

Zintel Annual Report

08



“During our participation in a Zintel Pilot for an innovative new service, we received first class, highly responsive account management. The service we were trialling gave Mr. Vintage some great new features, enabling us to display personality and professionalism to our incoming callers.”

ROBERT EWAN, MANAGING DIRECTOR.
MR. VINTAGE LTD.

MIKE HRYNKEWYCZ
Solutions Integration Engineer



OVERVIEW

Established in 1995 and listed on the NZAX in November 2003, Zintel Group Limited is comprised of two businesses, Zintel Communications and Zintel Enterprise. Zintel Communications offers business customers a range of telecommunications services, including Tolls and Toll free, and our Enterprise business offers ICT solutions, specialising in providing Aastra (formerly Ericsson) telephony solutions, and maintenance services for Enterprise telephony.

OUR HERITAGE

Originally formed to implement and manage both simple and complex Toll free services in New Zealand, the Zintel Group has expanded its strategic direction through the acquisition of relevant business 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 telephony business from Ericsson Enterprise New Zealand. Recent acquisitions have included the customer base of Concert Telecom Australia in July 2007 and the business and assets of Commspec New Zealand in June 2008, a leading reseller of SME telephony solutions.

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

OUR PEOPLE

At Zintel, we combine our customer-focused expertise with industry-leading technology and support services 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

There are five legal trading companies that comprise Zintel Group Limited: Zintel Communications Limited, Zintel Communications Pty Limited, Zintel Enterprise Limited, Concert Telecom Pty Limited (formerly 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, and 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 the in-house billing and reporting services platform, referred to as TWINS. TWINS allows the business 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 equipment.

ZINTEL ENTERPRISE

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

Zintel Enterprise designs, implements and supports advanced IP-PBX and traditional PBX solutions for small and medium sized enterprises (SME) to large corporate and government bodies. Solutions range from the Aastra 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. The Enterprise product portfolio also includes the GMT Planet Workforce Management suite for contact centres, Juniper data-networking products and, following the Commspec acquisition, Alcatel-Lucent and Samsung telephony.

Through the Company's partnership with Aastra, 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 peace of mind that comes with a locally managed provider that is committed to providing 24x7, nationwide, best-in-class customer installation support and service.

Message from the Chairman and Managing Director

Dear Shareholders,

We are pleased to present the annual report for Zintel Group Limited to 31 March 2008.

The year in review shows that the Group has achieved revenue of \$37.70m, down on the previous year's \$40.12m. This produced profit before tax of \$3.49m, down on last year's \$3.74m. The decrease in revenue and profit this year was mainly attributable to discontinued operations in the previous year, consisting of the Enterprise business in Australia sold in January 2007. Overall net profit after tax of \$2.27m is down compared with \$2.70m last year.

Pleasingly, this year's net profit before tax of \$3.49m is ahead of last year's net profit from continued operations before tax of \$3.02m (i.e. disregarding the Australian Enterprise business which was sold).

Net operating cash flow was \$2.86m for the year, a cash realisation (operational cash flow/net profit) of 126% (134% for 2007), and cash on hand has increased to \$6.98m (\$6.58m for 2007) at balance date, with no debt or long-term liabilities.

Overall, the result is unsatisfactory as profit has been in decline for the last four years despite the intention of the Company to grow.

DIVIDEND

The Directors have declared a final dividend for the financial year ended 31 March 2008 of 1.25 cent per share (cps), carrying full imputation credits of 0.62 cps (non-resident shareholders will receive a supplementary dividend of 0.22 cps).

This brings the full year dividend to 2.25 cps net (2.74 cps in 2007), plus imputation credits of 1.11 cps, making a gross dividend of 3.36 cps (4.09 cps in 2007). This represents 50% of the profit for the year, against a policy of paying at least 40% of profits to shareholders in the form of dividends. The Directors continue to consider the balance of dividends level to our shareholders, whilst retaining cash reserves to invest in growth opportunities.

BUSINESS PERFORMANCE

Zintel Communications Ltd in New Zealand remained flat from a profit perspective whilst the team worked hard to retain customers in a category with shrinking revenue and declining margin. Initiatives were introduced last year to improve profit at Zintel Communications Pty Limited in Australia including the acquisition of the Concert Telecom customer base which has been successfully integrated adding both revenue and profit.

