 2
Barry Chan	10 / 12	n/a	n/a
Jeffrey Ma	12 / 12	n/a	n/a
Stephe Wilks	12 / 12	1 / 1	2 / 2
Stephen Picton <sup>(2)</sup>	6 / 7	n/a	n/a
Ian Solomon <sup>(2)</sup>	7 / 7	n/a	n/a

<sup>(1)</sup> Number of meetings held while a director or a member.

<sup>(2)</sup> Resigned on 7 February 2013.

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

## Directors' Report

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

Members acting on the committee of the Board were:

### **Audit and Risk Committee**

Stephe Wilks (Chairman)

Greg McCann

### **Remuneration and Nomination Committee**

Greg McCann (Chairman)

Chiao-Heng (Charles) Huang

Stephe Wilks

## **Indemnification and Insurance of Directors and Officers and Auditors**

The entity has entered into a directors' & officers' insurance contract on 30 October 2012 for the purpose of insuring against any liability that may arise from the directors carrying out their duties and responsibilities in their capacity as officers of the Company. The amount of the premium was \$36,071.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an auditor of the entity or of any related body corporate against a liability incurred as such an auditor.

## **Remuneration Report (Audited)**

### **Details of Directors and Executives**

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

#### **Directors**

Greg McCann

Chairman (Non-executive)

Chiao-Heng (Charles) Huang

Managing Director, Chief Executive Officer

Barry Chan

Director, Chief Operating Officer

Jeffrey Ma

Director, Chief Financial Officer, Company Secretary

Stephe Wilks

Director (Non-executive)

Steve Picton

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

Ian Solomon

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

#### **Executives**

Bing Zhou

Sales Director - effective 1 July 2012

Charles Hsieh

Marketing Director

Gang Gu

Head of Information System - effective 1 July 2012

Gavin Mattig

Group Human Resources Manager - ceased employment on 26 February 2013

Huy Nguyen

Sales Director and New Zealand Country Manager

Peter Huang

Chief Technology Officer

### **Remuneration Policy**

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

### **Employee Share Ownership Plan**

The Employee Share Ownership Plan (ESOP) was approved by shareholders at the Annual General Meeting on 30 November 2009. This plan is intended to replace the previously approved Employee Option Plan (EOP) instituted on 23 May 2007, which the board believes is no longer as effective in light of proposed changes to the taxation of options in recipients hands.

The ESOP aims to motivate, retain and attract quality employees and directors of the Company to create a commonality of purpose between the employees and directors and the Company. The ESOP is operated by way of the Company issuing new shares to participants, with an amount equal to the subscription price for those shares being loaned to the participant by the Company. That loan is secured by the Company taking security over the shares which are subject to a holding lock period of ten years, and is interest free with recourse only to the shares. The loan is to be repaid over time by the participant (whether through dividends, specific payments to reduce the loan, or on sale of the underlying shares).

Shares issued under the ESOP will rank from the date of issue equally with the other shares in the Company then on issue.

#### ***Non-executive Director Remuneration***

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

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

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

Non-executive directors are eligible to be granted shares under the Employee Share Ownership Plan.

#### ***Executive Director and Executives Remuneration***

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

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

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

Executive directors and executives are eligible to be granted shares under the Employee Share Ownership Plan.

## Directors' Report

### Remuneration of Directors and Executives

The following tables set out the remuneration received by the directors and executives of the Company during the financial years ended 30 June 2013 and 30 June 2012.

2013	Short Term Benefits			Post	Long	Other	Total
	Salary and Fees	Cash Benefits <sup>(8)</sup>	Non-Cash Benefits	Employment	Term Benefits		
	\$	\$	\$	Super-annuation	Accrued Leave Entitlement	Termination Benefits	\$
	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Greg McCann	66,150	-	-	5,954	-	-	72,104
Chiao-Heng (Charles) Huang	305,000	-	-	25,000	11,472	-	341,472
Barry Chan	195,000	-	-	25,000	7,350	-	227,350
Jeffrey Ma	194,999	-	-	25,000	7,764	-	227,763
Stephe Wilks <sup>(1)</sup>	62,364	-	-	-	-	-	62,364
Steve Picton <sup>(3) (6)</sup>	114,258	-	-	2,408	-	-	116,666
Ian Solomon <sup>(4) (7)</sup>	203,463	-	-	2,408	-	-	205,871
<b>Executives</b>							
Bing Zhou	107,710	-	4,708	9,694	-	-	122,112
Charles Hsieh	108,808	3,846	4,708	10,193	4,499	-	132,054
Gang Gu	123,749	24,038	-	13,301	-	-	161,088
Gavin Mattig <sup>(5)</sup>	73,444	8,462	-	8,324	-	62,088	152,318
Huy Nguyen	112,199	7,692	4,676	10,790	2,675	-	138,032
Peter Huang	120,000	-	4,884	10,800	3,727	-	139,411
	<b>1,787,144</b>	<b>44,038</b>	<b>18,976</b>	<b>148,872</b>	<b>37,487</b>	<b>62,088</b>	<b>2,098,605</b>

2012	Short Term Benefits			Post	Long	Other	Total
	Salary and Fees	Cash Benefits <sup>(8)</sup>	Non-Cash Benefits	Employment	Term Benefits		
	\$	\$	\$	Super-annuation	Accrued Leave Entitlement	Termination Benefits	\$
	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Greg McCann	66,150	-	-	5,953	-	-	72,103
Chiao-Heng (Charles) Huang	237,282	96,684	-	25,000	37,889	-	396,855
Barry Chan	171,510	-	-	19,142	13,523	-	204,175
Jeffrey Ma	138,246	43,987	18,099	50,000	5,245	-	255,577
Stephe Wilks <sup>(1)</sup>	62,364	-	-	-	-	-	62,364
Ilario Faenza <sup>(2)</sup>	4,005	-	-	-	-	-	4,005
Steve Picton <sup>(3)</sup>	244,100	-	10,425	17,052	-	512,167	783,744
Ian Solomon <sup>(4)</sup>	145,750	-	-	7,827	-	185,870	339,447
<b>Executives</b>							
Charles Hsieh	91,995	-	2,466	8,359	4,413	-	107,233
Gavin Mattig	109,761	29,615	-	12,628	1,640	-	153,644
Huy Nguyen	92,218	3,076	3,420	8,576	3,871	-	111,161
Peter Huang	120,000	-	-	10,800	(1,091)	-	129,709
	<b>1,483,381</b>	<b>173,362</b>	<b>34,410</b>	<b>165,337</b>	<b>65,490</b>	<b>698,037</b>	<b>2,620,017</b>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed Remuneration		Performance	
	2013	2012	2013	2012
<b>Directors</b>				
Greg McCann	100%	100%	0%	0%
Chiao-Heng (Charles) Huang	100%	100%	0%	0%
Barry Chan	100%	100%	0%	0%
Jeffrey Ma	100%	100%	0%	0%
Stephe Wilks	100%	100%	0%	0%
Ilario Faenza	n/a	100%	n/a	0%
Steve Picton	100%	100%	0%	0%
Ian Solomon	100%	100%	0%	0%
<b>Executives</b>				
Bing Zhou	93%	n/a	7%	n/a
Charles Hsieh	92%	94%	8%	6%
Gang Gu	100%	n/a	0%	n/a
Gavin Mattig	100%	100%	0%	0%
Huy Nguyen	91%	95%	9%	5%
Peter Huang	100%	100%	0%	0%

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

<sup>(2)</sup> Director fees were paid to Aggregato Pty Ltd, for procuring the services of Ilario Faenza to act as a director. Aggregato Pty Ltd is responsible for Ilario Faenza's employment expenses, including statutory superannuation. Ilario Faenza resigned as director on 26 July 2011.

<sup>(3)</sup> Stephen Picton was appointed as director on 30 January 2012 and his salary was paid as an executive. He became a non-executive director on 30 June 2012 and resigned on 7 February 2013.

<sup>(4)</sup> Ian Solomon was appointed as director on 30 January 2012 and his salary was paid as an executive. He became a non-executive director on 30 June 2012 and resigned on 7 February 2013.

<sup>(5)</sup> Ceased employment on 26 February 2013.

<sup>(6)</sup> The amount disclosed included consultancy payments to Steve Picton of \$87,500, which has been reported as a related party transaction. See Note 23.

<sup>(7)</sup> The amount disclosed included consultancy payments to Ian Solomon of \$176,705, which has been reported as a related party transaction. See Note 23.

<sup>(8)</sup> Cash benefits represented the payout of unused annual leave entitlements.

Other than 5,000,000 shares granted to employees and directors under the Employee Share Ownership Plan (ESOP) on 16 December 2009, no further ESOP shares were issued.

## Directors' Report

### Key Terms of Employment Agreements

Apart from the non-executive directors, all key management personnel are employed under standard company employment agreements. With the exception of the executive directors (where either party may terminate the agreement by giving a three months notice to the other), the notice period of standard company employment agreements is one month.

None of these agreements provide for termination conditions or payments. The board considers that the significant equity holding of executive directors mitigates any risk of not having formal termination clauses.

Any termination entitlements payable to the key management personnel would be considered in light of the relevant circumstances and would be determined after consideration of entitlements of common law rights.

### Company Performance, Shareholder Wealth and Director and Executive Remuneration

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

The following table shows gross revenue, profits and dividends over the last five years.

	2013	2012	(Restated) 2011	(Restated) 2010	(Restated) 2009
Revenue	\$81.15 m	\$78.79 m	\$60.14 m	\$54.15m	\$63.54 m
Profit/(Loss) after tax	\$3.84 m	(\$7.12 m)	(\$1.98 m)	\$1.05 m	\$1.77 m
Underlying profit/(loss) after tax	\$2.03 m	(\$1.12 m)	(\$1.98 m)	\$1.05 m	\$2.49 m
Share price at year end	\$0.06	\$0.04	\$0.06	\$0.14	\$0.09
Interim dividend	0.00 cents	0.00 cents	0.40 cents	0.40 cents	0.40 cents
Final dividend	0.00 cents	0.00 cents	0.00 cents	0.40 cents	0.40 cents

This concludes the Remuneration Report which has been audited.

### Proceedings on Behalf of Company

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

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

### Auditor's Independence Declaration

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

### Non-Audit Services

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

BDO East Coast Partnership received or is due to receive \$35,080 for the provision of tax services.

### Corporate Governance

The directors of the Company support and adhere to the principle of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. A review of the Company's corporate governance practices was undertaken during the year to ensure they remained optimal. Please refer to the corporate governance statement in this report.

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



Greg McCann  
Chairman



Chiao-Heng (Charles) Huang  
Managing Director

Dated this 26 August 2013

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

As lead auditor of Tel.Pacific Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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



**Paul Bull**  
Partner

**BDO East Coast Partnership**

Sydney, 26 August 2013

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The Company is committed to implementing standards of corporate governance consistent with the ASX Corporate Governance Council's second edition Corporate Governance Principles and Recommendations. Where the Company's corporate governance practices do not correlate with the Recommendations, the Company does not currently regard it appropriate to meet that specific Recommendation, due to the nature and size of the Company's operations. The Board's reasoning for any departure to the Recommendations is explained below.

