



ZINTEL ANNUAL REPORT 2007



“ Established in 1995, and listed on the NZAX November 2003, Zintel Group Limited is comprised of two businesses: Communications and Enterprise. Our Communications business offers business customers a range of telecommunication services, including tolls and toll free; our Enterprise business offers ICT and contact centre solutions, specialising in Ericsson PBXs and phone systems, and service and maintenance of Enterprise systems. ”

OUR HERITAGE

Originally formed to implement and manage both simple and complex toll free network services in New Zealand, the Zintel Group has expanded its strategic direction through the acquisition of relevant businesses, and careful identification of market growth opportunities. In 2000, Zintel expanded its operations into Australia through the acquisition of a successful national network services provider. Also in 2000, Zintel further enhanced its market offering by purchasing the New Zealand enterprise business from Ericsson Enterprise New Zealand.

Future strategic opportunities are constantly reviewed, all with an eye to improving Zintel solutions, and increasing value for customers.

OUR PEOPLE

At Zintel, we combine our customer-focused expertise and attitude with industry-leading technology and support to build long-term relationships with our customers. Starting with a small and dedicated team of five people in 1995, the Group now employs over 120 full-time business and operations professionals across New Zealand and Australia.

OUR BUSINESS

In everything it does, Zintel Group is committed to balancing continuity with development, ensuring reliability of performance today without compromising access to the many paths that technology will take in the future.

In the year ending 31 March 2007, there were five legal trading companies that comprise Zintel Group Limited: Zintel Communications Limited, Zintel Communications Pty Limited, Zintel Enterprise Limited, Zintel Enterprise Pty Limited (not currently trading), and Zintel Leasing Limited. All five companies are wholly owned subsidiaries of Zintel Group Limited.

ZINTEL COMMUNICATIONS

Zintel Communications Limited provides a range of telecommunications services, including toll free and toll services in New Zealand; Zintel Communications Pty Limited provides those same services in Australia.

Zintel Communications applies its technical and marketing expertise to design solutions for toll free 0800 and 0508 in New Zealand, and 1800, 1300, and 13 in Australia — from conception through to implementation — and provides on-going analysis and call management reporting. Zintel Communications adds value through a consultative account management approach and

unique reporting solutions. The business purchases network services from various operators on a wholesale basis, and does not invest in any network or switching infrastructure. Central to the service offering is its in-house billing and reporting services platform, referred to as TWINS. TWINS allows Zintel Communications to manage all telecommunications billing together with reporting and contact information management for its customers in New Zealand and Australia.

ZINTEL LEASING

Zintel Leasing Limited is a wholly owned Zintel subsidiary which has been established to provide our business customers with an in-house option for rental operating leases of Ericsson equipment.

ZINTEL ENTERPRISE

Zintel Enterprise Limited, an Ericsson Advanced Partner, is the sole partner for distribution, sales, and service of Ericsson's enterprise product portfolio within New Zealand.

Zintel Enterprise designs, implements, and supports advanced IP-PBX and traditional PBX hardware and software solutions for a range of companies – from large corporate and government agencies through to small- and medium-sized enterprises (SME). Solutions range from the MX-ONE™ telephony system (the latest evolution of the popular MD110 modular platform) for large enterprise, the BusinessPhone (BP) platform catering for the SME market, plus a range of Business and Mobility Applications.

Through the Company's authorised partnership with Ericsson, a world leader in communications technology, customers benefit from a relationship with a vendor that influences market direction, and one that offers the flexibility to integrate with industry-leading communication applications. Customers also benefit from the peace of mind that comes with a locally managed provider that is committed to providing 24/7, nationwide, best-in-class customer installation, support, and service.

MESSAGE FROM THE CHAIRMAN AND CEO

Dear Shareholders:

We are pleased to present the annual report for Zintel Group Limited to 31 March 2007.

The year in review shows that the Group has achieved revenue of \$40.12m, slightly down on the previous year's \$40.74m. This produced profit before tax of \$3.74m, down on last year's \$4.72m. This was mainly attributable to a poor result in the first half year owing to restructuring costs in the New Zealand operations, along with unprofitable trading of the Enterprise business in New Zealand. Pleasingly, the operating profit from continued operations in the second half year was up 84 per cent over the first half.

Net profit after tax of \$2.70m is down 16 per cent compared with \$3.24m last year. Net operating cash flow of \$3.62m for the year, a cash realisation (operational cash flow/net profit) of 134 per cent (111 per cent for 2006), and cash on hand has increased to \$6.58m (\$5.11m for 2006) at balance date, with no debt or long-term liabilities. Overall, the result is unsatisfactory given the intention of the Company to grow profits.

DIVIDEND

The Company's Directors have declared a final dividend for the financial year ended 31 March 2007 of 1.0 cent per share, carrying full imputation credits of 0.4925 cps (non-resident shareholders will receive a supplementary dividend of 0.1764 cps). This brings the full year dividend to 2.74 cps net (3.48 cps in 2006), plus imputation credits of 1.3495, making a gross dividend of 4.095 cps. This represents 51 per cent of the Company profit for the year, against a policy of paying at least 40 per cent of profits to shareholders in the form of dividend. The Directors are constantly considering dividend payments in light of the cash reserves and growth plans.

BUSINESS UNIT PERFORMANCE

Zintel operates three business units: Zintel Communications Ltd and Zintel Communications Pty Ltd which primarily manage toll and tollfree 0800 and 1800 in New Zealand and Australia, respectively, and Zintel Enterprise Ltd in New Zealand which distributes Ericsson enterprise products and provides maintenance and support services. The Group previously represented Ericsson in Australia and the sale of this part of our business was successfully completed in the second half of the year as announced previously.

The telecommunications industry is generally difficult with intense competition, shrinking market sectors, reducing margins, and increasing costs. In this environment Zintel is focussed on broadening its offering and differentiating on service and added value. Pending regulation in New Zealand provides opportunity for which we are endeavouring to position the Group.

Zintel Communications Ltd in New Zealand defied market trends by maintaining revenues close to the previous year. This was as a result of new customer service initiatives which were designed to reduce churn.

Increased management focus led Zintel Communications Pty Ltd in Australia to grow revenue by 10.2 per cent. However market conditions had a significant impact on margins resulting in a NPBT decline of around 28 per cent. Initiatives are underway to improve the profit performance in Australia for FY08.

Zintel Enterprise Ltd in New Zealand arrested a first half decline in performance in the second half where a significant first half loss was turned into a small overall annual trading profit.

