Half Year Financial Report

Half year ending 31 December 2012

Eftel Limited and Controlled Entities

ABN 47 073 238 178

Contents

Results for announcement to the market

			Consolidated	
			Half-year ended	
			31-Dec-12	31-Dec-11
			$'000	$'000
		Percentage Change		
Revenues from ordinary activities	Up	20.11%	34,012	28,318
Underlying EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation)[1]	Up	34.35%	2,195	1,634
Profit/(loss) from ordinary activities after tax attributable to members (NPAT)	Up	98.52%	(46)	(3,107)
Net profit for the period attributable to members	Up	98.52%	(46)	(3,107)
Underlying NPAT[2]	Up	486.45%	1,186	(307)
[1]Underlying EBITDA				
NPAT			(46)	(3,107)
Deduct Income Tax Benefit			(29)	(1,063)
Add back Finance Costs			188	438
Add back Depreciation and amortisation			340	1,366
Add back impairment charge			63	3,931
Deduct impact of Prior Period Adjustment[3]			-	(333)
EBITDA			516	1,232
Add back Redundancy Costs			1,485	402
Add back Onerous Lease provisions			194	-
Underlying EBITDA			2,195	1,634
[2]Underlying NPAT				
NPAT			(46)	(3,107)
Add back after tax effect of Redundancy Costs			1,039	281
Add back after tax effect of Onerous Lease Provisions			130	-
Add back after tax effect of Asset Impairment Charge			63	2,752
Deduct after effect of the Prior Period Adjustment[3]			-	(233)
Underlying NPAT			1,186	(307)

[3]Prior Period Adjustment

During the year an error affecting the prior year was identified and corrected by way of a Prior Period Adjustment.

See Note 11 for further details.

Dividends (distributions)	Amount per share	Franked amount per share
Interim dividend	nil	nil

	Current Period 31 December 2012 c per share	Previous Period 30 June 2012 c per share
Net Tangible Assets per Ordinary Share (NTA Backing)	(15.48)	(3.50)

The directors of Eftel Limited submit the financial report of Eftel Limited and its subsidiaries for the half-year ended 31 December 2012.

The names of the directors of the company during or since the end of the half-year are:

Directors

Stephe Wilks

Simon Ehrenfeld

Ilario Faenza

Larry Kestelman

Scott Stavretis

Ryan O'Hare (appointed 7 August 2012)

Review of Operations

Review of Operations

During the half the company made several acquisitions, with the largest being Engin, a leader in the Voice over Internet Protocol (VoIP) sector. The Engin business contributed $5.75m of revenue to the Company during the reporting period.

On the operational side of the business, we focused our efforts on a more efficient approach to our existing business structure (consolidating disparate parts of the organisation within existing business units to give a more streamlined overall operation), together with locking in synergies as we consolidated the newly acquired business operations.

Opportunities we successfully implemented in the half included closing down the Perth office (which was previously the Eftel head office), closing down the Malaysian office which housed some back office and contact centre staff (where we were able to consolidate those services back to the Melbourne office and into our existing outsourced contact centre provider), together with significant management and team restructuring. This significant restructuring cost the Company over $1.6m in one off expenses for the half year. Adjusting for those expenses, the Company generated an underlying EBITDA of $2.195m for the six months ended 31 December 2012 (1H2011: $1.63m).

The Company has now restructured the legacy Eftel business as well as the newly acquire Engin business to ensure that the Engin brand can continue to lead the VoIP market. In particular, this allows the Company to take full advantage of the National Broadband Network (NBN) rollout that will utilise this VoIP technology for both residential and corporate customers.

The Company will benefit greatly from the operational savings as of January 2013 and will continue its rapid growth strategy of organically increasing revenue whilst looking for compelling acquisitions within the market.

Principal Activities

The principal activities of the consolidated entity for the half-year were the provision of telecommunication and internet services.

Operating Results

Eftel generated a net loss of $ 46,000 (2011 : $3,107,000). The main items contributing to this loss were onerous provisions recognised and integration costs incurred, including redundancies associated with the acquisition of Engin (2011 : non-cash items being asset impairment costs of $3,931,000, and depreciation expenses of $1,366,000).

Dividends

There has not been an interim dividend paid or declared.