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

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

## Corporate Governance Statement (unaudited)

	Best Practice Recommendations	Compliance	Comment
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies	The Corporate Governance Policy sets out the board function and composition, and this policy is available on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .
<b>3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Complies	<p>The Board has adopted a charter that formalises the roles and responsibilities of the Board.</p> <p>The Corporate Governance Policy provides that the company actively promote a set of values designed to assist all personnel in their dealings with each other, competitors, customers and the community.</p> <p>The Audit and Risk Committee overviews areas of risk in the company and provides further guidance on policies and practices required to assure confidence in the company's integrity.</p> <p>The company is committed to doing business honestly and fairly and competing on its merits and complying with all relevant laws and statutory obligations. The company has put in place a formal Trade Practices Compliance program.</p>
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Complies	The Company recognises the importance of diversity and values the competitive advantage that is gained from a diverse workforce. The Board has developed a Diversity Policy to establish measurable objectives for achieving gender diversity.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Complies	Objectives set in June 2013 to improve the proportion of women engaged by the group by the end of financial year 2015 were as follows: <ul style="list-style-type: none"> <li>- In the whole organisation: 45%</li> <li>- In senior executive positions (excluding executive directors): 25%</li> <li>- On the Board: 15%</li> </ul>
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Complies	As at 30 June 2013, the proportion of women engaged by the group were as follows: <ul style="list-style-type: none"> <li>- In the whole organisation: 42%</li> <li>- In senior executive positions (excluding executive directors): 14%</li> <li>- On the Board: 0%</li> </ul>
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies	The Diversity Policy is available on the Company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .

	Best Practice Recommendations	Compliance	Comment
4	<b>Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee.	Complies	The Board has appointed an Audit and Risk Committee.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	Does not Comply	The Audit and Risk Committee comprises the two non-executive directors. The Chairman of the Audit and Risk Committee (Stephe Wilks) is not the Chairman of the Board.
4.3	The audit committee should have a formal charter.	Complies	The Audit and Risk Committee charter is set out in the company's Corporate Governance Policy.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Complies	The Corporate Governance Policy sets out the Audit and Risk Committee charter and this policy is available on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .
5	<b>Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies	<p>The company has a continuous disclosure program in place designed to ensure the factual presentation of the company's financial position.</p> <p>The Corporate Governance Policy provides that shareholders are to be kept informed of all major developments affecting the company's activities and state of affairs through announcements to the ASX.</p> <p>Given the size of the company and the skills of the Board, disclosure matters are ultimately reviewed by the Board following executive management advice and information.</p>
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complies	The Corporate Governance Policy is available on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .

## Corporate Governance Statement (unaudited)

	Best Practice Recommendations	Compliance	Comment
<b>6</b>	<b>Respect the rights of shareholders</b>		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complies	The company's Corporate Governance Policy provides that the Board is responsible for communicating with and protecting the rights and interests of all shareholders.  The policy includes a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the company's activities.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies	All relevant announcements made are placed on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> after they have been released to the ASX.
<b>7</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies	The Board has appointed an Audit and Risk Committee with responsibility for the effectiveness of risk management and internal compliance and control.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	A risk management framework program has been put in place to manage the company's material business and financial risks, and management is required to report periodically to confirm that those risks are being managed effectively.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	The Board requires the Chief Executive Officer and the Chief Financial Officer to make such a declaration in accordance with S295A of the Corporations Act 2001 at the relevant time.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complies	The Corporate Governance Policy sets out the internal control framework and this policy is available on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .

	Best Practice Recommendations	Compliance	Comment
<b>8</b>	<b>Encourage enhanced performance</b>		
8.1	The board should establish a remuneration committee.	Complies	The Board has appointed a Remuneration and Nomination Committee.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members.</li> </ul>	Complies	The Remuneration and Nomination Committee comprises the two independent non-executive directors and Chief Executive Officer. The chairman is Greg McCann.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	The company's constitution provides that the remuneration of non-executive directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$350,000 per annum.  Those remuneration arrangements are separate from those applicable to executive directors and senior executives; and non-executive directors do not participate in the company's performance incentive plan.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complies	The remuneration of all directors is disclosed in each year's Annual Report.  The Corporate Governance Policy sets out the remuneration guideline and this policy is available on the company's website at <a href="http://www.telpacific.com.au">www.telpacific.com.au</a> .

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Revenue</b>	2	81,148,771	78,788,253
Cost of sales		(60,687,807)	(61,740,307)
<b>Gross profit</b>		<u>20,460,964</u>	<u>17,047,946</u>
Other income	2	2,383,452	917,983
Operating expenses	3	(7,334,350)	(9,295,168)
Employee benefits expense		(9,004,960)	(10,296,243)
<b>Earnings before interest expense, taxation, depreciation, amortisation and impairment (EBITDA)</b>		6,505,106	(1,625,482)
Depreciation and amortisation	4	(1,676,204)	(1,229,837)
Impairment	4	-	(4,763,315)
<b>Earnings before interest expense and taxation (EBIT)</b>		<u>4,828,902</u>	<u>(7,618,634)</u>
Finance costs	4	(438,288)	(366,783)
<b>Profit/(loss) before income tax</b>		4,390,614	(7,985,417)
Income tax (expense)/benefit	5	(548,799)	870,168
<b>Profit/(loss) for the year after income tax</b>		<u>3,841,815</u>	<u>(7,115,249)</u>
<b>Other comprehensive income</b>			
<i>Amounts that may subsequently be transferred to profit or loss</i>			
Exchange differences on translating foreign operations		(44,789)	(9,970)
<b>Other comprehensive income for the period, net of tax</b>		<u>(44,789)</u>	<u>(9,970)</u>
<b>Total comprehensive income for the year</b>		<u>3,797,026</u>	<u>(7,125,219)</u>
Profit/(loss) attributable to: Members of Tel.Pacific Limited		<u>3,841,815</u>	<u>(7,115,249)</u>
Total comprehensive income attributable to: Members of Tel.Pacific Limited		<u>3,797,026</u>	<u>(7,125,219)</u>
<b>Earnings per share</b>		Cents	Cents
- Basic earnings per share	6	3.35	(6.16)
- Diluted earnings per share	6	3.32	(6.16)

The accompanying notes form part of these consolidated financial statements.

**Consolidated Statement of Financial Position**  
As at 30 June 2013



	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	2,902,033	4,148,588
Trade and other receivables	10	10,723,304	10,941,331
Inventories	11	132,074	495,470
Other assets	12	7,917,598	10,424,466
<b>Total Current Assets</b>		<u>21,675,009</u>	<u>26,009,855</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	14	1,775,721	3,124,714
Intangible assets	15	20,528,774	20,528,774
Deferred tax assets	5	3,689,085	4,689,695
<b>Total Non-Current Assets</b>		<u>25,993,580</u>	<u>28,343,183</u>
<b>TOTAL ASSETS</b>		<u>47,668,589</u>	<u>54,353,038</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	15,332,036	16,763,492
Borrowings	17	2,253,955	4,014,924
Short term provisions	18	1,192,992	3,221,337
Unearned revenue		20,005,634	20,932,974
<b>Total Current Liabilities</b>		<u>38,784,617</u>	<u>44,932,727</u>
<b>Non-Current Liabilities</b>			
Borrowings	17	1,566,049	5,090,909
Long term provisions	18	251,308	605,533
Deferred tax liabilities	5	1,109,968	1,564,248
<b>Total Non-Current Liabilities</b>		<u>2,927,325</u>	<u>7,260,690</u>
<b>TOTAL LIABILITIES</b>		<u>41,711,942</u>	<u>52,193,417</u>
<b>NET ASSETS</b>		<u>5,956,647</u>	<u>2,159,621</u>
<b>EQUITY</b>			
Issued capital	19	8,998,970	8,998,970
Reserves	20	485,550	681,567
Retained earnings		(3,527,873)	(7,520,916)
<b>TOTAL EQUITY</b>		<u>5,956,647</u>	<u>2,159,621</u>

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2011</b>	8,142,010	540,309	(405,667)	8,276,652
Loss for the year	-	-	(7,115,249)	(7,115,249)
Other comprehensive income	-	(9,970)	-	(9,970)
Total comprehensive income for the year	-	(9,970)	(7,115,249)	(7,125,219)
Shares issued as part of acquisition	856,960	-	-	856,960
Unissued shares relating to business combination	-	151,228	-	151,228
<b>Balance at 30 June 2012</b>	<u>8,998,970</u>	<u>681,567</u>	<u>(7,520,916)</u>	<u>2,159,621</u>
<b>Balance at 1 July 2012</b>	8,998,970	681,567	(7,520,916)	2,159,621
Profit for the year	-	-	3,841,815	3,841,815
Other comprehensive income	-	(44,789)	-	(44,789)
Total comprehensive income for the year	-	(44,789)	3,841,815	3,797,026
Transfer relating to cancellation of unissued shares	-	(151,228)	151,228	-
<b>Balance at 30 June 2013</b>	<u>8,998,970</u>	<u>485,550</u>	<u>(3,527,873)</u>	<u>5,956,647</u>

The accompanying notes form part of these consolidated financial statements.



**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2013



	2013	2012
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	91,505,840	84,876,200
Payments to suppliers and employees	(89,489,882)	(85,334,775)
Interest received	127,015	228,943
Interest and other financial costs paid	(714,496)	(34,330)
Income tax	1,353	17,451
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	<u>1,429,830</u>	<u>(246,511)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(377,192)	(343,236)
Net of cash from acquired business/(acquisition of business)	-	1,077,079
Net proceeds from disposal of assets held for sale	400,000	-
Net proceeds from disposal of fixed assets	49,663	799,545
Proceeds from/(payment of) bank deposits	<u>1,261,972</u>	<u>(1,491,044)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,334,443</u>	<u>42,344</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(5,832)	(7,037)
Repayment of commercial bills	(1,100,000)	-
Repayment of vendor notes	<u>(2,904,996)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,010,828)</u>	<u>(7,037)</u>
Net decrease in cash held	(1,246,555)	(211,204)
Cash held at the beginning of the financial year	4,148,588	4,359,792
<b>CASH AT THE END OF FINANCIAL YEAR</b>	<u><u>2,902,033</u></u>	<u><u>4,148,588</u></u>

The accompanying notes form part of these consolidated financial statements.

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# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies

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

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

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

This financial report includes the consolidated financial statements and notes of Tel.Pacific Limited and the controlled entities (consolidated group or group).

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

### Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs except where applicable as modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

The Group has reported a profit for the year of \$3.8 million and net current liabilities at 30 June 2013 of \$17.1 million. In preparing the financial report management has adopted the going concern basis of preparation which envisages the realisation of assets and the settlement of liabilities in the ordinary course of business. In reaching their conclusion on the basis of preparation management prepared forecasts covering a 5 year period which demonstrate cash generation sufficient to enable the Group to meet its obligations as they fall due.

The financial report of Tel.Pacific Limited and its controlled entities for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Tel.Pacific Board of Directors on 26 August 2013.

### Parent entity information

In accordance with Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 29.

### New, revised or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

## Note 1: Statement of Significant Accounting Policies (continued)

### New, revised or amending Accounting Standards and Interpretations adopted (continued)

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive income  
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

### Accounting Policies

#### (a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Tel.Pacific Limited at the end of the reporting period. A controlled entity is any entity over which Tel.Pacific Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the consolidated financial statements.

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

#### (b) Business Combination

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

Consideration transferred for the acquisition comprises the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the acquirer's share of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

#### (c) Income Tax

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (c) Income Tax (continued)

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

Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent that the deferred tax liabilities arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit or taxable income at the time of the transaction.