A continuing strong NZ Dollar affected Group earnings by generating unrealised foreign exchange losses and reduced translation of Australian profits.

HIGHLIGHTS

There were some significant milestones for the company during the year as it executed on the strategies outlined in the 2006 report. Peter Revell was appointed Chief Executive Officer in November 2006 to lead a capable and experienced executive team who are committed to the company's strategic direction and growth. The executive team has reviewed, updated, and is executing on the Group's three-year strategy.

We elected to exit the business which sold and supported Ericsson products in Australia. The outcome was a sale of that business which made a positive contribution to the Group's profit for the year of \$0.37m.

The re-organisation of the New Zealand business into two distinct operating units, separating the Communications and Enterprise businesses, has been completed, and the benefits of increased management focus and customer focus is reflected in a significant improvement in the second half year compared to first half, particularly in the Enterprise business where costs have been reduced over the year. Enterprise customer wins were evident throughout the year, notably Mighty River



Power, Auckland Regional Council, and North Shore City Council. A contract with Mighty River Power valued at more than \$3 million over two years to implement a radio network based on Ericsson technology was a significant win.

The Communications business in New Zealand held revenues close to the levels of the previous year despite a sharp drop (approx 6%) in the market. In addition, a significant proportion of customers have elected for contracted supply of 0800 services, and this has increased the predictability of these revenues moving into the new year.

CHALLENGES

Recruitment of suitably skilled staff is an on-going challenge in a tight labour market on both sides of the Tasman. Notwithstanding this we are delighted with the calibre of people we have attracted to the Group, and they will be important contributors to our future success.

Worldwide, the telecommunications market is in a significant state of change, and we must ensure that we position ourselves to maximise the opportunity such changes represent for Zintel. It remains a highly competitive market in Australia and New Zealand, but customers are consistently demonstrating their willingness to take advantage of the value in the service offered by Zintel.

COMPANY STRATEGY AND BUSINESS PLAN

In January 2006, a strategic review of the company was commenced. This was reviewed and updated in January 2007. This update confirmed that the existing business units' focus on communications on both sides of the Tasman, along with the Enterprise business in New Zealand provides us with a platform for future growth.

The Group has embarked upon dual initiatives to both broaden its offering to existing and new customers, and also to establish new offerings that have synergy with the existing business. The latter is planned to be achieved by a mix of internal investment in new offerings, and by external acquisition(s).

Investment (primarily people resource) will be required to fund these activities, and we have budgeted \$750k (excluding the capital cost of any acquisitions identified). Of this sum, \$250k has been allocated to invest during the first half year to 30 September 2007, and during the second half year we will only make further allocation of funds if management have identified opportunities we

wish to pursue further. This investment is material to the bottom line in a Group the size of Zintel, and should resulting revenue not be generated during this financial year, overall profit will reduce accordingly. The Group has a balance sheet which can accommodate this investment.

FUTURE OUTLOOK

The improvement in business performance in the second half FY07 over the first half is expected to be maintained through this financial year. However the approval for investment in developing new products and services will mean that we expect the overall operating profitability of the Group's continuing activities to remain at the same levels as FY07. Margins in our communications businesses are likely to continue to decline, as has been the case over a number of years, and this, along with customer churn expectations, has been reflected in our budgeting for the year. Revenues in the New Zealand business will continue to have "lumpiness" owing to project work until such time as contracted and managed services make up a larger part of the revenue stream.

The Annual Meeting date has been set for Tuesday the 28th of August 2007.

In closing, thank you to the board of directors for their direction and support, and to all our staff for their commitment, tireless work, and loyalty over the year.

Yours sincerely,



Nick Gordon
Chairman



Peter Revell
Chief Executive Officer



BOARD OF DIRECTORS | ZINTEL GROUP LIMITED

NICK GORDON | Chairman of the Board

Born and educated in Christchurch, Nick Gordon has over 20 years experience in business management, with sales and marketing expertise in the fields of telecommunications and technology. In the last decade he has gained valuable experience as a company director of publicly listed companies. Nick established the Company in 1995, and is the Chairman of the Board of Zintel Group Limited. Through family interests, he is also the principal shareholder of Zintel Group Limited, a director of Provenco Group Limited, and a director of several privately held companies.

GAVIN WALKER, BCA | Non-executive Director

Gavin joined the Board of Zintel Group Limited in June 2002, and is also chairman of the Zintel Audit and Risk Committee. Gavin brings a wealth of business knowledge and experience to Zintel. He is currently a director of Lion Nathan Limited, Veda Advantage Limited, and Goodman Fielder Limited. Gavin has a background in investment banking having held the position of CEO for Bankers Trust Investment Bank in Australia. Prior to that role, he was CEO/Director of Bankers Trust New Zealand Limited. He is also a former director of the New Zealand Rugby Union, and Trustee of the Arts Foundation of New Zealand. Gavin graduated from Victoria University in Wellington, New Zealand, with a Bachelor of Commerce and Administration (BCA), with a major in Economics.

PAUL CONNELL, CA, MINSO | Non-executive Director

Paul joined the Board of Zintel Group Limited in October 2003, and is chairman of the Remuneration Committee. Paul brings widespread business experience to Zintel. He has over 27 years experience in corporate finance, management consulting, and chartered accountancy in New Zealand, the UK, and the Pacific region. During his business career, Paul has advised listed company boards, state-owned enterprises, public bodies, and private companies. His focus has been on strategic planning, management, mergers and acquisitions, financial structuring, and raising capital. Paul is a director of Provenco Group Limited and a number of private companies. He is a member of The New Zealand Institute of Chartered Accountants and The Institute of Directors in New Zealand.



THE ZINTEL GROUP EXECUTIVE TEAM (left to right)

PETER REVELL | Chief Executive Officer

Peter joined Zintel in November 2006. He brings a wealth of senior management experience in the telecommunications and technology industry. Peter was previously General Manager of Solutions Delivery with Gen-I, and has held senior positions with Computerland, Novell, and Acorn Computers.

LINDSAY COWLEY | General Manager, Zintel Communications New Zealand

Lindsay joined Zintel in January 2006, and brings substantial telecommunications experience to the company. He has previously held senior management positions with Telecom Fiji, Woosh Wireless, Clear Communications, and Telecom New Zealand. In his role as General Manager for Zintel Communications New Zealand, Lindsay is responsible for the overall performance of their communications business in New Zealand.