Significant Events

Completion of the rights issue

Acquisition of fixed line service provider Visage Telecommunication Pty Ltd

Acquisition of the customer base of West Australian Networks

Acquisition of VoIP service provider Engin Pty Ltd

Acquisition of customer base of Enterprise IT

Events Subsequent to Reporting Date

There is no material event occurring subsequent to the end of the period

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Scott Stavretis
Managing Director
Melbourne, 27 February 2013

Deloitte.

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The Board of Directors
Eftel Limited
11/600 St Kilda Road
MELBOURNE VIC 3004

27 February 2013

Dear Board Members

Eftel Limited

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

As lead audit partner for the review of the financial statements of Eftel Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Scott Stavretis
Managing Director
Melbourne, 27 February 2013

Condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2012

	Note	Consolidated Half-year ended 31-Dec-12 $'000	31-Dec-11 $'000
Revenue from operations		33,965	28,199
Other revenue		47	119
Total revenue		34,012	28,318
Communication expenses		(22,004)	(17,976)
Employee benefits expense		(7,454)	(6,004)
Occupancy expenses		(446)	(370)
Depreciation and amortisation expense		(340)	(1,366)
Finance costs		(188)	(438)
Impairment of Assets		(63)	(3,931)
Other expenses		(3,592)	(2,403)
Profit/ (loss) before income tax expense		(75)	(4,170)
Income tax (expense) / benefit		29	1,063
Profit/ (loss) for the period		(46)	(3,107)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange Rate differences on translating foreign operations		7	4
Total comprehensive income/ (loss) attributable to members of Eftel Limited		(39)	(3,103)
Earnings per share:			
Basic (cents per share)	4	(0.04)	(5.85)
Diluted (cents per share)	4	(0.04)	(5.85)

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

Condensed consolidated statement of financial position as at 31 December 2012

	Note	Consolidated	
		31-Dec-12	30-Jun-12 (Restated)
		$'000	$'000
Current assets			
Cash and cash equivalents		3,426	3,549
Trade and other receivables		7,007	5,213
Other		694	1,113
Total current assets		11,127	9,875
Non-current assets			
Property, plant and equipment		2,166	1,422
Deferred tax assets		4,501	3,773
Goodwill		25,449	15,750
Other intangible assets		267	256
Total non-current assets		32,383	21,201
Total assets		43,510	31,076
Current liabilities			
Trade and other payables		15,177	13,328
Borrowings	9	2,000	400
Provisions		2,435	3,024
Deferred revenue		2,267	2,332
Total current liabilities		21,879	19,084
Non-current liabilities			
Borrowings	9	7,000	-
Provisions		1,050	79
Total non-current liabilities		8,050	79
Total liabilities		29,929	19,163
Net assets		13,581	11,913
Equity			
Issued capital	10	15,952	14,245
Reserves		(9)	(16)
Accumulated losses	11	(2,362)	(2,316)
Total equity		13,581	11,913

The notes following the financial statements form part of the financial report.
An error impacting the prior year has been identified and corrected by way of a Prior Period Adjustment.
See Note 11 for details

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2012

	Consolidated			
	Issued capital	**Foreign currency translation reserve**	**Accumulated profits/(losses)**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2011	6,476	-	-	6,476
Net profit/ (loss) for the period	-	-	(3,107)	(3,107)
Other comprehensive income	-	4	-	4
Total comprehensive income/ (loss) attributable to members of the parent entity	-	4	(3,107)	(3,103)
Balance at 31 December 2011	6,476	4	(3,107)	3,373

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

	Consolidated			
	Issued capital	**Foreign currency translation reserve**	**Accumulated profits/(losses)**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2012	14,245	(16)	(2,083)	12,146
Restatement due to Prior Period Adjustment (See Note 11)			(233)	(233)
Restated balance at 1 July 2012	14,245	(16)	(2,316)	11,913
Net profit/ (loss) for the period		-	(46)	(46)
Other comprehensive income		7	-	7
Total comprehensive income/ (loss) attributable to members of the parent entity		7	(46)	(39)
Issue of shares	1,724	-	-	1,724
Share Issue Expenses	(17)			(17)
Balance at 31 December 2012	15,952	(9)	(2,362)	13,581

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

Condensed consolidated statement of cash flow for the half-year ended 31 December 2012