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

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

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

Effective 1 July 2003, for the purposes of income taxation, Tel.Pacific Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. As part of the election to enter tax consolidation, the tax consolidated group is treated as a single entity for income tax purposes. Gotalk Pty Limited and its wholly owned subsidiaries joined the tax consolidated group upon acquisition on 23 December 2011.

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

#### (d) Inventories

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

#### (e) Property, Plant and Equipment

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

#### Plant and Equipment

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

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (e) Property, Plant and Equipment (continued)

##### Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leasehold Improvements	13%
Plant and Equipment	20% - 33%
Motor Vehicles	15%

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains or losses between the carrying amount and the disposal proceeds are taken to profit or loss.

##### Non-current assets or disposal groups classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current asset or disposal group to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of a non-current asset or disposal group, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

#### (f) Leases

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (g) Financial Instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transactions costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### Derecognition

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

##### Loans and Receivables

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

##### Held to Maturity Investments

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

##### Financial Liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

##### Impairment

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

#### (h) Impairment of Assets

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

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

#### (i) Intangibles

##### Goodwill

Goodwill is initially recorded as the excess of the sum of the consideration paid and the fair value of the net identifiable assets of the entity acquired as at the date of acquisition. Goodwill is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed. Goodwill is not amortised.

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (i) Intangibles (continued)

##### Acquired Intangible Assets

Intangible assets acquired either as part of business combinations or through separate acquisitions are recorded at their fair value at the date of acquisition and recognised separately from goodwill. Management judgment is applied to determine the appropriate fair value of identifiable intangible assets.

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

#### (j) Foreign Currency Transactions and Balances

##### Functional and Presentational Currency

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

##### Transactions and Balances

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

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

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

##### Group Companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

#### (k) Employee Benefits

##### Annual Leave/Long Service Leave

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

##### Superannuation

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (k) Employee Benefits (continued)

##### Share-based Payments

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

#### (l) Cash and Cash Equivalents

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

#### (m) Trade Receivables

Trade and other receivables are stated at amortised cost less any provision for impairment loss.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. Provision for impairment of trade receivables is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivable.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment loss had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### (n) Trade and Other Payables

Trade and other payables are stated at amortised cost.

#### (o) Provisions

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

#### (p) Unearned Revenue

Unearned revenue represents the unused component of phonecard and mobile products as at the balance sheet date. Unearned revenue includes cards that have been activated and unbilled receivables which represents cards that have been despatched to agents but have not been activated at balance date.

#### (q) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to customers. A sales incentive provided to a customer in the form of non-cash consideration, for example bonus time, is considered to be a separate deliverable in a multiple deliverable arrangement. Sales revenue is allocated proportionally to the aggregate of the service paid for and the incentive, and is recognised when the customer utilises the incentive i.e. when Tel.Pacific provides the service.

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



## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (q) Revenue (continued)

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

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

#### (r) Goods and Services Tax

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

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST due, but not paid, to the Australian Taxation Office is included under payables.

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

#### (s) Commission costs

Commission costs are recognised as a cost of sale in the statement of profit or loss and other comprehensive income in proportion to revenue recognised. The effective commission charge recognised is based on an analysis of actual commissions incurred. The key assumption used in the calculation of commission costs is the effective rate which represents the average rate of actual commission paid over a period of time. Starting as of 1 July 2010, the effective rate has changed from the average rate of actual commission paid over a period of three years to the rolling average rate of actual commission paid over a period of three months. In managements view a three month period ensures that the commission cost recognised is an accurate reflection of the costs incurred in relation to revenue recognised. Were this assumption to change the absolute value of commission costs recognised in cost of sales would change.

#### (t) Earnings per Share

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

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

#### (u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

#### (v) Comparatives

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

#### (w) Critical Accounting Estimates and Judgments

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (w) Critical Accounting Estimates and Judgments (continued)

##### Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

##### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and accumulated tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses (see Note 5).

##### Estimation of commission costs

The key assumption used in the calculation of commission costs in cost of sales in the consolidated statement of profit or loss and other comprehensive income is the effective rate which represents the average rate of actual commission paid over a period of time. Starting as of 1 July 2010, the effective rate has changed from the average rate of actual commission paid over a period of three years to the rolling average rate of actual commission paid over a period of three months.

##### Goodwill impairment

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. See Note 15 for more details.

##### Surplus lease provision

Provision is made for the anticipated shortfall in rental recovery against non-cancellable lease payments on premises which become excess to requirements. The provision is calculated as the present value of the future lease payments that the consolidated entity is obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

##### *Financial Instruments - Classification, Measurement and Derecognition*

AASB 9: "Financial Instruments" was re-issued in December 2012 to include the accounting requirements for classifying and measuring financial liabilities and the derecognition requirements for financial assets and liabilities. Two related omnibus standards AASB 2010-7: "Amendments to Australian Accounting Standards arising from AASB9 (December 2010)" and AASB 2009-11: "Amendments to Australian Accounting Standards arising from AASB 9" make a number of amendments to other accounting standards as a result of the amendments to AASB 9 and must be adopted at the same time.

Most of the added requirements on the classification and measurement of financial liabilities and all of the added requirements on the derecognition of financial instruments have been carried forward unchanged from the existing standard AASB 139: "Financial Instruments - Classification and Measurement". The only change made relates to the requirements for the fair value option for financial liabilities, to address the issue of own credit risk. For financial liabilities designated at fair value, the portion of the change in fair value due to changes in own credit risk now generally must be presented in other comprehensive income, rather than within profit or loss.

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (x) Recently Issued Accounting Standards to be Applied in Future Reporting Periods (continued)

The amendments to AASB 9 are applicable to annual reporting periods beginning on or after 1 January 2015 with early adoption permitted (previous effective date of 1 January 2013 was amended by the International Accounting Standards Board (IASB) via the issue of "Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures". The related AASB exposure draft ED 215 Mandatory Effective Date of IFRS 9 [proposed amendment to AASB 9] is in pending status at reporting date.

This change is not expected to have a material impact on the consolidated entity.

#### *Consolidated Financial Statements*

AASB 10: "Consolidated Financial Statements" was released in August 2011 by the AASB and replaces both the existing AASB 127: "Consolidated and Separate Financial Statements" and Interpretation 112: "Consolidation - Special Purpose Entities". AASB 2011-7: "Amendments to Australian Standards arising from the Consolidation and Joint Arrangement Standards" was also released by the AASB to update the requirements in other accounting standards as a result of the amendments to the entire suite of consolidation and related standards.

AASB 10 revises the definition of control and related application guidance so that a single control model can be applied to all entities.

The impact of this adoption is yet to be assessed by the consolidated entity.

#### *Disclosures of Interests in Other Entities*

AASB 12: "Disclosure of Interests in Other Entities" was issued by the AASB in August 2011 and is a new standard on disclosure requirements for all forms of interests in investments, including subsidiaries, associates, joint arrangements and consolidated and unconsolidated structured entities.

This change is not expected to have a material impact on the consolidated entity.

#### *Fair Value Measurement*

AASB 13: "Fair Value Measurement" was released by the AASB in August 2011 and is a new standard providing a single source of guidance for all fair value measurements and a precise definition of fair value. It replaces all fair value measurement guidance in Australian Accounting Standards and Interpretations, but does not replace existing standards requirement on when fair values should be used. A related omnibus standard AASB 2011-8: "Amendments to Australian Accounting Standards arising from AASB 13" makes a number of definition and guidance amendments to other accounting standards as a result of the amendments in AASB 13 and must be adopted at the same time.

This change is not expected to have a material impact on the consolidated entity.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 1: Statement of Significant Accounting Policies (continued)

### Accounting Policies (continued)

#### (x) Recently Issued Accounting Standards to be Applied in Future Reporting Periods (continued)

##### *Employee Benefits*

AASB 119: In September 2011, the AASB issued an amended version of AASB 119 Employee Benefits which applies to annual periods beginning on or after 1 January 2013. Main changes include:

- Elimination of the 'corridor' approach for deferring gains/losses on defined benefit plans;
- Actuarial gains/losses on remeasuring defined benefit plan obligations/assets to be recognised in other comprehensive income rather than in profit or loss, and such gains/losses will never be able to be reclassified in profit or loss in a subsequent period;
- Subtle amendments to the timing for recognition of liabilities for termination benefits, in many cases deferring recognition;
- Liabilities for employee benefits being calculated based on date of expected settlement, rather than the date when settlement is due. This may result in liabilities for annual leave being discounted where the entity does not expect that all employees will take their annual leave wholly within twelve months after the end of the reporting period, i.e. annual leave being treated as a long-term benefit, resulting in potentially lower annual leave liabilities where pay rises and promotions were factored into the previously undiscounted annual leave liability.

In light of the retrospective adjustments required on first-time adoption, entities are advised to reconsider their accounting for defined benefit plans, termination liabilities and annual leave.

This change is not expected to have a material impact on the consolidated entity.

In addition to the above recently issued accounting standards that are applicable in future years, the following new accounting standards that are applicable in future years are noted:

AASB 2011-4: "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements";

AASB 2012-2: "Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities";

AASB 2012-3: "Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities"

The consolidated entity does not expect these accounting standards and interpretations to materially impact our financial results upon adoption.

## Note 2: Revenue

	2013 \$	2012 \$
Operating Activities		
- Rendering of Services	81,148,771	78,788,253
	<u>81,148,771</u>	<u>78,788,253</u>
Other Income		
- Gain on Cancellation of Vendor Notes <sup>(1)</sup>	1,275,000	-
- Net Gain on Acquisition of Wholesale Business <sup>(2)</sup>	541,297	-
- Net Gain Arising from Payment and Settlement Arrangement	<u>1,816,297</u>	<u>-</u>
- Interest Income	136,888	231,844
- Resale Income	6,686	2,036
- Written Back Provision for Employee Bonus	380,000	-
- Net Gain on Disposal of Melbourne Office	-	332,218
- Sundry Income	43,581	351,885
	<u>567,155</u>	<u>917,983</u>
	<u>2,383,452</u>	<u>917,983</u>

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

<sup>(2)</sup> The net gain on acquisition of the wholesale business represents the excess of the fair value of the assets and liabilities acquired over the consideration paid arising from the acquisition accounting process (\$1,156,297) less the participating right (\$615,000) forgone following the acquisition. Refer to Note 24.

## Note 3: Operating Expenses

	2013 \$	2012 \$
Occupancy Expense	1,190,269	2,043,892
Advertising and Promotion Expense	1,510,738	1,517,411
Communication Expense	303,796	127,234
Professional Fees	706,619	1,181,416
Bank and Merchant Fees	525,985	386,174
Travel Expense	440,295	548,017
Bad and Doubtful Debts Expense	486,143	431,913
Operating Lease Rentals	144,724	159,899
Foreign Exchange Losses	238,501	53,844
Call Centre Expenses <sup>(1)</sup>	1,141,735	2,012,351
Other Expenses	645,545	833,017
	<u>7,334,350</u>	<u>9,295,168</u>

<sup>(1)</sup> 2012 figure included a penalty payment of \$649,080 in relation to the termination of the Philippine call centre contract.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 4: Depreciation, Amortisation and Impairment and Finance Costs

	2013 \$	2012 \$
Depreciation of Non-current Assets	1,676,204	1,229,837
Total Depreciation and Amortisation	<u>1,676,204</u>	<u>1,229,837</u>
Impairment of Goodwill <sup>(1)</sup>	-	4,763,315
Total Impairment	<u>-</u>	<u>4,763,315</u>

<sup>(1)</sup> Impairment of goodwill in the prior year relates to the Australian CGU and arose due to the decrease of calling card revenue which results from the increased competition in the mobile sector in Australia and leads to a weaker outlook of future cash flows. Refer to Note 15 for further details regarding impairment.