Profitability for Zintel Enterprise Limited was weaker in the second half-year owing to some anticipated sales not materialising. The Enterprise business generally has a long sales cycle and lumpy revenue. Ericsson of Sweden sold their world-wide Enterprise business to Aastra Technologies of Canada as at 30 April, thus Zintel is now representing Aastra in New Zealand, along with two other distributors.

HIGHLIGHTS

In July 2007, our Australian subsidiary acquired the assets of another business, Concert Telecom. This move brought a significant customer base to our business and accordingly this additional scale has added revenue and profit to our Australian operation. Concert was primarily a reseller of Tolls and we have now integrated that customer base into our existing business.

We continue to carry an enviable reputation in New Zealand for the capability we have to sell and support Aastra (formerly Ericsson) products. This reputation was recognised in March 2008 when Zintel Enterprise Limited won the prestigious Ericsson Global Partner Award for Innovation in recognition of the development and integration work that was undertaken during the year for Wellington City Council, Mighty River Power and North Shore City Council.

Zintel Communications in New Zealand continued to improve the proportion of customers who have elected for contracted supply of Toll free services, and we are pleased with the increase in customers who have added Tolls and business line services to the list of services that they buy from Zintel. This coupled with improved supply agreements has significantly reduced customer churn.

We have recently announced the acquisition of the Commspec business in New Zealand, which settled on 3rd June and sees the addition of 14 employees, bringing our total Enterprise staff to 66 people and adding Alcatel-Lucent and Samsung product to our existing Aastra line-up. Although Commspec is currently not profitable and will require investment to grow revenue, we believe we will achieve better critical mass with the two businesses and a wider range of products to sell and service.

CHALLENGES

As was the case last year, recruitment of suitably skilled staff is an on-going challenge in an extremely tight labour market. However, we are pleased that Zintel is able to attract such people and we continue to build and develop an increasingly capable and effective team on both sides of the Tasman.

The telecommunications industry continues to experience intense competition, reducing margins and increasing costs. In this environment Zintel is focussed on broadening its offering and differentiating on service and added value. Regulation in New Zealand and the separation of Telecom's Wholesale and Retail operations provides opportunity for which we continue endeavouring to position the Group.

The Enterprise business has much of its revenue associated with winning new customer projects. This results in "lumpiness" in the revenue and profit depending on the timing of closure and implementation of such projects. This in turn presents challenges around resource planning.

COMPANY STRATEGY AND BUSINESS PLAN

The Group continues with the strategy to expand the offering it has for customers. In the past year we have added additional telecommunications services as well as broadening our product portfolio in Zintel Enterprise which now includes GMT Planet Workforce Management suite for contact centres, and Juniper data-networking products. This expansion of products and services enables us to address a wider range of customer needs and to engage with a broader number of customers and prospects.

We continue to expect growth from new services which we have been exploring using internal funding, along with growth from acquisition activity. The recent acquisition of Commspec will give top line revenue growth immediately and, after a period of investment, we expect in the medium to long term will generate additional profit to the business.

IFRS

The 2007/8 year is the first that Zintel Group has reported under new international financial reporting standards (NZ IFRS). Our financial results are now being reported in a new presentation format and some minor technical adjustments have been processed. We consider that we have successfully transitioned to these new reporting standards.

BOARD COMPOSITION

During the year Gavin Walker retired and two new appointments were made; Johan Scholtz the Company's Australian General Manager, and Peter Revell the Group's Chief Executive Officer, now Group Managing Director. In considering additional Directors at this time the board felt that management could best contribute during difficult trading conditions as they understand the business intimately. In the future we will look to further external directors.

FUTURE OUTLOOK

"Business as usual" projections for the next twelve months suggest operating profit similar to the year just ended, notwithstanding the recent acquisition of Commspec or other new initiatives. Commspec will be a drag on earnings and the quantum depends on how quickly we can increase revenue to cover overheads and how heavily we invest expanding this Auckland-based business into Wellington and Christchurch where we have existing branch offices.

We have also stepped up acquisition activity and are broadening the scope of potential acquisition targets. The ambition of the directors remains to grow the Group; this strategy still requires patience and time from shareholders. Zintel is committed to operating in both the Australian and NZ markets, and to offer a wider range of products and services as opportunities emerge or are created. The Group has a strong balance sheet, remains profitable and is cash flow positive.

The Annual General Meeting has been set for Tuesday the 26th of August 2008.

In closing, thank you to the board of directors for their direction and support, and to all our staff for their commitment to our business and our customers.