JOHAN SCHOLTZ | General Manager, Zintel Communications Australia

Johan joined Zintel in 2000, and brings solid financial and business management skills to the Company. In his role as General Manager, Johan is responsible for the overall performance of the Australian business. Johan has over 16 years of international business experience and has been a director of both public and privately listed companies. He has held various senior management positions, predominantly in the financial and technology sectors.

ALF WALLIS, CA | Chief Financial Officer

Alf joined Zintel in May 2002, and brings extensive accounting and company administration skills to Zintel Group Limited. In his role as Chief Financial Officer, he is responsible for overseeing the financial and company administration operations for Zintel in both New Zealand and Australia. Alf is a qualified chartered accountant and brings over twenty years experience in the accounting environment to Zintel Group Limited.

MATTHEW CHRISTIE | General Manager, Zintel Enterprise New Zealand

Matthew recently joined Zintel in June 2007, and brings extensive experience in managing customer and partner relationships as well as at an operational level. Matthew brings 10 years IT industry experience into the role. In his role as General Manager for Zintel Enterprise, Matthew is responsible for the overall performance of the enterprise business in New Zealand.

SIMON CASEY | Chief Information Officer

Simon joined Zintel in May 2006, and brings over 23 years experience in the telecommunications industry, including 15 years in IT Management roles. In his role as Chief Information Officer for the Group, Simon is responsible for the IT strategy, operations, and projects in New Zealand and Australia.





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Our challenge was to relocate our 50 seat Contact Centre without disruption of service, and to provide advanced call centre capability. To do this we needed a solution that was cost effective, reliable, and based on leading edge technology. The Zintel team was professional, expert in their field, and worked closely with us to ensure the project was a success. We made the right decision.

Well done, Zintel, it was a pleasure doing business with you!

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WENDY BUSSEN, GENERAL MANAGER CORPORATE SERVICES,
AUCKLAND REGIONAL COUNCIL

GOVERNANCE STATEMENT

ROLE OF THE BOARD OF DIRECTORS

The board is elected by shareholders and has overall responsibility for the proper direction and control of the Group's activities.

THIS RESPONSIBILITY INCLUDES:

- Identification and control of the group's business risks;
- Integrity of management information systems and reporting to shareholders;
- Approval of all material transactions relating to the group;
- Review of all strategic plans and approval of annual budgets and monitoring progress against plans and budgets; and,
- Monitoring the performance of the Chief Executive Officer, and ensuring that adequate succession plans for senior management are in place.

While the board acknowledges that it is responsible for the overall control framework of the group, it recognises that no cost effective internal control system will prevent all errors and irregularities. The system is based upon established procedures, policies, and guidelines, organisational structures that provide an appropriate division of responsibility, sound risk management, and the careful selection and training of qualified personnel.

BOARD COMPOSITION

The board currently comprises three directors all of whom are non-executive. The company's constitution allows for the appointment of up to seven directors. The size of the board will be increased as the business grows and the need for further skills and contributions from directors are identified. In recruiting further directors, the board will consider the skills required to contribute towards the management of the business and corporate governance. All three existing directors are experienced as directors of companies listed on the New Zealand Exchange. Each year one third of the directors retire by rotation. Eligible directors may be re-elected.

The maximum total remuneration of non-executive directors is set by shareholders at the annual meeting. Details of their remuneration are fully disclosed in the annual report. The directors will not be paid retirement benefits by the board. The board encourages directors to have a shareholding in the company.

GROUP MANAGEMENT STRUCTURE

Zintel has moved to a business unit management structure which provides clear accountability for Zintel Communications New Zealand, Zintel Enterprise New Zealand, and Zintel Communications Australia. IT services are shared across these and the Group entities.

BOARD MEETINGS

The board meets a minimum of eleven times per annum, and may meet more frequently if there is business to be conducted. Any director may call a meeting at any time with five days notice. Such meetings may be held in person or by teleconference.

CODE OF CONDUCT

The board has adopted a code of conduct for its members, executives, and staff, specifying business standards and ethical considerations in conducting its business with stakeholders.

BOARD COMMITTEES

The board has two standing committees that focus on specific areas of the board's responsibilities. Both committees meet at regular times during the year, with additional meetings convened when required.

AUDIT AND RISK MANAGEMENT COMMITTEE

This committee operates under a charter approved by the board. The committee is accountable to the board for addressing the recommendations of the external auditors, and the adequacy of the external audit function.

The committee provides the board with additional assurance regarding the accuracy of financial information for inclusion in the group's annual report. This committee is responsible for reviewing all accounting policies adopted by the group, and is required to approve recommendations to the board for changes in accounting policy.

The committee reviews all risk management assessments made by the group, and is responsible for ensuring that all risks are monitored and managed on a regular basis.

The membership of the audit and risk committee is no fewer than two non-executive directors, and at least one member must have financial expertise. The audit and risk committee meets at least twice each year. A non-executive director, who is not the Chairman of the board, chairs the audit and risk committee.

REMUNERATION COMMITTEE

This committee operates under a charter, and makes recommendations to the board on remuneration policies and packages applicable to the Chief Executive Officer and senior executives of the group. This committee is also responsible for overseeing and setting remuneration policy and practices across the group.

The remuneration committee makes recommendations to the full board on the remuneration of non-executive directors.

The membership of the remuneration committee is no fewer than two directors. The remuneration committee meets at least twice each year. A non-executive director, who is not the Chairman of the board, chairs the remuneration committee.

INSURANCES

The company undertakes an annual review of both its insurance program and any residual uncovered risk. The group has indemnity insurance for officers and directors (refer Indemnifications and Insurance of officers and directors)

CONFLICT OF INTEREST POLICY

A director is required to disclose to the board any actual or potential conflict of interest. Except where authorised by the company's constitution and the listing rules of NZX Limited, the conflicted director may not vote at a meeting where the relevant issues are discussed, nor be counted in a quorum.

SHARE DEALING

The group has adopted a code of conduct applying to the share dealings by directors, company officers, and employees. Directors, officers, and employees are generally limited to trading in the group's shares during periods that follow the announcement of the group's half yearly and annual results. All requests for trades in the group's shares must be approved in advance of the trades.

2007 FINANCIAL INFORMATION

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Statement of Financial Performance [page 13](#)
Statements of Movements in Equity [page 13](#)
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The financial statements presented on pages 13 to 29 are signed for and on behalf of the board and were authorised for issue on the date set out below.