	2013 \$	2012 \$
Finance Costs	<u>438,288</u>	<u>366,783</u>

## Note 5: Income Tax Expense/(Benefit)

	2013 \$	2012 \$
<b>(a) Income Tax Expense</b>		
The major components of income tax expense are:		
Current tax expense	-	-
Underprovision/(overprovision) in respect of prior years	2,449	48,517
Deferred tax resulting from the origination and reversal of temporary differences	308,342	(452,938)
Deferred tax arising from the utilisation/ recognition of tax losses	238,008	(465,747)
	<u>548,799</u>	<u>(870,168)</u>

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

Profit/(loss) before income tax expense	4,390,614	(7,985,417)
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities at 30% (2012: 30%)	1,317,184	(2,395,625)
(Non-assessable)/Non-deductible items	(770,834)	1,476,940
Underprovision/(overprovision) in respect of prior years	2,449	48,517
Income tax expense attributable to profit from ordinary activities	<u>548,799</u>	<u>(870,168)</u>

## Note 5: Income Tax Expense/(Benefit) (continued)

### (c) Deferred Tax Balances

	Opening Balance \$	Charged to Income \$	Charged directly to Equity \$	Business Combination \$	Closing Balance \$
<b>Deferred tax liability</b>					
Property, plant and equipment	16,466	126,802	-	224,141	367,409
Deferred commission costs	725,133	(222,862)	-	680,142	1,182,413
Others	6,529	(42,518)	-	50,415	14,426
Balance as at 30 June 2012	<u>748,128</u>	<u>(138,578)</u>	<u>-</u>	<u>954,698</u>	<u>1,564,248</u>
Property, plant and equipment	367,409	(46,430)	-	-	320,979
Deferred commission costs	1,182,413	(403,428)	-	-	778,985
Others	14,426	(4,422)	-	-	10,004
Balance as at 30 June 2013	<u>1,564,248</u>	<u>(454,280)</u>	<u>-</u>	<u>-</u>	<u>1,109,968</u>
<b>Deferred tax assets</b>					
Provision	562,351	(197,980)	-	759,242	1,123,613
Assessed loss <sup>(1)</sup>	425,607	318,493	-	1,922,618	2,666,718
Others	277,996	525,280	-	96,088	899,364
Balance as at 30 June 2012	<u>1,265,954</u>	<u>645,793</u>	<u>-</u>	<u>2,777,948</u>	<u>4,689,695</u>
Provision	1,123,613	(230,217)	-	-	893,396
Assessed loss <sup>(1)</sup>	2,666,718	(238,008)	-	-	2,428,710
Others	899,364	(532,385)	-	-	366,979
Balance as at 30 June 2013	<u>4,689,695</u>	<u>(1,000,610)</u>	<u>-</u>	<u>-</u>	<u>3,689,085</u>

<sup>(1)</sup> The consolidated entity has recognised unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. A management forecast in line with current knowledge of future events has been prepared to support the view of sufficient future taxable profits being available to offset unused tax losses within the next five years.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 5: Income Tax Expense/(Benefit) (continued)

### (d) Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Tel.Pacific Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. As part of the election to enter tax consolidation, the tax consolidated group is treated as a single entity for income tax purposes. Gotalk Pty Limited and its wholly owned subsidiaries joined the tax consolidated group upon acquisition on 23 December 2011.

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

## Note 6: Earnings Per Share

	2013 \$	2012 \$
Basic earnings per share (cents per share)	3.35	(6.16)
Diluted earnings per share (cents per share) <sup>(1)</sup>	3.32	(6.16)
Net earnings used in the calculation of basic and diluted EPS	<u>3,841,815</u>	<u>(7,115,249)</u>
Weighted average number of ordinary shares outstanding during the year in the calculation of basic EPS	<b>Number</b> 114,556,860	<b>Number</b> 115,577,377
in the calculation of diluted EPS <sup>(1)</sup>	115,855,022	117,058,045

<sup>(1)</sup> Shares due to be issued of 2,837,301 which were subsequently cancelled on 14 December 2012, were included in diluted EPS calculation. Refer to Note 19 and 24.

## Note 7: Dividends Paid and Proposed

### Franking Credit Balance

	2013 \$	2012 \$
The amount of franking credits available for the subsequent financial year		
- Franking account balance as at the end of the financial year at 30% (2012: 30%)	2,589,900	2,589,900
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
The amount of franking credits available for future reporting periods:	<u>2,589,900</u>	<u>2,589,900</u>
- Impact on franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during period	-	-
	<u><u>2,589,900</u></u>	<u><u>2,589,900</u></u>



### Note 8: Auditors Remuneration

	2013 \$	2012 \$
Auditors of Parent Entity		
Audit and review of Financial Reports	169,924	199,989
Taxation Services	35,080	46,500
Other Services	1,156	16,056
	<u>206,160</u>	<u>262,545</u>
Other Auditors		
Audit of Financial Report	3,066	6,178
Taxation Services	9,800	-
Total Auditors Remuneration	<u><u>219,026</u></u>	<u><u>268,723</u></u>

### Note 9: Cash and Cash Equivalents

	2013 \$	2012 \$
<b>(a) Cash Balance</b>		
Cash at bank and in hand	<u>2,902,033</u>	<u>4,148,588</u>
	<u><u>2,902,033</u></u>	<u><u>4,148,588</u></u>

### (b) Reconciliation of Net Cash Flow from Operations with Profit/(loss) after Income Tax

	2013 \$	2012 \$
Profit/(loss) after income tax	3,841,815	(7,115,249)
Non-cash flows in profit		
Depreciation and amortisation	1,676,204	1,229,837
Impairment of goodwill	-	4,763,315
Loss/(gain) on asset disposals	4,657	(317,563)
Gain on cancellation of vendor notes	(1,275,000)	-
Changes in assets and liabilities		
Decrease/(increase) in prepayments	124,916	(92,432)
Decrease in trade & other receivables	4,116,335	529,462
(Decrease)/increase in trade & other payables	(4,496,976)	1,101,622
Decrease in other provisions	(2,562,121)	(345,503)
	<u><u>1,429,830</u></u>	<u><u>(246,511)</u></u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 10: Trade and Other Receivables

	2013	2012
	\$	\$
<b>Current</b>		
Trade Receivables	7,598,157	7,814,058
Provision for Impairment of Receivables	(1,719,534)	(1,063,724)
Unbilled Receivables	4,752,019	4,051,289
Other Receivables	92,662	139,708
	<u>10,723,304</u>	<u>10,941,331</u>

The movement in the provision for impairment in respect of trade receivables and other receivables are detailed below:

Opening balance	(1,063,724)	(1,001,695)
- Provision for impairment recognised during the year	(774,111)	(539,617)
- Provision for impairment recognised during business combination	-	(233,608)
- Provision for impairment recognised during acquisition of wholesale business	(334,115)	-
- Provision for impairment reversed during the year	311,533	174,252
- Receivables recovered during the year	-	370,000
- Receivables written off during the year as uncollectible	140,883	166,944
Closing balance	<u>(1,719,534)</u>	<u>(1,063,724)</u>

### Credit Policy

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

### Ageing of trade receivables at the reporting date was:

Not past due	4,337,465	5,735,998
Past due 0 - 30 days	848,685	731,485
Past due 31 - 60 days	447,047	516,593
Past due 61 - 90 days	165,212	196,408
Past due 90 days over	1,799,748	633,574
Total	<u>7,598,157</u>	<u>7,814,058</u>
Impairment losses	<u>(1,719,534)</u>	<u>(1,063,724)</u>
Trade receivables net of provision for impairment	<u>5,878,623</u>	<u>6,750,334</u>

### Ageing of trade receivables that are past due but not impaired at the reporting date was:

Past due 0 - 30 days	773,762	584,053
Past due 31 - 60 days	414,732	346,806
Past due 61 - 90 days	95,967	38,785
Past due 90 days over	256,696	44,693
	<u>1,541,157</u>	<u>1,014,337</u>

The consolidated entity did not consider a credit risk on the aggregate balance after reviewing credit terms of customers based on recent collection practices.

**Note 11: Inventories**

	2013 \$	2012 \$
<b>Current</b>		
Inventories	132,074	495,470

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

**Note 12: Other Assets**

	2013 \$	2012 \$
<b>Current</b>		
Deferred Commission Costs	4,823,814	5,487,207
Prepayments	814,421	939,337
Security Deposit	229,660	71,247
Participating Right Asset - Refer to Note 24	-	615,000
Bank Deposits <sup>(1)</sup>	2,049,703	3,311,675
	<u>7,917,598</u>	<u>10,424,466</u>

<sup>(1)</sup> Bank deposits represent term deposits which are held as security for bank guarantee and merchant facilities.

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# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 13: Controlled Entities

	Country of Incorporation	Effective Interest		Company's recorded amount of Investment	
		2013 %	2012 %	2013 \$	2012 \$
Parent Entity					
Tel.Pacific Limited	Australia				
Controlled Entities Interest at Cost					
CovaU Pty Limited <sup>(1)</sup>	Australia	100%	100%	12	12
Hello Card Pty Limited	Australia	100%	100%	100	100
Realtime Mobile Pty Limited	Australia	100%	100%	100	100
gotalk Pty Limited	Australia	100%	100%	9,008,187	9,008,187
Cardcall Pty Limited <sup>(2)</sup>	Australia	100%	100%	-	-
Global Card Services Pty Limited <sup>(2)</sup>	Australia	100%	100%	-	-
Gotalk Communications Pty Limited <sup>(2)</sup>	Australia	100%	100%	-	-
Green Communications Australia Pty Limited <sup>(2)</sup>	Australia	100%	100%	-	-
Tel.Pacific ESOP Pty Limited	Australia	100%	100%	1	1
Tel.Pacific (Hong Kong) Limited	Hong Kong	100%	100%	2,000	2,000
Tel.Pacific New Zealand Limited	New Zealand	100%	100%	8,546	8,546
Tel.Pacific Singapore Pte Limited	Singapore	100%	100%	86,558	86,558
Investment in controlled entities				9,105,504	9,105,504
Impairment losses				(4,771,861)	(4,771,861)
Total investment in controlled entities				<u>4,333,643</u>	<u>4,333,643</u>

<sup>(1)</sup> Rivernet Pty Limited changed its name to CovaU Pty Limited on 25 July 2013.

<sup>(2)</sup> These entities are held indirectly by Tel.Pacific Limited through their parent entity - gotalk Pty Limited, which was acquired by Tel.Pacific Limited on 23 December 2011. Refer to Note 24.