	Note	Consolidated Half-year ended 31-Dec-12 $'000	Consolidated Half-year ended 31-Dec-11 $'000
Cash flows from operating activities			
Receipts from customers		37,359	26,452
Payments to suppliers and employees		(38,453)	(25,531)
Income tax paid		-	-
Net cash used in operating activities		(1,094)	921
Cash flows from investing activities			
Payment for property, plant and equipment		(202)	(501)
Acquisition of businesses		(8,946)	(97)
Net cash used in investing activities		(9,148)	(598)
Cash flows from financing activities			
Proceeds from borrowings		8,600	589
Payment for share issue costs		(17)	-
Receipts from share issue		1,724	-
Interest paid		(188)	(438)
Net cash provided in financing activities		10,119	151
Net (decrease)/increase in cash and cash equivalents		(123)	474
Cash and cash equivalents at the beginning of the period		3,549	1,156
Cash and cash equivalents at the end of the period		3,426	1,630

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

1. Corporate information

The financial report of Eftel Limited for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 27 February 2013.

Eftel Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the consolidated entity for the half-year were the provision of telecommunications and supply of internet services.

2. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

> Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 "Amendments to Australian Accounitng Standards - Presentation of Items of Other Comprehensive Income".

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going Concern

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

As at 31 December 2012, the consolidated entity had net current liabilities of $10,752,000 (30 June 2012: $ 9,209,000), had incurred a loss of $46,000 (Dec 2011 loss: $3,107,000) and had experienced net operating cash outflows of $1,094,000 (Dec 2011: inflows of $921,000) for the half-year then ended.

The EBITDA for the period, excluding one-off redundancy costs and onerous lease provisions of $1,679,000, was $2,195,000 (December 2011: $1,634,000).

The main contributing factors to the net current liability position of the consolidated entity as at 31 December 2012 were:

• Trade payables of $ 6,377,877 as at 31 December 2012 from Dodo Wholesale Pty Ltd, which is a related party to the company's majority shareholders.

• Deferred revenue of $2,267,000 . Deferred revenue is services invoiced in advance and, as such, is a non-cash liability spread across the large customer base of the Eftel Group.

• Current portion of the loan from Dodo Wholesale Pty Ltd being $2,000,000, which is management's estimate of the repayments likely to be required in the 12 months to 31 December 2013.

The loan from Dodo Wholesale Pty Ltd was provided in connection with Eftel's acquisition of Engin Pty Ltd and the principal is to be repaid to the extent that the net profit after tax of Engin Pty Ltd for a quarter exceeds the amount of interest payable for that quarter (refer Note 9 for further details). At 31 December 2012, Eftel had no present obligation to make repayments under this loan facility.

Consistent with June 2012, the consolidated entity has received a revised letter of support and forbearance from Dodo Australia Pty Ltd, ATF the Dodo Partnership (a partnership of the Slepoy and Kestelman Family Trusts) ('Dodo Australia Pty Ltd'), being the ultimate parent entity of Dodo Wholesale Pty Ltd, which confirms the following:

Dodo Wholesale Pty Ltd will not require payment of the accounts payable balance of $6,377,877 unless the consolidated entity has sufficient cash resources to do so and will continue to provide services on extended terms to ensure that Eftel is able to meet other creditor payments as they fall due;

After adjusting for the deferred revenue balance and the amounts owing to Dodo Wholesale Pty Ltd in the form of trade payables and the current portion of the loan, the consolidated entity has net current liabilities of $107,123.

Based on the above factors, including the extended accounts payable terms provided by Dodo Australia Pty Ltd as described above, the directors are satisfied that the company and consolidated entity will have sufficient cash flows to meet all working capital requirements for a period of at least 12 months from the date of signing the consolidated half year financial report.

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

3. Segment information

The consolidated entity operates in the Telecommunications industry in Australia. The group's principal activity is provision of internet and telephony services to wholesale, corporate and retail customers.

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the period.

Segment profit represents the profit earned by each segment without allocation of common shared communication costs, central administration costs and directors' salaries, investment revenue, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The consolidated entity has generated its major revenue from the following products and services:

	Consolidated	
	Half-year ended	
	31-Dec-12	**31-Dec-11**
	$'000	**$'000**
Internet	17,230	13,229
Mobile Phone	2,366	1,034
VoIP	5,892	2,017
Home Phone	6,811	6,676
Other	1,713	5,362
Total revenues	34,012	28,318

The consolidated entity is aggregated into a single reportable segment given the similarity of the services provided, method in which services are delivered, types of customers and regulatory environment. There are no inter-segment transactions. There was no single customer that contributed 10% or more to the consolidated entity's revenue for the half year ended 31 December 2012.