N P (Nick) Gordon
24 May 2007



P A (Paul) Connell
24 May 2007

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT

to the shareholders of Zintel Group Ltd

We have audited the financial statements on pages 13 to 25. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 17.

DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax advisors.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

IN OUR OPINION:

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 13 to 25:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 24 May 2007 and our unqualified opinion is expressed as at that date.



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STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007

\$'000	Notes	Group	Group	Parent	Parent
		2007	2006	2007	2006
Operating revenue	2	40,121	40,741	347	389
Operating expenses	3	(36,376)	(36,023)	(1,006)	(739)
Operating surplus before income tax		3,745	4,718	(659)	(350)
Income tax (expense)/benefit	8	(1,044)	(1,473)	220	108
Net surplus attributable to shareholders		2,701	3,245	(439)	(242)

STATEMENTS OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

\$'000	Notes	Group	Group	Parent	Parent
		2007	2006	2007	2006
Net surplus for the year, comprising					
Parent shareholders' interest	6	2,701	3,245	(439)	(242)
Total recognised revenues and expenses		2,701	3,245	(439)	(242)
Contributions from owners	4	-	194	-	194
Option Convertible Notes reserve	5	18	-	18	-
Dividends paid	7	(1,757)	(1,760)	(1,757)	(1,760)
Movements in equity for the year		962	1,679	(2,178)	(1,808)
Equity at the beginning of year, comprising					
Parent shareholders' interest		8,370	6,691	1,443	3,251
Equity at end of year, comprising					
Parent shareholders' interest		9,332	8,370	(735)	1,443

ZINTEL GROUP LIMITED

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2007

\$'000	Notes	Group 2007	Group 2006	Parent 2007	Parent 2006
Equity					
Share capital	4	4,168	4,168	4,168	4,168
Reserves	5	18	-	18	-
Retained earnings	6	5,146	4,202	(4,921)	(2,725)
Total equity		9,332	8,370	(735)	1,443
Liabilities					
Non current liabilities					
Payables and accruals	13	324	-	324	-
Total non current liabilities		324	-	324	-
Current liabilities					
Payables and accruals	13	5,174	5,351	5,214	3,696
Total current liabilities		5,174	5,351	5,214	3,696
Total liabilities		5,498	5,351	5,538	3,696
Total equity and liabilities		14,830	13,721	4,803	5,139
Assets					
Non current assets					
Investments in subsidiaries	15	-	-	1	1
Accounts receivable	11	324	-	-	-
Property, plant and equipment	14	1,265	1,384	203	324
Deferred tax	9	603	556	25	8
Total non current assets		2,192	1,940	229	333
Current assets					
Cash and bank balances		6,581	5,111	3,656	4,064
Accounts receivable	11	5,351	5,716	918	742
Inventories	12	706	954	-	-
Total current assets		12,638	11,781	4,574	4,806
Total assets		14,830	13,721	4,803	5,139

ZINTEL GROUP LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2007

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Operating activities				
Cash was provided from				
Revenue	39,231	39,863	-	143
Interest received	417	281	347	246
	39,648	40,144	347	389
Cash was applied to				
Operating expenses	(34,878)	(34,730)	(1,028)	(560)
Net GST (paid)/received	80	(30)	-	(14)
Income tax paid	(1,230)	(1,758)	(801)	(382)
	(36,028)	(36,518)	(1,829)	(956)
Net cash inflows from operating activities	3,620	3,626	(1,482)	(567)
Investing activities				
Cash was provided from				
Proceeds from sale of business assets	370	-	-	-
Proceeds from sale of property, plant & equipment	1	20	-	-
Advances and loans repaid by subsidiaries	-	-	2,883	3,505
	371	20	2,883	3,505
Cash was applied to				
Purchase of property, plant and equipment	(660)	(1,052)	(53)	(467)
	(660)	(1,052)	(53)	(467)
Net cash inflows from investment activities	(289)	(1,032)	2,830	3,038
Financing activities				
Cash was provided from				
Issue of ordinary shares	-	194	-	194
	-	194	-	194
Cash was applied to				
Dividends paid to Parent shareholders	(1,757)	(1,760)	(1,757)	(1,760)
	(1,757)	(1,760)	(1,757)	(1,760)
Net cash inflows from financing activities	(1,757)	(1,566)	(1,757)	(1,566)

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Net increase in cash held	1,574	1,028	(409)	905
Foreign currency translation adjustment	(104)	91	4,065	79
Cash at beginning of year	5,111	3,992	-	3,081
Cash at end of year	6,581	5,111	3,656	4,065
Reconciliation with operating surplus				
Reported surplus after tax	2,701	3,245	(439)	(242)
Items not involving cash flows				
Depreciation expense	663	738	167	143
Write off / loss on sale of property, plant and equipment	102	214	6	-
Increase in estimated doubtful debts	27	(11)	-	-
Option Convertible Note expense	18	-	18	-
Provision for stock obsolescence	(16)	52	-	-
Bad debts written off	129	55	-	-
	923	1,048	191	143
Impact of changes in working capital items				
(Increase)/decrease in accounts receivable	(81)	(662)	(28)	-
(Increase)/decrease in inventory	264	79	-	-
(Increase)/decrease in prepayments	268	(325)	6	(12)
Increase/(decrease) in trade creditors	34	419	(31)	35
Increase/(decrease) in GST payable	63	86	(1)	(1)
(Increase)/decrease in staff share loans	4	21	-	-
Increase/(decrease) in tax provision	(139)	(177)	(253)	(487)
(Increase)/decrease in deferred tax	(47)	(108)	(17)	(3)
(Increase)/decrease in intercompany account	-	-	(910)	-
	366	(667)	(1,234)	(468)
Items classified as investing activities				
Gain on disposal of business assets	(370)	-	-	-
	(370)	-	-	-
Net cash flow from operating activities	3,620	3,626	(1,482)	(567)

ZINTEL GROUP LIMITED – STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

ENTITIES REPORTING

The financial statements for the Parent are for Zintel Group Limited as a separate legal entity.

The consolidated financial statements for the Group are for the economic entity comprising Zintel Group Limited and its subsidiaries.

STATUTORY BASE

Zintel Group Limited is a company registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

MEASUREMENT BASE

The financial statements have been prepared on the historical cost basis.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position, and cash flows are set out below.

REVENUE

Goods and services

Revenue comprises the amounts received and receivable by the group for goods and services supplied to customers in the ordinary course of business.