## Note 14: Property, Plant and Equipment

	2013 \$	2012 \$
Leased Plant & Equipment	30,277	27,434
Less: Accumulated Depreciation	(30,277)	(24,691)
	-	2,743
Motor Vehicles	69,022	171,669
Less: Accumulated Depreciation	(49,312)	(85,700)
	19,710	85,969
Network Equipment & Software	7,334,537	21,679,493
Less: Accumulated Depreciation	(5,868,059)	(19,149,277)
	1,466,478	2,530,216
Office Equipment & Software	991,629	978,056
Less: Accumulated Depreciation	(873,403)	(785,741)
	118,226	192,315
Office Fittings & Furniture	519,422	916,636
Less: Accumulated Depreciation	(348,115)	(603,165)
	171,307	313,471
	<u>1,775,721</u>	<u>3,124,714</u>

## Note 14: Property, Plant and Equipment (continued)

### Movement in Carrying Amount

	Leased Plant & Equipment \$	Motor Vehicles \$	Network Equipment & Software \$	Office Equipment & Software \$	Office Fittings & Furniture \$	Total \$
<b>2013</b>						
Balance at the beginning of the year	2,743	85,969	2,530,216	192,315	313,471	3,124,714
Additions	-	-	332,539	38,564	6,089	377,192
Assets classified as held for sale	-	-	399,817	-	183	400,000
Disposal	-	(54,320)	(399,817)	-	(183)	(454,320)
Depreciation expense	(2,741)	(11,939)	(1,400,482)	(112,727)	(148,315)	(1,676,204)
Foreign currency exchange difference	(2)	-	4,205	74	62	4,339
Balance at the end of the year	-	19,710	1,466,478	118,226	171,307	1,775,721

	Leased Plant & Equipment \$	Motor Vehicles \$	Network Equipment & Software \$	Office Equipment & Software \$	Office Fittings & Furniture \$	Total \$
<b>2012</b>						
Balance at the beginning of the year	13,443	101,981	1,754,251	288,884	318,023	2,476,582
Additions	-	50,507	242,126	50,603	-	343,236
Additions through business combination	-	-	1,482,239	-	89,774	1,572,013
Assets classified as held for sale	-	-	-	-	-	-
Disposal	-	(39,201)	-	-	-	(39,201)
Depreciation expense	(10,930)	(27,318)	(950,034)	(147,204)	(94,351)	(1,229,837)
Foreign currency exchange difference	230	-	1,634	32	25	1,921
Balance at the end of the year	2,743	85,969	2,530,216	192,315	313,471	3,124,714

### Lease Assets

Leased plant & equipment include the following amounts where the group is a lessee under a finance lease:

	2013 \$	2012 \$
Leased Motor Vehicle		
Cost	30,277	27,434
Accumulated Depreciation	(30,277)	(24,691)
Net Book Amount	-	2,743

Refer to Note 17 for information on non-current assets pledged as security by the consolidated entity.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 15: Intangible Assets

	2013 \$	2012 \$
<b>(a) Reconciliation of Carrying Amounts at the Beginning and End of the Year</b>		
Goodwill	19,618,220	19,618,220
Accumulated Impairment Losses	(4,849,448)	(4,849,448)
	<u>14,768,772</u>	<u>14,768,772</u>
Brand Name	5,650,000	5,650,000
	<u>5,650,000</u>	<u>5,650,000</u>
Patent	2	2
	<u>2</u>	<u>2</u>
Trademarks	110,000	110,000
	<u>110,000</u>	<u>110,000</u>
Research and Development Accumulated Amortisation	160,330	160,330
	<u>(160,330)</u>	<u>(160,330)</u>
	-	-
	<u>20,528,774</u>	<u>20,528,774</u>

### Movement in Carrying Amount

Goodwill		
Balance at the beginning of the year	14,768,772	8,183,062
Acquisition through business combinations	-	11,349,025
Impairment	-	(4,763,315)
Balance at the end of the year	<u>14,768,772</u>	<u>14,768,772</u>
Patent		
Balance at the beginning of the year	2	2
Balance at the end of the year	<u>2</u>	<u>2</u>
Trademarks		
Balance at the beginning of the year	110,000	110,000
Balance at the end of the year	<u>110,000</u>	<u>110,000</u>
Brand Name		
Balance at the beginning of the year	5,650,000	-
Acquisition through business combinations	-	5,650,000
Balance at the end of the year	<u>5,650,000</u>	<u>5,650,000</u>

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

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

Trademarks, acquired through business combinations, have been assessed as having an indefinite life and are measured at cost less any accumulated impairment losses.

Brand Name, acquired through business combinations with gotalk Limited, has been assessed as having an indefinite life after considering the expected period from which benefit will be derived from the assets and is measured at cost less any accumulated impairment losses.

## Note 15: Intangible Assets (continued)

### (c) Impairment Testing of Goodwill

As at 30 June 2013, the carrying amount of goodwill and infinite life intangibles for the group was \$20,528,774 (2012: \$20,528,774).

Goodwill and infinite life brand name acquired through business combinations has been allocated to two individual cash generating units (CGU) for impairment testing as follows:

#### Australian CGU

As at 30 June 2013, the carrying amount of goodwill and infinite life intangible assets allocated to Australian CGU was \$13,648,956 and \$5,077,491 respectively (2012: \$13,648,956, \$5,077,491).

The recoverable amount of the Australian CGU has been determined based on a value in use methodology using cash flow projections based on financial budgets approved by management covering a five year period together with a terminal value. The pre-tax discount rate applied to the cash flow projections is 19.66% (2012: 21.43%). Variable revenue growth rates are used.

Management believes the projected revenue and EBITDA growth rates and terminal value growth rate are prudent and justified, based on current market situation. Discount rates are pre-tax and adjusted to incorporate risks associated with a particular segment.

The calculation of value in use is most sensitive to the following key assumptions:

- EBITDA growth rates between -2.06% and -1.59% for next five year periods
- terminal value growth rate -1.59%
- discount rate

As disclosed in note 1, the directors have made judgments and estimates in respect of impairment testing of goodwill and intangible assets. Should these estimates not occur the resulting goodwill and intangible assets may vary in carrying amount. The sensitivities are as follows:

- a. if EBITDA growth rate declined by 1%, goodwill would not need to be impaired all other assumptions remaining constant.
- b. if terminal value growth rate declined by 1%, goodwill would not need to be impaired all other assumptions remaining constant.
- c. if discount rate increased by 1%, goodwill would not need to be impaired all other assumptions remaining constant.

No impairment charge was recognised in the group financial statement (2012: \$4,763,315).

#### New Zealand CGU

As at 30 June 2013, the carrying amount of goodwill and infinite intangibles allocated to New Zealand CGU was \$1,119,816 and \$682,511 respectively (2012: \$1,119,816, \$682,511).

The recoverable amount of the New Zealand CGU has been determined based on the value in use methodology using cash flow projections based on financial budgets approved by management covering a five year period together with a terminal value. The pre-tax discount rate applied to the cash flow projections is 20.19% (2012: 21.43%). Variable revenue growth rates are used.

Management believes the projected revenue and EBITDA growth rates and terminal value growth rate are prudent and justified, based on current market situation. Discount rates are pre-tax and adjusted to incorporate risks associated with a particular segment.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 15: Intangible Assets (continued)

### (c) Impairment Testing of Goodwill (continued)

The calculation of value in use is most sensitive to the following key assumptions:

- EBITDA growth rate between 3.65 and 5.00% for next five years period
- terminal value growth rate 3.65%
- discount rate

As disclosed in note 1, the directors have made judgments and estimates in respect of impairment testing of goodwill and intangible assets. Should these estimates not occur the resulting goodwill and intangible assets may vary in carrying amount.

As disclosed in note 1, the directors have made judgments and estimates in respect of impairment testing of goodwill and intangible assets. Should these estimates not occur the resulting goodwill and intangible assets may vary in carrying amount. The sensitivities are as follows:

- if EBITDA growth rate declined by 1%, goodwill would not need to be impaired all other assumptions remaining constant.
- if terminal value growth rate declined by 1%, goodwill would not need to be impaired all other assumptions remaining constant.
- if discount rate increased by 1%, goodwill would not need to be impaired all other assumptions remaining constant.

No impairment charge was recognised in the group financial statement (2012: \$Nil).

## Note 16: Trade and Other Payables

	2013	2012
	\$	\$
<b>Current</b>		
Trade Payables	12,198,489	11,814,965
Other Payables	4,600	53,286
Accrued Expenses	2,609,109	3,787,864
Sundry Payables	213,942	828,059
Goods and Services Tax Payable	305,896	279,318
	<u>15,332,036</u>	<u>16,763,492</u>

## Note 17: Borrowings

	2013	2012
	\$	\$
<b>Current</b>		
Finance Leases - Refer to Note 21	-	5,833
Commercial Bills	-	1,100,000
Vendor Notes - Refer to Note 24	2,253,955	2,909,091
	<u>2,253,955</u>	<u>4,014,924</u>
<b>Non Current</b>		
Vendor Notes - Refer to Note 24	1,566,049	5,090,909
	<u>1,566,049</u>	<u>5,090,909</u>

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.



## Note 18: Provisions

	2013 \$	2012 \$
<b>Short Term Provisions</b>		
Leave Entitlement <sup>(1)</sup>	1,161,418	779,557
Future Rent <sup>(2)</sup>	1,754	66,000
Onerous Lease <sup>(3)</sup>	-	640,955
Make Good	29,820	177,825
Telco Costs in Dispute <sup>(4)</sup>	-	1,557,000
	<u>1,192,992</u>	<u>3,221,337</u>
<b>Long Term Provisions</b>		
Leave Entitlement	132,416	445,788
Future Rent	118,892	131,476
Make Good	-	28,269
	<u>251,308</u>	<u>605,533</u>
<b>Movements in Provisions</b>		
<b>(a) Leave Entitlement Provision (Short Term)</b>		
Opening balance	779,557	608,844
- additional provisions	497,207	180,074
- reclassified from long term provision	219,056	-
- business combination	-	937,256
- amount used	(334,402)	(946,617)
Closing balance	<u>1,161,418</u>	<u>779,557</u>
<b>(b) Future Rent (Short Term)</b>		
Opening balance	66,000	-
- additional provisions	-	66,000
- recognised during acquisition of wholesale business	65,203	-
- amount used	(129,449)	-
Closing balance	<u>1,754</u>	<u>66,000</u>
<b>(c) Onerous Lease (Short Term)</b>		
Opening balance	640,955	-
- additional provisions	-	640,955
- amount used	(640,955)	-
Closing balance	<u>-</u>	<u>640,955</u>
<b>(d) Make Good (Short Term)</b>		
Opening balance	177,825	-
- business combination	-	177,825
- recognised during acquisition of wholesale business	114,348	-
- amount used	(262,353)	-
Closing balance	<u>29,820</u>	<u>177,825</u>
<b>(e) Telco Costs in Dispute (Short Term)</b>		
Opening balance	1,557,000	-
- additional provisions	-	1,557,000
- amount used	(1,557,000)	-
Closing balance	<u>-</u>	<u>1,557,000</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 18: Provisions (continued)

	2013	2012
	\$	\$
(f) Leave Entitlement Provision (Long Term)		
Opening balance	445,788	272,840
- additional provisions	(94,316)	94,156
- reclassified to short term provision	(219,056)	-
- business combination	-	389,681
- amount used	-	(310,889)
Closing balance	<u>132,416</u>	<u>445,788</u>
(g) Future Rent (Long Term)		
Opening balance	131,476	115,298
- additional provisions	-	16,178
- amount used	(12,584)	-
Closing balance	<u>118,892</u>	<u>131,476</u>
(h) Make Good (Long Term)		
Opening balance	28,269	-
- business combination	-	28,269
- amount used	(28,269)	-
Closing balance	<u>-</u>	<u>28,269</u>

<sup>(1)</sup> Leave Entitlement Provision represents provision for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

<sup>(2)</sup> Future rent provision relates to the difference between the cash payments on the leasehold property and the accounting charge spread over the life of the lease on a straight line basis.