Nick Gordon
Chairman



Peter Revell
Group Managing Director

Board of Directors – Zintel Group Limited

NICK GORDON | CHAIRMAN OF THE BOARD

Nick was born and educated in Christchurch and has over thirty years experience in business management, with sales and marketing expertise in the fields of telecommunications and technology. In the last fifteen years he has gained valuable experience as a company director of several publicly listed companies. Nick established the Zintel Group in 1995 and is currently the Chairman of the board of Zintel Group. Through family interests, he is also the principal shareholder of Zintel Group.

PAUL CONNELL, CA, MinsD | NON-EXECUTIVE DIRECTOR

Paul joined the board of Zintel Group Limited in October 2003 and is chairman of the Audit and Risk Committee. Paul brings widespread business experience to Zintel Group. He has over twenty seven years experience in corporate finance, management consulting and chartered accountancy and on the board of listed and unlisted companies.

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. He is a member of the New Zealand Institute of Chartered Accountants and is an accredited member of the Institute of Directors.

PETER REVELL | GROUP MANAGING DIRECTOR ZINTEL GROUP

Peter joined Zintel Group in November 2006 as Chief Executive Officer of the Group and was appointed to the board in March 2008. He has worked in the ICT industry in New Zealand since 1985 and has had experience in working for both multi-national corporations and New Zealand-based companies in a range of industries. He brings a wealth of senior management experience in the telecommunications and technology industry having previously worked with Gen-i, Computerland and Novell. In his role as Group Managing Director Peter is responsible for the overall performance of the Group and the Enterprise business within New Zealand.

JOHAN SCHOLTZ | GENERAL MANAGER ZINTEL COMMUNICATIONS AUSTRALIA

Johan was appointed to the Board in March 2008 and has been with Zintel Group in the role of General Manager, Zintel Communications Australia since 2000. He has a background of senior management in the financial and technology sectors with over 20 years of international business experience. He has been a director of both private and publicly listed companies and is currently a director of the Group's Australian subsidiary companies. In his role as General Manager for Australia, Johan is responsible for the overall performance of the Communications business within Australia.



(Left to right) Peter Revell, Nick Gordon, Paul Connell, Johan Scholtz

The Zintel Group Executive Team

PETER REVELL | GROUP MANAGING DIRECTOR
ZINTEL GROUP

JOHAN SCHOLTZ | GENERAL MANAGER
ZINTEL COMMUNICATIONS AUSTRALIA

ALF WALLIS, CA | CHIEF FINANCIAL OFFICER
ZINTEL GROUP

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 financial management to Zintel Group Limited.

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. In his role as General Manager Zintel Communications New Zealand, Lindsay is responsible for the overall performance of the Communications business in New Zealand.



(Left to right) Peter Revell, Lindsay Cowley, Johan Scholtz, Alf Wallis

“There are perceived advantages to having one (telco) contract, but being realistic you have to anticipate a better service from a collection of specialist providers – that’s what we have experienced with Zintel.”

ANDREW WAGG, MANAGER, CLIENT SERVICE DELIVERY
MINISTRY OF ECONOMIC DEVELOPMENT

HELEN TAYLOR
Account Manager



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;
- Reviewing all strategic plans and approval of annual budgets and monitoring progress against plans and budgets; and,
- Monitoring the performance of the group managing director 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 four directors; two 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. 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. Executive directors do not receive director fees above their executive remuneration. 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 & finance services are shared across these and Group entities.

BOARD MEETINGS

The board meets a minimum 11 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 per 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 group managing director 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 per year.

INSURANCES

The company undertakes an annual review of both its insurance programme 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, or 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.

2008 FINANCIAL INFORMATION

Auditors' Report [page 12](#)

Income statements [page 13](#)

Balance sheets [page 14](#)

Statements of changes in Shareholders' equity [page 15](#)

Cash flow statements [page 16](#)

Notes to Financial Statements [page 17](#)

Disclosures [page 51](#)

The financial statements presented on pages 13 to 50 are signed for and on behalf of the board and were authorised for issue on the date set out below.



N P (Nick) Gordon
[27 May 2008](#)



P A (Paul) Connell
[27 May 2008](#)

AUDITORS' REPORT

to the shareholders of Zintel Group Ltd

We have audited the financial statements on pages 13 to 50. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2008, and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 17 to 23.

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 2008, 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:

- (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 50:
 - (i) comply with generally accepted accounting practice in New Zealand and International Financial Reporting Standards; and
 - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2008, and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 May 2008, and our unqualified opinion is expressed as at that date.