4. Earnings per share

	Consolidated	
	31-Dec-12	31-Dec-11
	cents	cents
Basic earnings per share - cents	(0.04)	(5.85)
Diluted earnings per share - cents	(0.04)	(5.85)
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earning per share	105,525,529	53,110,063

Reconciliation of earnings used in calculating earnings per share

	$'000	$'000
Net profit/(loss)	(46)	(3,107)

5. Contingencies and commitments

Court proceedings

There were no court proceedings at the date of this report.

6. Contingent liabilities

There were no contingent liabilities at the date of this report.

7. Subsequent events

No material events occurred subsequent to the end of the period.

8. Acquisition of business

Name of business acquired 2012	Date of Acquisition	Proportion of business acquired (%)	Cost of acquisition $
Visage Telecommunications Pty Ltd	1 August 2012	100%	468,800
			468,800

On 1 August 2012, Eftel announced the acquisition of Visage Telecommunications Pty Ltd.

The fair value of the net assets acquired and the goodwill have been provisionally determined, and are as follows:

	Visage		
	Carrying Value	Fair value adjustments	Fair value
	$'000	$'000	$'000
Net assets acquired:			
Cash	41		41
Trade and other receivables	65	-	65
Other current assets	5	-	5
Trade and other payables	(93)	-	(93)
	18	-	18
Goodwill arising on acquisition			450
Total consideration			468

The fair values of net assets acquired and the resulting goodwill have been provisionally determined, but will be finalised by 30 June 2013.

The principal activities of Visage are the provision of telecommunication and internet services.

8. Acquisition of business

Name of business acquired 2012	Date of Acquisition	Proportion of business acquired (%)	Cost of acquisition $'000
Engin Pty Ltd	1 October 2012	100%	9,064
			9,064

On 1 October 2012, Eftel announced the acquisition of Engin Pty Ltd.

The fair value of the net assets acquired and the goodwill have been provisionally determined as follows:

	Engin		
	Carrying Value	Fair value adjustment	Recognised on acquisition
	$'000	$'000	$'000
Net assets acquired:			
Cash	968		968
Trade and other receivables	1,320	(58)	1,262
Other current assets	471		471
Property, plant and equipment	956		956
Deferred tax assets	476	224	700
Trade and other payables	(2,070)		(2,070)
Provisions	(1,002)	(690)	(1,692)
Finance leases	(356)		(356)
	763	(524)	239
Goodwill arising on acquisition			8,825
Total consideration			9,064

The fair values of net assets acquired and the resulting goodwill have been provisionally determined, but will be finalised by 30 June 2013.

The principal activities of Engin are the provision of telecommunications and internet services.

If the business combination had been effected at 1 July 2012, the revenue of the Consolidated Entity from continuing operations would have been $39.771m

8. Acquisition of businesses (Continued)

Name of business acquired 2012	Date of Acquisition	Proportion of business acquired (%)	Cost of acquisition $
West Australian Networks Pty Ltd	1 August 2012	100%	175,000
			175,000

On 25 June 2012 Eftel announced the acquisition of the customer base of telecommunications service provider West Australian Networks Pty Ltd.

Name of business acquired 2012	Date of Acquisition	Proportion of business acquired (%)	Cost of acquisition $
Enterprise IT Global Ltd (in Liquidation)	14 December 2012	100%	250,000
			250,000

On 14 December 2012 Eftel acquired the ADSL customer base of one of its customers, telecommunications service provider Enterprise IT Global Ltd (in Liquidation).

The fair values of net assets acquired and the resulting goodwill have been provisionally determined, but will be finalised by 30 June 2013.