<sup>(3)</sup> Onerous lease provision represents shortfall in rental recovery against non-cancellable lease payments on premises previously occupied by the consolidated entity. The provision is calculated as the present value of the future lease payments that the consolidated entity is obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue.

<sup>(4)</sup> At the time of the acquisition of gotalk in the prior year, the Company agreed with the shareholders of gotalk that certain elements of the previous operation (gotalk's wholesale business) would be treated separately from the other acquired assets, with a view to selling those assets on and the net proceeds (including certain of the profits earned in the interim from that business) flowing to gotalk shareholders. Given the complexity, and the risk of dispute, the Company provided for a total of \$1.6million in connection with the gotalk wholesale business. The disputes have been resolved during the year which \$0.4 million being paid to settle claims and \$1.2 million which was not required and has been reversed.

## Note 19: Issued Capital

	2013		2012	
	Number	\$	Number	\$
<b>(a) Ordinary Shares</b>				
Issued and Fully Paid	95,644,985	8,856,015	111,723,024	8,856,015
Issued and Partially Paid <sup>(1)</sup>	11,567,161	142,955	11,541,940	142,955
	<u>107,212,146</u>	<u>8,998,970</u>	<u>123,264,964</u>	<u>8,998,970</u>
<b>(b) Movements in Ordinary Shares on Issue</b>				
Balance at the beginning of the year	123,264,964	8,998,970	107,186,925	8,142,010
Share issued to gotalk shareholders	-	-	16,078,039	856,960
Repurchase of shares <sup>(2)(3)</sup>	(16,078,039)	-	-	-
Transferred to Tel.Pacific ESOP Pty Limited <sup>(2)(3)</sup>	25,221	-	-	-
Balance at the end of the year	<u>107,212,146</u>	<u>8,998,970</u>	<u>123,264,964</u>	<u>8,998,970</u>

(1) The issue of shares under the Employee Shares Ownership Plan (ESOP) has been treated as issue of share options in accordance with the pronouncement of the International Financial Reporting Interpretations Committee. Where the company funds the acquisition of its own shares via a loan to employees with recourse only to the shares, it is treated as an option grant and accounted for under AASB 2 Share-based Payment. No loan or equity is booked initially. The company has effectively given the employee an option exercisable sometime in the future to buy a share at a set price. For information relating to shares issued under the ESOP during the financial year, refer to Note 26(b).

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

(3) On 28 March 2013, a special resolution for approval of a Selective Buy Back Agreement was passed at a general meeting to cancel 16,052,818 shares, following the repurchase of these shares under the Payment and Settlement Agreement. The total number of shares on issue after the cancellation were 107,212,146. Of the total of 16,078,039 shares repurchased, 25,221 shares which were repurchased after the general meeting were transferred to Tel.Pacific ESOP Pty Limited.

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

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

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

### (c) Capital Management

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

The group's capital includes ordinary shares supported by financial assets.

There are no externally imposed capital requirements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 19: Issued Capital (continued)

### (c) Capital Management (continued)

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

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

## Note 20: Reserves

	2013	2012
	\$	\$
<b>Foreign Currency Translation Reserve</b>		
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.		
Balance at the beginning of the year	55,255	65,225
Loss on translation of overseas controlled entities	<u>(44,789)</u>	<u>(9,970)</u>
Balance at the end of the year	<u>10,466</u>	<u>55,255</u>
<b>Employee Equity Benefits Reserve</b>		
The employee equity benefits reserve records the value of equity benefits provided to employees and directors as part of their remuneration.		
Balance at the beginning of the year	<u>475,084</u>	<u>475,084</u>
Balance at the end of the year	<u>475,084</u>	<u>475,084</u>
<b>Capital Reserve</b>		
The capital reserve represent the consideration withheld from one of Gotalk vendor shareholders, amounting to a total of 2,837,301 Tel.Pacific shares. Refer to Note 24		
Balance at the beginning of the year	151,228	-
Unissued shares	-	151,228
Transferred to retained earnings <sup>(1)</sup>	<u>(151,228)</u>	<u>-</u>
Balance at the end of the year	<u>-</u>	<u>151,228</u>
<b>Total Reserves</b>	<u>485,550</u>	<u>681,567</u>

<sup>(1)</sup> The amount transferred represents the cancellation of unissued shares in accordance with the Payment and Settlement Agreement dated 14 December 2012 between the Company and the previous gotalk shareholders. Refer to Note 19.

## Note 21: Capital and Leasing Commitments

	2013 \$	2012 \$
<b>Finance Lease Commitments</b>		
Payable - minimum lease payments		
- not later than 1 year	-	6,022
- later than 1 year but not later than 5 years	-	-
Minimum lease payments	<u>-</u>	<u>6,022</u>
Less: future finance charges	-	189
Present value of minimum lease payments (Refer to Note 17)	<u>-</u>	<u>5,833</u>
- not later than 1 year	-	5,833
- later than 1 year but not later than 5 years	-	-
<b>Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
- not later than 1 year	1,021,997	2,609,001
- later than 1 year but not later than 5 years	<u>673,842</u>	<u>1,823,402</u>
Total lease commitments	<u><u>1,695,839</u></u>	<u><u>4,432,403</u></u>

Operating lease for the following types of assets:

1. Property lease with a five or six year term and rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase by between 3 - 4.25% per annum.
2. Rental of motor vehicles with average lease term 3 years
3. Rental of office equipments with average lease term 3 - 5 years

## Note 22: Contingent Liabilities

As at 30 June 2013 the consolidated entity has issued bank guarantees totalling \$2,049,703 (2012: \$938,761) for which term deposits are held to secure this amount.

Apart from the bank guarantees, there are no contingent liabilities as at the date of signing of this report.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 23: Related Party Transactions

Information relating to controlled entities is set out in Note 13. Transactions occurred between certain of these entities during the period, all of which are eliminated from the consolidated accounts.

During the year, the Company has paid rental totalling \$30,940 (2012: \$30,940) on normal commercial terms and conditions no more favourable than those available to other parties, to Jeffrey Ma, in relation to the Brisbane Office.

During the year, the Company has paid rental totalling \$27,500 GST inclusive (2012: \$27,500) on normal commercial terms and conditions no more favourable than those available to other parties, to First Goldland Pty Limited, in which Barry Chan owns 10% shareholding, in relation to the Perth Office.

During the year, the Company has paid professional services in connection with the sale of gotalk wholesale business totalling \$30,800 GST inclusive (2012: \$33,000) on normal commercial terms and conditions no more favourable than those available to other parties, to High Expectations Pty Limited whom Stephe Wilks is a controlling shareholder.

During the year, the Company has paid a total of \$977,174 (2012: \$290,645) and \$132,407 (2012: \$38,464) to Steve Picton and his spouse Jennifer Picton respectively under the terms of Note Agreement. On 14 December 2012, the Company entered into a Payment and Settlement Agreement with Steve Picton to reduce his outstanding Note amount by \$1,250,000. As at 30 June 2013, the outstanding Note balance of Steve Picton and Jennifer Picton were \$164,920 (2012: \$2,283,446) and \$187,252 (2012: \$294,253) respectively.

During the year, the Company has paid a total of \$112,500 (2012: nil) under the Consultancy Terms in connection with the Payment and Settlement Agreement dated 14 December 2012 to Steve Picton. Of this, \$87,500 (2012: \$Nil) has been disclosed as 2013 salary and fees in the Remuneration Report.

During the year, the Company has paid a total of \$108,600 (2012: 32,592) and \$14,281 (2012: \$4,149) to Ian Solomon and his spouse Elizabeth Williams respectively under the terms of Note Agreement. On 14 December 2012, the Company entered into a Payment and Settlement Agreement with Ian Solomon to reduce his outstanding Note amount by \$25,000. As at 30 June 2013, the outstanding Note balance of Ian Solomon and Elizabeth Williams were \$136,787 (2012: \$249,327) and \$20,196 (2012: \$31,737) respectively.

During the year, the Company has paid a lump sum of \$25,000 (2012: \$Nil) for the service in relation to the sale of gotalk wholesales assets, and a total of \$176,705 (2012: \$Nil) under the Consultancy Terms in connection with the Payment and Settlement Agreement dated 14 December 2012 to Ian Solomon. Of these, \$176,705 (2012: \$Nil) has been disclosed as 2013 salary and fees in the Remuneration Report.

## Note 24: Business Combination

### (a) Payment and Settlement Agreement

On 14 December 2012, the Company entered into a Payment and Settlement Agreement with the previous GoTalk shareholders. Each shareholder signed up to the agreement agreed to the cancellation of their Tel.Pacific Limited shares for no monetary consideration, with such cancellation to occur by selective buy-back or capital reduction or other means permitted under the Corporations Act at the discretion of the Company. These shares have effectively been bought back by the Company at \$nil consideration, which falls under AASB 32 paragraph 33 which states that when an entity reacquires its own equity instruments, those instruments should be deducted from equity. No gain or loss would be recognised and all consideration would be recognised directly as a deduction against equity. As no consideration was paid there is no deduction against equity.

On 28 March 2013, a special resolution for approval of a Selective Buy Back Agreement was passed at a general meeting to cancel 16,052,818 shares, following the repurchase of these shares under the Payment and Settlement Agreement. The total number of shares on issue after the cancellation was 107,212,146. Of the total of 16,078,039 shares repurchased, 25,221 shares which were repurchased after the general meeting and were transferred to Tel.Pacific ESOP Pty Limited.

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

In addition to the cancellation of issued and unissued shares referred to above, the agreement also resulted in the cancellation of \$1,275,000 of certain outstanding vendor notes with no consideration being paid by the Company for the cancellation. The net gain of \$1,275,000 has been included in other income for the year.

### (b) gotalk Wholesale Business

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 24: Business Combination (continued)

### (c) gotalk Limited

On 23 December 2011, Tel.Pacific Limited acquired 100% of the issued shares in gotalk Limited, a public company providing prepaid telephony products and services in Australia and New Zealand, for a total consideration of \$9.01 million. As a result of this acquisition, the consolidated entity expects to benefit from gotalk areas of specialisation to strengthen the combined business and to create both cost and revenue synergies.