Investment income

Interest income is accounted for as earned.

GOODS AND SERVICES TAX (GST)

The statement of financial performance and statement of cashflows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

GROUP FINANCIAL STATEMENTS

The group financial statements consolidate the financial statements of subsidiaries, using the purchase method.

Subsidiaries are entities that are controlled.

All material transactions between parent and subsidiaries are eliminated on consolidation.

The results of the subsidiaries are included in the consolidated statement of financial performance from the date of acquisition.

INCOME TAX

The income tax expense charged to the statement of financial performance is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset.

The deferred tax asset is only recognised when there is virtual certainty that the timing difference will crystallise.

ACCOUNTS RECEIVABLE

Accounts receivable are valued at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is based on the average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

PROPERTY, PLANT AND EQUIPMENT

Initial recording

Fixed assets are recorded at cost less accumulated depreciation.

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project and financing costs that are directly attributable to the project. Costs cease to be capitalised as soon as the asset is ready for productive use, and do not include any inefficiency costs.

DEPRECIATION

Depreciation of property, plant, and equipment, other than freehold land, is calculated using diminished value tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

Category	Depreciation rate	Depreciation basis
Computer Equipment	39% to 48%	diminished value
Office Equipment	18% to 39%	diminished value and straight line
Motor Vehicles	26%	diminished value

LEASED ASSETS - As lessee

Operating leases

Leases whereby the lessor retains the risks and rewards are classified as operating leases and are charged as an expense in the statement of financial performance. Operating Lease payments are recognised as an expense in the periods the amounts are payable.

INVESTMENTS

The investments in subsidiaries are stated at cost in the statement of financial position of the Parent.

FOREIGN CURRENCIES

Transactions

Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the statement of financial performance, except where monetary liabilities are identified as a hedge against an independent foreign operation.

Foreign operations

Revenues and expenses of integrated foreign operations are translated to New Zealand dollars at the exchange rates in effect at the date of the transaction, or at rates approximating them. Monetary assets and liabilities are converted to New Zealand dollars at the rate of exchange ruling at balance date.

CONTRACT WORK IN PROGRESS

Contract work in progress is stated at cost plus the surplus recognised to date, less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts incurred by the Group's contract operations.

IMPAIRMENT

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

EMPLOYEE ENTITLEMENTS

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees.

The liability for employee entitlements is carried at the present value of the estimated future cash outflows.

STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared using the direct approach. The following are the definitions of the terms used in the statement of cash flows:

- a. Operating activities include all transactions and other events that are not investing or financing activities.
- b. Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- c. Financing activities are those activities that result in changes in the size and composition of the capital structure of the company. This includes both equity and debt not falling within the definition of cash.
- d. Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

FINANCIAL INSTRUMENTS

Recognised

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are, generally, carried at their estimated fair value. For example, receivables are carried net of the estimated doubtful receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Forward exchange contracts of foreign currency exchange assets and liabilities are valued at exchange rates prevailing at period end.

Financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the current year. All policies have been applied on a consistent basis throughout the year.

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1. SEGMENT INFORMATION: Geographical segments

\$'000	New Zealand		Australia		Total
	2007	2006	2007	2006	2006
Assets					
Segment	11,314	9,293	3,369	4,421	14,683
Revenue					
Segment	29,260	30,314	10,861	10,427	40,741
Net profit before tax					
Segment	2,405	3,898	1,340	820	4,718

The surplus is that of the Group before income tax.

The group is involved in the provision of Telecommunication products and services.

2. OPERATING REVENUE

\$'000	Group	Group	Parent	Parent
	2007	2006	2007	2006
Continuing Activities				
Trading revenue				
Revenue	39,334	40,459	-	143
Investment revenue				
Other dividend income	1	-	-	-
Interest income	417	281	347	246
Other revenue				
Gain on sale of Australian business	369	-	-	-
Bad debts recovered	-	1	-	-
Total operating revenue	40,121	40,741	347	389

On 23 January 2007, the Group disposed of its business in Zintel Enterprise Pty Limited. The disposal of the business gave rise to a gain of \$369,380. The gain is represented by sale proceeds of \$390,470 less write down of assets of \$21,090.

The Group did not dispose of any subsidiaries in 2007, and continues to operate the Communications business in Australia and New Zealand, and the Enterprise business in New Zealand.

3. OPERATING EXPENSES

\$'000	Group	Group	Parent	Parent
	2007	2006	2007	2006
Operating expenses include:				
Continuing activities				
Operating expenses				
Depreciation - motor vehicles	48	46	-	-
Depreciation - office equipment	89	124	-	-
Depreciation - computer equipment	526	568	167	143
Total depreciation	663	738	167	143
Loss on sale of property, plant and equipment	102	19	6	-
Rental and operating lease costs	715	613	-	-
Costs of offering credit				
Bad debts	129	55	-	-
Provision for doubtful debts	27	(11)	-	-
Cost of borrowings				
Other interest expense	35	3	33	-
Auditors' fees				
Auditors' remuneration - audit fees	84	77	-	-
Auditors' remuneration - other services	78	33	23	-
Directors' remuneration				
Directors' fees paid	120	91	120	91
Sundry expenses				
Foreign currency translation loss (gain)	104	(145)	39	(79)
Software development written off	-	195	-	-
Long service leave accrual	55	-	-	-
Optional convertible note expense	18	-	-	-
Restructuring expense	201	-	-	-

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

4. SHARE CAPITAL

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Issued and paid up capital				
Ordinary shares				
Balance at beginning of year	4,168	3,974	4,168	3,974
Share issue made during year	-	194	-	194
Closing share capital	4,168	4,168	4,168	4,168

Ordinary shares

As at 31 March 2007, there were 50,489,746 shares issued and fully paid (2006: 50,489,746). All ordinary shares have equal right to vote, to dividends, and to any surplus on winding up.

Share issue

On 2 December 2005, 239,746 shares were issued to employees at \$0.81 per share with shares escrowed for 24 months.

5. RESERVES

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Balances				
Option convertible notes reserve	18	-	18	-

On 5 May 2006, one million option convertible notes were issued to employees of Zintel. As at 31 March 2007, 400,000 remain. The option convertible note is a compound financial instrument consisting of a liability and an equity component. The equity component is accounted for under NZ IFRS 2, the component was measured at a fair value and this amount was expensed over the vesting period with the corresponding credit posted to the option convertible notes reserve.