9. Loans and Borrowings

	Notes	Consolidated 31-Dec-12 $'000	Consolidated 30-Jun-12 $'000
Current			
Unsecured- at amortised cost			
Other Loans	(i)	2,000	400
		2,000	400
Non-current			
Unsecured- at amortised cost			
Other Loans	(i)	7,000	-
		7,000	-

(i) On 21 September 2012 Dodo Wholesale Pty Ltd made available a financing facility of $9,000,000 in order to fund the purchase of all the shares in Engin Pty Ltd. This facility has been fully drawn down. The loan bears interest at 8% pa payable quarterly in arrears, with principal to be repaid to the extent that the net profit after tax of Engin Pty Ltd for a quarter exceeds the amount of interest payable for that quarter. Any balance remaining outstanding is repayable on or before 30 September 2016.

10. Issued Capital

	Consolidated	
	31-Dec-12 $'000	31-Dec-12 $'000
107,506,425 fully paid ordinary shares (2011: 53,110,355)	15,952	6,476
	15,952	6,476

	Consolidated	
	No 000's	$'000
Fully paid ordinary shares		
Balance as at 1 January 2011	249,458	6,476
Issue of shares 30 June 2011	812,743	
Consolidation of shares on 1:20 basis on 15 December 2011 (As approved by shareholders at the Annual General Meeting held on 30 November 2011)	(1,009,091)	
Balance as at 31 December 2011	53,110	6,476
Balance as at 1 January 2012	53,110	6,476
Rights Issue of Shares on 16 May 2012	44,545	7,796
Costs relating to share issue		(27)
Balance as at 30 June 2012	97,655	14,245
Balance as at 1 July 2012	97,655	14,245
Issue of Shares on 6 August 2012	1,286	225
Rights Issue of Shares 7 August 2012	8,565	1,499
Costs relating to share issues		(17)
Balance as at 31 December 2012	107,506	15,952

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

11. Prior Period Adjustment

An error affecting the prior period was identified during the current year in relation to the recognition of revenue. An amount of accrued revenue was recognised in relation to charges to customers that were yet to be invoiced which were therefore included in Accrued Debtors. This same amount was also included in the calculation of the revenue for the same period effectively double counting this same amount of revenue.

This error has been corrected by reducing the Accounts Receivable balance as at 30 June 2012 to adjust for this overstatement. As this overstatement in Accounts Receivable existed at the time that ClubTelco was acquired by Eftel by way of a reverse takeover on 30 June 2011, the reduction required as at that date has been identified and the Goodwill adjusted accordingly. The impact on the overstatement of Revenue for the 30 June 2012 financial year has been adjusted for as an increase to the Accumulated Losses brought forward from 30 June 2012 after allowing for GST and deferred tax.

The impact of the correction of this error net of tax is an increase in the opening Accumulated Losses as at 1 July 2012 of $232,720.

The restated balance sheet items impacted in the 30 June 2012 financial year are as follows:

Balance Sheet (extract)	**30-Jun-12 $'000**	**Restatement Amount $'000**	**30-Jun-12 (Restated) $'000**
Trade and other receivables	6,067	(854)	5,213
Total Current Assets	10,729	(854)	9,875
Goodwill	15,306	444	15,750
Deferred tax assets	3,673	100	3,773
Total Non-Current Assets	20,657	544	21,201
Total Assets	31,386	(310)	31,076
Trade and other payables	13,406	77	13,328
Total Current Liabilities	19,161	77	19,084
Total Non-Current Liabilities	79	-	79
Total Liabilities	19,240	77	19,163
Net Assets	12,146	(233)	11,913
Accumulated Loss	(2,083)	(233)	(2,316)
Total Equity	12,146	(233)	11,913

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Independent Auditor's Review Report to the Members of Eftel Limited

We have reviewed the accompanying half-year financial report of Eftel Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising Eftel Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Eftel Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eftel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Melbourne, 27 February 2013

Directors

Stephe Wilks
Simon Ehrenfeld
Ilario Faenza
Larry Kestelman
Scott Stavretis
Ryan O'Hare (appointed 7 August 2012)

Company Secretary

John Horan

Registered Office and Principal Place of Business

Level 11, 600 St Kilda Rd
Melbourne VIC 3004
www.eftel.com

Other Offices

Melbourne
Sydney
Gold Coast

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Bankers

Westpac Institutional Bank
360 Collins Street
Melbourne VIC 3000

Share Registry

LINK Market Services
Level 1, 333 Collins St
Melbourne VIC 3000

Stock Exchange Listing

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

Level 11, 600 St Kilda Road, Melbourne VIC 3004
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