	\$
<i>Consideration</i>	
16,078,039 Tel.Pacific Limited shares issued at \$0.0533 per share	856,960
Unissued shares <sup>(1)</sup>	151,228
Vendor notes	8,000,000
Total purchase consideration	<u>9,008,188</u>

<sup>(1)</sup> Unissued shares represent the consideration withheld from one of the gotalk vendor shareholders, amounting to a total of 2,837,301 Tel.Pacific shares. Subject to shareholder approval, if required, Tel.Pacific will issue those shares within the next 12 months. If Tel.Pacific fails to issue those shares during the next 12 months, the Company will pay the higher of the VWAP of those shares calculated according to the Share Sale Agreement (approximately \$151,228 at \$0.0533 per share), or the then current value of those shares at the expiry of the 12 month period. Alternatively, if there is a successful offer for more than 50% of Tel.Pacific Limited within that period, the Company will pay the value of those shares based on the total value per share of the successful offer. The amount paid at the relevant time will also be grossed up by the amount of any dividend to which this vendor shareholder would have been entitled, had those shares been held up to that time.

	gotalk Limited	
	Fair Value \$	Carrying Value \$
<i>Net assets recognised at acquisition date</i>		
Cash and cash equivalents	1,114,428	1,114,428
Trade and other receivables	2,528,042	2,528,042
Inventories	388,029	388,029
Other current assets	3,824,439	3,824,439
Participating right <sup>(2)</sup>	615,000	-
Property, plant and equipment	1,572,013	1,572,013
Deferred tax asset	2,777,948	2,777,948
Intangible assets	5,650,000	-
Trade and other payables	(17,138,490)	(17,138,490)
Borrowings	(1,100,000)	(1,100,000)
Income tax payable	842	842
Provisions	(1,618,390)	(1,618,390)
Deferred tax liability	(954,699)	(954,699)
Total	<u>(2,340,837)</u>	<u>(8,605,837)</u>
Goodwill arising on acquisition	11,349,025	

<sup>(2)</sup> Participating right represents the right to receive 15% of the net proceeds of a highly probable future disposal of the gotalk wholesale business, should it be sold by 31 December 2012.



## Note 24: Business Combination (continued)

### (c) gotalk Limited (continued)

	\$
The cash inflow on acquisition is as follows:	
Cash acquired	1,114,428
Net consolidated cash inflow	<u>1,114,428</u>
Profit and loss from acquisition date until 30 June 2012	
Revenue	28,331,673
EBITDA	(3,251,169)
EBIT	(3,567,831)
NPAT	(2,532,564)

The consolidated entity has recognised goodwill of \$11,349,025 on acquisition of gotalk Pty Limited which is not deductible for tax purposes. The following factor contributed to the recognition of goodwill:

- both cost and revenue synergies derived from combined business

Total acquisition costs of \$171,576 (professional fees \$112,237 and other expenses \$59,340) incurred was expensed in financial year ended 30 June 2012

If the acquisition had occurred on 1 July 2011, the adjusted consolidated revenue and consolidated loss before income tax expense for the year ended 30 June 2012 would have been \$110,585,130 and (\$12,269,857) respectively.

### (d) Realtime Mobile Pty Ltd

On 1 November 2011, Tel.Pacific Limited acquired from Agregato Pty Ltd the remaining 50% interest in the joint venture entity Realtime Mobile Pty Ltd, which was established by Tel.Pacific Limited and Agregato Pty Ltd on 11 June 2010, for a total consideration \$50.

Realtime Mobile Pty Ltd has not yet commenced any business activity since the date of incorporation.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 25: Directors and Executives Disclosures

### (a) Key Management Personnel

#### Directors

Greg McCann	Chairman (Non-executive)
Chiao-Heng (Charles) Huang	Managing Director, Chief Executive Officer
Barry Chan	Director, Chief Operating Officer
Jeffrey Ma	Director, Chief Financial Officer, Company Secretary
Stephe Wilks	Director (Non-executive)
Stephen Picton	Director (Non-executive) - resigned on 7 February 2013
Ian Solomon	Director (Non-executive) - resigned on 7 February 2013

#### Executives

Bing Zhou	Sales Director - effective 1 July 2013
Charles Hsieh	Marketing Director
Gang Gu	Head of Information System - effective 1 July 2013
Gavin Mattig	Group Human Resources Manager - ceased employment on 26 February 2013
Huy Nguyen	Sales Director and New Zealand Country Manager
Peter Huang	Chief Technology Officer

### (b) Remuneration of Key Management Personnel

	2013 \$	2012 \$
Short-term Employee Benefits	1,850,158	1,691,153
Long-term Employee Benefits	37,487	65,490
Post-employment Benefits	148,872	165,337
Termination Benefits	62,088	698,037
	<u>2,098,605</u>	<u>2,620,017</u>

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

### (c) Equity Instrument Disclosure relating to Key Management Personnel

#### Share Holdings

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

	Total Shares Held at Beginning of Year	Shares Repurchased <sup>(1)</sup>	Shares Acquired	Total Shares Held at End of Year	Shares that are Held Nominally
Greg McCann	614,200	-	-	614,200	614,200
Chiao-Heng (Charles) Huang	43,890,173	-	-	43,890,173	3,350,600
Barry Chan	8,469,116	-	-	8,469,116	2,622,010
Jeffrey Ma	3,678,223	-	-	3,678,223	2,858,200
Stephe Wilks	350,000	-	400,000	750,000	750,000
Stephen Picton <sup>(1) &amp; (2)</sup>	3,115,589	(3,115,589)	-	-	-
Ian Solomon <sup>(1) &amp; (2)</sup>	664,552	(664,552)	-	-	-
Bing Zhou	41,280	-	-	41,280	31,280
Charles Hsieh	195,500	-	-	195,500	195,500
Gang Gu	433,753	-	-	433,753	195,500
Huy Nguyen	913,463	-	361,826	1,275,289	622,200
Peter Huang	820,258	-	-	820,258	645,500

<sup>(1)</sup> shares repurchased and cancelled by the company under a Payment and Settlement Agreement on 14 December 2012. See Note 19 for more detail

<sup>(2)</sup> resigned on 7 February 2013

## **Note 25: Directors and Executives Disclosures (continued)**

### **(c) Equity Instrument Disclosure relating to Key Management Personnel (continued)**

Total shareholdings include shares held by key management personnel and their related entities. Unless related to the Employee Share Ownership Plan (ESOP) - see Note 26 (b), shares acquired or disposed during the year were on an arm's length basis at market price.

## **Note 26: Employee Benefits**

### **(a) Executive Share Ownership Plan**

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

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

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

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

### **(b) Employee Share Ownership Plan**

The Employee Share Ownership Plan (ESOP) was approved by the Annual General Meeting and established on 30 November 2009.

This plan is intended to replace the previously approved Employee Option Plan (EOP) instituted on 23 May 2007, which the board believes is no longer as effective in light of proposed changes to the taxation of options in recipients hands.

The ESOP aims to motivate, retain and attract quality employees and directors of the company to create commonality of purpose between the employees and directors and the company. The ESOP is operated by way of the company issuing new shares to participants, with an amount equal to the subscription price for those shares being loaned to the participant by the company. That loan secured by the company taking security over the shares which are subject to a holding lock period of ten years, is interest free with recourse only to the shares. The loan is to be repaid over time by the participant (whether through dividends, specific payments to reduce the loan, or on sale of the underlying shares).

Shares issued under the ESOP will rank from the date of issue equally with the other shares in the company then on issue.

All shares issued pursuant to the ESOP are held by a trustee appointed by the company in trust for the participant until such time as the loan is repaid. The loan becomes immediately repayable in the event of dismissal, resignation, death or retirement of the participant. 60% of all dividends and distributions made in respect of the shares must be applied towards repayment of the loan. Voting rights attached to the shares may only be exercised by the trustee holder in the best interest of the participant.

On 16 December 2009, a total of 5,000,000 shares were granted to the employees and directors of the company under the ESOP.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 26: Employee Benefits

### (b) Employee Share Ownership Plan (continued)

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

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

Number of Options on Issue	5,000,000
Exercise Price	\$0.135
Time to Maturity	10 years
Underlying Share Price	\$0.102
Expected Share Price Volatility	71.48%
Risk-free Interest Rate	5.23%
Dividend Yield	7.84%

The number of options on issue represents the number of shares issued under the ESOP on 16 December 2009. The expected life of the options is based on historical data, which may not eventuate in the future. The expected share price volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 9 - 12.

### (c) Superannuation Plan

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

	2013	2012
	\$	\$
Defined contribution superannuation expense	<u>615,165</u>	<u>794,103</u>

### (d) Employee Numbers

	2013	2012
Number of full-time equivalent employees	<u>109</u>	<u>132</u>

## Note 27: Financial Instruments and Financial Risk Management Objectives and Policies

The group undertakes transactions in a range of financial instruments including:

- Cash assets;
- Trade and other receivables;
- Trade and other payables; and
- Investments.

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

### (a) Interest Rate Risk

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

	Note	Total \$	Average Effective Interest Rate
<b>2013</b>			
Financial Assets			
Cash <sup>(1)</sup>	9	2,902,033	1.45%
Trade and other receivables <sup>(1)</sup>	10	10,723,304	0.00%
Other assets - Term deposit <sup>(1)</sup>	12	2,049,703	4.13%
		<u>15,675,040</u>	
Financial Liabilities			
Trade and other payables <sup>(2)</sup>	16	15,332,036	0.00%
Borrowings <sup>(2)</sup>	17	3,820,004	7.50%
		<u>19,152,040</u>	
<b>2012</b>			
Financial Assets			
Cash <sup>(1)</sup>	9	4,148,588	1.59%
Trade and other receivables <sup>(1)</sup>	10	10,941,331	0.00%
Other assets - Term deposit <sup>(1)</sup>	12	3,311,675	4.78%
		<u>18,401,594</u>	
Financial Liabilities			
Trade and other payables <sup>(2)</sup>	16	16,763,492	0.00%
Borrowings <sup>(2)</sup>	17	9,105,833	7.04%
		<u>25,869,325</u>	

<sup>(1)</sup> Loans and receivables category

<sup>(2)</sup> Financial liabilities at amortised cost category

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 27: Financial Instruments and Financial Risk Management Objectives and Policies (continued)

### (b) Foreign Currency Risk

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

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

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

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

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2013	2012	2013	2012
<b>Consolidated</b>				
US dollars	1,491,320	2,775,902	4,709,007	4,929,855
New Zealand dollars	1,702,668	1,833,324	1,259,049	635,378
Singapore dollars	297,939	310,278	28,237	49,624
Hong Kong dollars	9,904	9,869	-	-
British pounds	-	-	7,720	-
	<u>3,501,831</u>	<u>4,929,373</u>	<u>6,004,013</u>	<u>5,614,857</u>

### (c) Credit Risk

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

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

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

**Note 27: Financial Instruments and Financial Risk Management Objectives and Policies  
(continued)**

**(d) Liquidity Risk**

The group's objective is to be self-funding by the generation of positive cash flows. The group manages liquidity risk by monitoring cash flows requirements on a continuing basis.