6. RETAINED EARNINGS

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Analysis				
Balance at beginning of year	4,202	2,717	(2,725)	(723)
Net surplus/ (deficit) for the year	2,701	3,245	(439)	(242)
Dividends paid and provided	(1,757)	(1,760)	(1,757)	(1,760)
Balance at end of year	5,146	4,202	(4,921)	(2,725)

7. DIVIDENDS

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Final Dividend for the year ended 31 March 2006				
On ordinary shares, paid June 2006	879	878	879	878
Interim Dividend for the year ended 31 March 2006				
On ordinary shares, paid December 2006	878	882	878	882
Total dividends	1,757	1,760	1,757	1,760

The dividends are fully imputed and do not include final dividend declared for the year ended 31 March 2007, as declared post balance date.

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

8. INCOME TAX

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Operating surplus/(deficit) before tax	3,745	4,718	(659)	(350)
Permanent differences	51	(120)	24	24
Surplus subject to tax	3,796	4,598	(635)	(326)
Tax	993	1,488	(210)	(108)
under/over provision in prior year	51	(15)	(10)	-
Income tax recognised in the statement of financial performance	1,044	1,473	(220)	(108)
Comprising				
Estimated current period tax assessment	1,040	1,596	(193)	(105)
Under/(over) provision in prior year	51	(15)	(10)	-
Movement in deferred income tax	(47)	(108)	(17)	(3)
	1,044	1,473	(220)	(108)

Zintel Group Limited is the nominee company of the Zintel tax consolidated group which includes Zintel Group Limited, Zintel Communications Limited, and Zintel Enterprises Pty Limited as members. The income tax expense figure disclosed in relation to the parent entity has been calculated with reference to Zintel Group Limited only.

9. DEFERRED TAX ASSET

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Non current				
Balance at beginning of year	556	448	8	5
Movement	47	108	17	3
Balance at end of year	603	556	25	8

10. IMPUTATION BALANCES

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Imputation credit account				
Balance at beginning of year	3,886	3,493	3,396	3,493
Tax payments	944	1,353	756	885
Distributed and disposed	(865)	(863)	(865)	(863)
Tax refunded	(1)	(97)	(1)	(97)
Inter company transfers	-	-	(34)	(22)
Balance at end of year	3,964	3,886	3,252	3,396

Zintel Group Limited is the nominee company of the Zintel tax consolidated group. The imputation credit balance disclosed in relation to the parent entity includes tax payments and transfers made by other members of the tax consolidated group.

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

11. ACCOUNTS RECEIVABLE

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Current				
Trade debtors	5,109	5,298	-	-
Less: Provision for doubtful debts	183	156	-	-
	4,926	5,142	-	-
Staff Loans	7	11	-	-
Intercompany	-	-	16	108
Income tax receivable	146	7	798	545
Interest receivable	28	-	28	-
Goods and services tax (GST) receivable	-	7	-	7
Prepayments	221	489	61	67
Deposits	23	60	15	15
	425	574	918	742
Current receivables	5,351	5,716	918	742
Non current				
Staff Loan for Option Convertible notes	324	-	-	-
Non current receivables	324	-	-	-

On 5 May 2006 Zintel Communications Limited loaned \$810,000 to senior management to purchase option convertible notes in Zintel Group Limited. At 31 March 2007, \$324,000 remains outstanding and is not due until 17 November 2008.

12. INVENTORIES

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Current				
Work in progress	7	110	-	-
Finished goods	1,327	1,488	-	-
Less: Provision for obsolescence	628	644	-	-
	699	844	-	-
	706	954	-	-

13. PAYABLES AND ACCRUALS

	Group	Group	Parent	Parent
\$'000	2007	2006	2007	2006
Current				
Unsecured				
Accounts payable	1,086	1,572	1	50
Customer deposits	541	820	-	-
Accrued expenses	2,870	2,295	154	139
Intercompany	-	-	5,055	3,498
Employee entitlements	304	347	12	9
Goods and services tax (GST) payable/(receivable)	373	317	(8)	-
	5,174	5,351	5,214	3,696
Non current				
Unsecured				
Option Convertible Notes	324	-	324	-

On 5 May 2006 the company issued 1 million option convertible notes to senior management at a conversion price of 0.81 cents. As at 31 March 2007 there were 400,000 remaining with a liability of \$324,000. At 17 November 2008 the option convertible note can be converted to ordinary shares if the person is in the employment of Zintel.

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

14. PROPERTY, PLANT, AND EQUIPMENT

\$'000	2007			2006		
	Cost	Acc depn	Book value	Cost	Acc depn	Book Value
Group						
Motor vehicles	298	(142)	156	273	(111)	162
Office equipment	964	(594)	370	1,197	(681)	516
Computer equipment	2,377	(1,638)	739	2,315	(1,609)	706
	3,639	(2,374)	1,265	3,785	(2,401)	1,384
Parent						
Office equipment	31	(11)	20	28	(5)	23
Computer equipment	472	(289)	183	439	(138)	301
	503	(300)	203	467	(143)	324

15. INVESTMENTS IN SUBSIDIARIES

	Principal activities	Interest held by the group	
		2007	2006
Zintel Enterprise Limited	Telecommunications	100.00%	100.00%
Zintel Communications Holdings Limited	Holding Company	100.00%	100.00%
Zintel Communications Pty Limited	Telecommunications	100.00%	100.00%
Zintel Communications Limited	Telecommunications	100.00%	100.00%
Zintel Leasing Limited	Financing	100.00%	100.00%
Zintel Enterprise Pty Limited	Not trading	100.00%	100.00%
Zintel Enterprise Holdings Limited	Holding Company	100.00%	100.00%

16. RELATED PARTY INFORMATION – The following table sets out the related party transactions during the year:

\$'000	Transaction	Value	Balance	Value	Balance
		2007	2007	2006	2006
Related party/relationship					
N Gordon Director					
Gordon Family Trust	Landlord	278	19	257	-
Jaka Limited	Management Services	-	-	75	-
	Director fees	50	-	-	-
J Scholtz Director (subsidiary)					
S Data Investments PTY Limited	Management services	398	90	344	99
N Gordon and P Connell - Directors					
Provenco Group Limited	IT services	13	-	26	-
Provenco Group Limited	Telecommunication fee charged to Provenco	(56)	(5)	(64)	(5)
Provenco Group Limited	Office Rental	-	-	49	-

17. OPERATING LEASE COMMITMENTS

Obligations payable after balance date on noncancelable operating leases are as follows:

\$'000	Group	Group	Parent	Parent
	2007	2006	2007	2006
Operating leases				
Noncancelable operating lease commitments:				
Within one year	658	609	-	-
One to two years	525	635	-	-
Two to five years	-	543	-	-
	1,183	1,787	-	-

The majority of the above operating leases are premise rentals.

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

18. FINANCIAL INSTRUMENTS

The Group is subject to a number of financial risks which arise as a result of its commercial activities and trading overseas.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines. The policies approved are outlined below.

CURRENCY RISK

Policies

During the normal course of business the Group receives revenue, incurs costs and holds balances denominated in foreign currencies. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currency in which the group primarily deals is the Australian Dollar.

The Group's policy is to create a natural hedge against foreign currency risk by invoicing revenues associated with foreign currency costs in the denomination of that currency.

For specific one off transactions undertaken in foreign currency it is the Group's policy to enter into foreign exchange forward contracts to manage the exposure to fluctuations in currency rates. Zintel has entered into the following forward foreign currency contracts and outstanding at balance date, valued in NZD: Group 2007 nil (Group 2006 USD \$99,846)

INTEREST RATE RISK

Policies

The Group does not have a debt portfolio and does not use any financial instruments to manage its interest rate risk.

REPRICING ANALYSIS

The following tables identify the periods in which interest rates are subject to review on interest bearing financial assets and liabilities, and provides the current weighted average interest rate of each item.

Trade receivables, trade creditors and sundry receivables and creditors have not been included in the table as they are not interest rate sensitive.

18. FINANCIAL INSTRUMENTS (CONTINUED)

	Effective interest Rates	Current \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Total \$'000
Group 2007						
Assets						
Bank	6.81%	6,581	-	-	-	6,581
Staff share loans	9.55%	7	-	-	-	7
Staff loans - Option Convertible Notes	9.55%	-	324	-	-	324
Total assets		6,588	324	-	-	6,912
Liabilities						
Option Convertible Notes	11.05%	-	324	-	-	324
Group 2006						
Assets						
Bank	6.61%	5,111	-	-	-	5,111
Staff share loans	9.08%	11	-	-	-	11
Total assets		5,122	-	-	-	5,122
Parent 2007						
Assets						
Bank	6.92%	3,656	-	-	-	3,656
Total assets		3,656	-	-	-	3,656
Liabilities						
Option Convertible Notes	11.05%	-	324	-	-	324
Parent 2006						
Assets						
Bank	6.61%	4,065	-	-	-	4,065
Total assets		4,065	-	-	-	4,065

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

The Group incurs credit risk from transactions with trade receivables in the normal course of business.

FAIR VALUES

Methods and assumptions

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash at bank, bank overdraft, term deposits, loans issued, receivables, and trade creditors

The carrying value of these items is equivalent to their fair value.

Investments

Unlisted investments are valued by the directors based on cost less any provisions for impairment.

19. CAPITAL COMMITMENTS AND CONTINGENCIES

The group had no capital commitments or contingencies at balance date (2006: \$Nil).

20. EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to the balance date which require disclosure in or adjustment to the financial statements.

21. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

Note: This is a preliminary view; the actual impact of adopting NZ IFRS may vary from the information presented, and any variation may be material.

The Group has previously reported that it is adopting NZ IFRS for the year ending 31 March 2008, including comparative information for the year ended 31 March 2007. This has allowed time to ensure both the best application of new or revised standards and increased shareholder understanding of the effects of the transition.

To comply with NZ IFRS on initial adoption, the Group will need to restate its Statement of Financial Position at 1 April 2006 and 31 March 2007, and restate its Statement of Financial Performance for the year ended 31 March 2007. Adjustments required to restate the Statement of Financial Position at 1 April 2006 are made by adjusting equity. The first set of financial statements that the Group will publish under NZ IFRS will be the interim financial statements for the six months ended 30 September 2007. These current financial statements for the year ended 31 March 2007 will be the last set published under current New Zealand accounting standards.

The project team, under the guidance of the Group's Audit Committee, has completed an NZ IFRS opening balance sheet position as at 1 April 2006. The reconciliation between the position previously reported under New Zealand Financial Reporting Standards (NZ FRS) and that under NZ IFRS is shown below:

ZINTEL GROUP LIMITED – NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

21. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)
(CONTINUED)

\$'000	Note	Consolidated			Parent		
		NZ FRS	Effect	NZ IFRS	NZ FRS	Effect	NZ IFRS
Non current assets							
Property, plant and equipment	a.	1,384	(320)	1,064	324	(33)	291
Intangible assets	a.	-	320	320	-	33	33
Investments		-	-	-	1	-	1
Deferred tax assets	b.	556	36	592	8	-	8
Total non current assets		1,940	36	1,976	333	-	333
Current assets							
Inventory		954	-	954	-	-	-
Trade and other receivables		5,709	-	5,709	197	-	197
Cash and equivalents		5,111	-	5,111	4,065	-	4,065
Total current assets		11,774	-	11,774	4,262	-	4,262
Total assets		13,714	36	13,750	4,595	-	4,595
Equity							
Share capital		4,168	-	4,168	4,168	-	4,168
Retained earnings /(accumulated loss)	e.	4,202	(73)	4,129	(2,725)	-	(2,725)
Total equity		8,370	(73)	8,297	1,443	-	1,443
Liabilities							
Trade and other payables	c.	5,344	2	5,346	3,152	-	3,152
Provisions	d.	-	107	107	-	-	-
Total liabilities		5,344	109	5,453	3,152	-	3,152
Total equity & liabilities		13,714	36	13,750	4,595	-	4,595

NOTES TO THE RECONCILIATION

a. Reclassification of software

Under NZ IFRS, significant pieces of software, independent of hardware, are required to be classified as an intangible asset. The classification and presentation will be amended accordingly.

b. Deferred tax

Under NZ IFRS the approach to deferred tax is conceptually very different. NZ IFRS takes a balance sheet approach to the calculation of deferred tax and records deferred tax on the differences between the tax and accounting book values of all balance sheet items (including revalued items).