**Remaining contractual maturities**

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. Both interest and principal cash flows are disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted Average Effective Interest Rate	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Remaining contractual maturities \$
<b>2013</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables		15,332,036	-	-	15,332,036
<i>Interest-bearing</i>					
Vendor notes	7.50%	2,432,052	1,595,059	-	4,027,111
Total non-derivatives		<u>17,764,088</u>	<u>1,595,059</u>	<u>-</u>	<u>19,359,147</u>
<b>2012</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables		16,763,492	-	-	16,763,492
<i>Interest-bearing</i>					
Finance leases	7.33%	6,022	-	-	6,022
Commercial bills	3.69%	1,100,000	-	-	1,100,000
Vendor notes	7.50%	3,591,880	3,209,315	2,262,665	9,063,860
Total non-derivatives		<u>21,461,394</u>	<u>3,209,315</u>	<u>2,262,665</u>	<u>26,933,374</u>

As at 30 June 2013, the group maintained a total of \$5.0 million in cash balance and bank deposits.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 27: Financial Instruments and Financial Risk Management Objectives and Policies (continued)

### (e) Summarised Sensitivity Analysis

#### Interest Rate Risk

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

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

	Year Ended 30 June 2013				Year Ended 30 June 2012			
	Profit/Loss		Equity		Profit/Loss		Equity	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Financial Assets</i>								
Cash and cash equivalents	6,321	(6,321)	6,321	(6,321)	8,952	(8,952)	8,952	(8,952)
Other assets - term deposit	4,807	(4,807)	4,807	(4,807)	4,222	(4,222)	4,222	(4,222)
<i>Financial Liabilities</i>								
Borrowings	(33,930)	33,930	(33,930)	33,930	(22,468)	22,468	(22,468)	22,468
Increase/(decrease)	<u>(22,802)</u>	<u>22,802</u>	<u>(22,802)</u>	<u>22,802</u>	<u>(9,294)</u>	<u>9,294</u>	<u>(9,294)</u>	<u>9,294</u>

#### Foreign Exchange Risk

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

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

	Year Ended 30 June 2013				Year Ended 30 June 2012			
	Profit/Loss		Equity		Profit/Loss		Equity	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	\$	\$	\$	\$	\$	\$	\$	\$
Increase/(decrease)	<u>159,230</u>	<u>(194,614)</u>	<u>129,904</u>	<u>(158,771)</u>	<u>43,622</u>	<u>(53,315)</u>	<u>139,833</u>	<u>(170,907)</u>
	<u>159,230</u>	<u>(194,614)</u>	<u>129,904</u>	<u>(158,771)</u>	<u>43,622</u>	<u>(53,315)</u>	<u>139,833</u>	<u>(170,907)</u>



## Note 28: Segment Reporting

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

The operating segments are identified by management based on operating business geographical location. On this basis, management has identified three reportable segments, Australia, New Zealand and Singapore. Discrete financial information about each of these operating businesses is reported on a monthly basis.

### (a) Types of Products and Services

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

### (b) Accounting Policies and Inter-Segment Transactions

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with the consolidated entity's policies described in Note 1.

### (c) Major Customers

The consolidated entity is not reliant on any single customer and no one customer represents more than 10% of the Group's revenue.

	Australia \$	New Zealand \$	Singapore \$	Elimination \$	Total \$
<b>2013</b>					
<b>Revenue</b>					
Revenue from external customers	69,039,733	11,193,619	915,419	-	81,148,771
Other income	2,361,093	22,315	44	-	2,383,452
Inter-segment revenue	7,639,542	-	86,900	(7,726,442)	-
<b>Total segment revenue</b>	<u>79,040,368</u>	<u>11,215,934</u>	<u>1,002,363</u>	<u>(7,726,442)</u>	<u>83,532,223</u>
<b>Result</b>					
Earning before interest expense and taxation (EBIT)	5,726,051	(380,955)	(16,580)	(499,614)	4,828,902
Finance costs					(438,288)
<b>Taxation</b>					
Income tax (expenses)/benefits	(593,999)	-	45,200	-	(548,799)
<b>Profit for the year after income tax</b>					<u>3,841,815</u>
<b>Other Segment Information</b>					
Depreciation	1,645,787	2,392	28,025	-	1,676,204
Goodwill impairment	-	-	-	-	-
<b>Assets and Liabilities</b>					
Segment assets	53,335,433	2,561,732	631,435	(8,860,011)	47,668,589
- Additions/(Deductions) to non-current assets	(2,378,152)	2,532	26,017	-	(2,349,603)
Segment liabilities	43,782,390	5,102,776	847,075	(8,020,299)	41,711,942

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## Note 28: Segment Reporting (continued)

	Australia \$	New Zealand \$	Singapore \$	Elimination \$	Total \$
<b>2012</b>					
<b>Revenue</b>					
Revenue from external customers	68,504,024	9,085,403	1,198,826	-	78,788,253
Other income	902,692	15,268	23		917,983
Inter-segment revenue	3,801,806	-	119,870	(3,921,676)	-
Total segment revenue	<u>73,208,522</u>	<u>9,100,671</u>	<u>1,318,719</u>	<u>(3,921,676)</u>	<u>79,706,236</u>
<b>Result</b>					
Earning before interest expense and taxation (EBIT)	(7,562,126)	(92,857)	42,058	(5,709)	(7,618,634)
Finance costs					(366,783)
<b>Taxation</b>					
Income tax benefits	870,168	-	-	-	870,168
<b>Loss for the year after income tax</b>					<u>(7,115,249)</u>
<b>Other Segment Information</b>					
Depreciation	1,192,128	2,075	35,634	-	1,229,837
Goodwill impairment	4,763,315	-	-	-	4,763,315
<b>Assets and Liabilities</b>					
Segment assets	58,146,341	1,568,106	669,431	(6,030,840)	54,353,038
- Additions to non-current assets	14,503,439	1,803,274	820	-	16,307,533
Segment liabilities	51,767,237	4,331,415	890,514	(4,795,749)	52,193,417

## Note 29: Parent Entity Disclosures

	Company	
	2013	2012
	\$	\$
Current assets	20,286,456	19,947,441
<b>Total assets</b>	<u>48,986,289</u>	<u>35,518,727</u>
Current liabilities	44,145,655	23,637,317
<b>Total liabilities</b>	<u>44,437,853</u>	<u>29,860,583</u>
Issued capital	8,998,970	8,998,970
Reserve	475,084	626,312
Retained earnings	(4,925,618)	(3,967,137)
<b>Shareholders' equity</b>	<u>4,548,436</u>	<u>5,658,144</u>
<b>Loss for the year</b>	<u>(1,109,709)</u>	<u>(4,654,303)</u>
<b>Total comprehensive income</b>	<u>(1,109,709)</u>	<u>(4,654,303)</u>

On 21 May 2013, as part of corporate consolidation the Company entered into an Asset Transfer Deed with gotalk Pty Limited to acquire all retail business and assets of gotalk Pty Limited for a consideration of \$5.00 million, effective from 1 April 2013.

	gotalk Retail Business and Assets	
	Fair Value	Carrying Value
	\$	\$
<i>Net assets recognised at acquisition date</i>		
Cash	1,982,476	1,982,476
Fixed Assets	630,169	630,169
Goodwill	10,409,997	10,409,997
Other Asset/ Liabilities	(8,018,034)	(8,018,034)
<b>Total</b>	<u>5,004,608</u>	<u>5,004,608</u>
<i>Gain arising from acquisition <sup>(1)</sup></i>	-	-

<sup>(1)</sup> As the transfer of retail business and assets at book value is within the consolidated group, no gain arising from acquisition.

### Parent entity contingencies

The details of all contingent liabilities in respect to Tel.Pacific Limited are disclosed in Note 22.

## Note 30: Events After The Balance Date

On 11 July 2013, the Company entered into a Master Software and Services Supply Agreement with Vodafone Hutchison Australia Pty Limited in connection with a rental arrangement to use the Mobile Real Time Management Platform.

## Note 31: Company Details

The company is incorporated and domiciled in Australia.

The registered office and principal place of business of the company is:  
Level 10, Tower B, 821 Pacific Highway, Chatswood NSW 2067, Australia

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Greg McCann  
Chairman



Chiao-Heng (Charles) Huang  
Managing Director

Sydney, 26 August 2013

## INDEPENDENT AUDITOR'S REPORT

To the members of Tel.Pacific Limited

### Report on the Financial Report

We have audited the accompanying financial report of Tel.Pacific Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

### 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the 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 about 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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### Independence

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 Tel.Pacific 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 Tel.Pacific 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 2013 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 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 13 of the directors' report for the year ended 30 June 2013. 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 Tel.Pacific Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

### BDO East Coast Partnership



**Paul Bull**  
Partner

Sydney, 26 August 2013

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Shareholder information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows.

### (a) Shares and Options as at 21 August 2013

Equity Security	Number
Shares on issue	107,212,146

### (b) Distribution of Equity Securities as at 31 July 2013

Range	Class of Equity Securities	
	Ordinary Shares Holders	Ordinary Shares Units
1 - 1,000	2	8
1,001 - 5,000	6	19,820
5,001 - 10,000	227	2,254,044
10,001 - 100,000	97	3,489,229
100,001 and over	51	101,449,045
Total	<u>383</u>	<u>107,212,146</u>

There were 14 holders of less than a marketable parcel of 63,872 ordinary shares.

### (c) Substantial Shareholders as at 21 August 2013

Rank	Shareholder	Number of Shares	% of Issued Capital
1	Mr Chiao Heng Huang	40,539,573	37.81
2	Tel.Pacific ESOP Pty Limited	11,567,161	10.79
3	Mr Bob Cheng	7,580,909	7.07
4	Mr Barry Christopher Chan	5,847,106	5.45
5	Focus Capital Finance Limited	5,445,000	5.08
6	Megaway Group Limited	5,445,000	5.08

## Shareholder Information

### (d) Twenty Largest Shareholders as at 21 August 2013

Rank	Shareholder	Number of Shares	% of Issued Capital
1	Mr Chiao Heng Huang	40,539,573	37.81
2	Tel.Pacific ESOP Pty Limited	11,567,161	10.79
3	Mr Bob Cheng	7,580,909	7.07
4	Mr Barry Christopher Chan	5,847,106	5.45
5	Focus Capital Finance Limited	5,445,000	5.08
6	Megaway Group Limited	5,445,000	5.08
7	Fortune Giant International Limited	4,249,232	3.96
8	Ms Wei Chun Wu	2,770,484	2.58
9	Walker Group of Companies Retirement Fund	1,775,000	1.66
10	Contemplator Pty Ltd (ARG Pension Fund A/C)	1,615,300	1.51
11	Global Property Services Pty Limited (Super Account)	1,371,118	1.28
12	Mr Trevor Neil Hay	1,144,302	1.07
13	Ruminator Pty Ltd	944,779	0.88
14	Mr Jeffrey Ma	820,023	0.76
15	Nunc Coepi Pty Ltd	664,320	0.62
16	Mr Huy Nguyen	653,089	0.61
17	Fogarty Foundation Pty Ltd	610,000	0.57
18	Mr Andrew William Blackman	530,000	0.49
19	Mr Ilario Faenza	530,000	0.49
20	Mrs Samantha Vieira	514,931	0.48
	Total	<u>94,617,327</u>	<u>88.24</u>



**Directors**

Greg McCann  
Chiao-Heng (Charles) Huang  
Barry Chan  
Jeffrey Ma  
Stephe Wilks

**Company Secretary**

Jeffrey Ma  
Nick Geddes, Australian Company Secretary Pty Limited

**Registered Office**

Level 10, Tower B, 821 Pacific Highway  
Chatswood NSW 2067  
Australia  
Telephone (02) 8448 0633  
Facsimile 1300 369 222  
Web Site [www.telpacific.com.au](http://www.telpacific.com.au)

**Share Registry**

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

**Stock Exchange Listing**

Australian Securities Exchange Limited  
ASX Code: TPC

**Auditor**

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

**Solicitor**

Addisons Lawyers  
Level 12, 60 Carrington Street  
Sydney NSW 2000

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

**Banker**

Westpac Banking Corporation  
425 Victoria Avenue  
Chatswood NSW 2067

Commonwealth Bank  
48 Martin Place  
Sydney NSW 2000

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