Additional deferred tax will be recognised on the accruals and provisions raised on adoption of NZ IFRS discussed in (c.) and (d.) below.

c. Trade and other payables

The Group has been provided with a rent free period for certain leases of buildings in Australia. Under NZ IFRS the entire amount to be paid under the lease will have to be recognised on a straight-line basis over the term of the lease. An accrual must therefore be raised for the lease rental to be accrued during the rent free period.

d. Provisions

Additional provisions have been raised for make good provisions and sick leave.

i) Make good provisions

Lease agreements for lease of premises may require the Group to, at the end of the lease term, restore the premises to its original condition. Under NZ IFRS, a provision for the best estimate of the present value of expenditure required to comply with the make good requirements of leases should be recognised.

ii) Sick leave

The Group permits unused sick leave to be carried forward to a specified maximum entitlement. Under NZ IFRS a liability should be raised for the number of days carried forward that the Group anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

Note: the actual impact of adopting NZ IFRS may vary from the information presented, and any variation may be material.

e. Retained earnings

The net movements of notes b, c and d.

OTHER INFORMATION

DISCLOSURES

INTERESTS REGISTER

Each company in the group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for Zintel Group Limited and its subsidiaries are available for inspections at its registered office.

Details of all matters that have been entered in the interests register by individual directors are outlined below and set out in related party information (Note 16). Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transactions between the parent or group and the identified entities.

Director	Position	Company
N P Gordon	Director and Shareholder	Provenco Group Limited Jaka Limited Brackenridge Investments Limited Artique Limited
	Trustee	Gordon Family Trust Waimea Trust
G R Walker	Director and Shareholder	Walker Consulting Group Limited Lion Nathan Limited Lion Nathan Nominees Limited Veda Advantage Limited Goodman Fielder Limited Waiaata Trust, Trahlee Trust & Tirohanga Trust
	Trustee	Provenco Group Limited
P A Connell	Director	Connell and Associates Limited

Directors shareholdings as at 31 March 2007	Non beneficial ownership
N P Gordon	29,796,030
G R Walker	750,000
P A Connell	172,000

INFORMATION USED BY THE DIRECTORS

No member of the board of Zintel Group Limited, or its subsidiaries, issued a notice requesting to use information received in their capacity as directors which would not otherwise have been available to them.

DIRECTORS REMUNERATION

Directors remuneration for the year ending 31 March 2007 was:

\$000	Directors Fee	Total
G R Walker	35	35
P A Connell	35	35
N P Gordon	50	50

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The parent indemnifies all directors named in this report, and current and former officers of the group against all liabilities (other than that to the parent or member of the group) which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the group has indemnity insurance. The total cost of this insurance during the financial year was \$22,984. (2006: \$19,800)

DIRECTORS AND SUBSIDIARIES

As at 31 March 2007 the directors of Zintel Communications Pty Limited and Zintel Enterprise Pty Limited were N P Gordon and J Scholtz.

N P Gordon is the sole director for Zintel Leasing Limited, Ericsson Enterprise Systems (NZ) Limited and Zintel Enterprise Holdings Limited.

P A Connell is the sole director for Zintel Communications Holdings limited.

EXECUTIVE REMUNERATION

The number of employees within the group receiving remuneration and benefits above \$100,000 are indicated in the following table.

EMPLOYEE REMUNERATION

	2007	
	Parent	Subsidiaries
100,000 – 109,999		3
110,000 – 119,999		5
120,000 – 129,999		2
130,000 – 139,999		5
140,000 – 149,999	1	2
150,000 – 159,999		2
170,000 – 179,999	1	1
230,000 – 239,999		1
250,000 – 259,999		1
320,000 – 329,999	1	

DISCLOSURES (CONTINUED)

AUDITORS

The principle auditor for the group is PricewaterhouseCoopers. In addition to audit services, PricewaterhouseCoopers provide tax and advisory services. The remuneration for services provided by PricewaterhouseCoopers for the current financial year was:

\$	2007		2006	
	Audit	Other	Audit	Other
Zintel Group Limited (formally Zintel Communications Limited) and subsidiaries	84,000	63,000	76,750	33,400

DONATIONS

The group made no donations during the year (2006: nil).

CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the current year. All policies have been applied on a consistent basis throughout the year.

TWENTY LARGEST SHAREHOLDERS AS AT 15 MAY 2007

Holder name	No. of shares	
Nicholas Peter Gordon & Richard Anthony Johnston	22,576,373	44.71%
Nicholas Peter Gordon & Richard Anthony Johnston & Lynda Rae Gordon	7,215,657	14.29%
New Zealand Central Securities Depository Limited	3,753,696	7.43%
Zylt Investments Ltd	1,703,960	3.37%
Walter Frederick Holland	1,160,000	2.30%
John Harold Wynn Kirkby	1,132,032	2.24%
Johannes Adolf Scholtz	1,024,893	2.03%
Portfolio Custodian Limited	819,217	1.62%
Anthony Charles Waldgrave	700,154	1.39%
FNZ Custodians Limited	663,122	1.31%
Ronald David Smith	578,838	1.15%
Rotorua Trust Perpetual Capital Fund Limited	498,400	0.99%
Peter Hanbury Masfen & Joanna Alison Masfen	474,000	0.94%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	375,000	0.74%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcolm Patterson	375,000	0.74%
Stephen C Montgomery & Charlotte V Montgomery	359,000	0.71%
Alfred Laurence Wallis & Deborah Ann Wallis & Cynthia Forbes	302,188	0.60%
Henry Christian & Logan Scott Christian	260,000	0.51%
Ace Finance Limited	259,958	0.51%
Investit Limited	250,684	0.50%

Holding ranges	No. of shareholders		No. of shares	
1 - 1,000	17	4.97%	12,383	0.02%
1,001 - 5,000	124	36.26%	440,032	0.87%
5,001 - 10,000	55	16.08%	481,858	0.95%
10,001 - 50,000	101	29.53%	2,496,758	4.95%
50,001 - 100,000	15	4.39%	1,081,460	2.14%
100,001 and over	30	8.77%	5,977,255	91.06%
TOTAL	342	100.00%	50,489,746	100.00%

SUBSTANTIAL SECURITY HOLDERS

N P Gordon	29,796,030	59.01%
Gordon Family trust	22,576,373	44.71%
Waimea Trust	7,215,657	14.29%
Evan Christian	3,329,217	6.63%
Wiltshire Holdings Limited	2,929,217	5.83%

Country	No. of shareholders	No. of shares	% of Capital
New Zealand	332	49,275,547	97.60%
Australia	9	54,199	0.10%
United Kingdom	1	1,160,000	2.30%
TOTAL	342	50,489,746	100%

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