Chartered Accountants Auckland

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
www.pwc.com/nz
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

\$'000	Notes	Group 2008	Group 2007	Parent 2008	Parent 2007
Revenue from continuing operations	6	37,147	38,022	-	-
Other income	7	558	418	435	347
Employee benefits expense	8	(9,911)	(9,780)	(625)	(644)
Depreciation and amortisation expense	8	(714)	(645)	(111)	(167)
Cost of purchases for sale		(18,355)	(19,340)	-	-
Other expenses		(5,197)	(5,617)	(213)	(162)
Finance costs	8	(37)	(35)	(37)	(33)
Total expenses		(34,214)	(35,417)	(986)	(1,006)
Profit/(loss) from continuing operations before income tax		3,491	3,023	(551)	(659)
Income tax (expense)/credit	9	(1,219)	(1,059)	167	220
Profit/(loss) from continuing operations		2,272	1,964	(384)	(439)
Profit from discontinued operations	10	-	745	-	-
Profit/(loss) attributable to members of Zintel Group Limited		2,272	2,709	(384)	(439)
Earnings per share for profit attributable to the ordinary equity holders of the Company during the year:					
		Cents	Cents		
Basic earnings per share	33	4.50	5.37		
Diluted earnings per share	33	4.47	5.32		
Attributable to continuing operations:					
		Cents	Cents		
Basic earnings per share	33	4.50	3.89		
Diluted earnings per share	33	4.47	3.86		
Attributable to discontinued operations:					
		Cents	Cents		
Basic earnings per share	33	-	1.48		
Diluted earnings per share	33	-	1.46		

BALANCE SHEETS AS AT 31 MARCH 2008

\$'000	Notes	Group 2008	Group 2007	Parent 2008	Parent 2007
Assets					
Current assets					
Cash and cash equivalents	11	6,980	6,577	4,648	3,656
Trade and other receivables	12	5,482	5,195	111	120
Inventories	13	721	706	-	-
Current tax receivables		13	146	837	798
Non-current assets classified as held for sale	10	-	26	-	-
Total current assets		13,196	12,650	5,596	4,574
Non-current assets					
Other receivables	14	-	324	-	-
Investment in subsidiaries	30	-	-	1	1
Property, plant and equipment	15	979	917	232	180
Deferred tax assets	16	439	624	35	25
Intangible assets	17	1,398	348	19	23
Total non-current assets		2,816	2,213	287	229
Total assets		16,012	14,863	5,883	4,803
Liabilities					
Current liabilities					
Trade and other payables	18	4,916	4,870	7,989	5,202
Provisions	19	630	479	9	12
Total current liabilities		5,546	5,349	7,998	5,214
Non-current liabilities					
Other payables	20	-	324	-	324
Total current liabilities		-	324	-	324
Total liabilities		5,546	5,673	7,998	5,538
Net assets/(liabilities)		10,466	9,190	(2,115)	(735)
Equity					
Contributed equity	22	4,168	4,168	4,168	4,168
Reserves	23(a)	(45)	(59)	32	18
Retained earnings	23(c)	6,343	5,081	(6,315)	(4,921)
Total equity		10,466	9,190	(2,115)	(735)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2008

\$'000	Notes	Group 2008	Group 2007	Parent 2008	Parent 2007
Equity at the beginning of the financial year		9,190	8,370	(735)	1,443
Adjustment on adoption of NZ IAS 32 and NZ IAS 39, net of tax, to:					
Retained earnings	34(a)	-	(73)	-	-
Total equity at the beginning of the financial year		9,190	8,297	(735)	1,443
Reserves	23	14	18	14	18
Exchange differences on translation of foreign operations	23	-	(77)	-	-
Net income recognised directly in equity		14	(59)	14	18
Profit/(loss) for the year		2,272	2,709	(384)	(439)
Total recognised income and expense for the year		2,286	2,650	(370)	(421)
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	24	(1,010)	(1,757)	(1,010)	(1,757)
Total equity at the end of the year		10,466	9,190	(2,115)	(735)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

\$'000	Notes	Group 2008	Group 2007	Parent 2008	Parent 2007
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		37,224	39,231	-	-
Payment to suppliers and employees (inclusive of GST)		(33,877)	(34,798)	(1,353)	(1,028)
		3,347	4,433	(1,353)	(1,028)
Dividends received		1	-	-	-
Interest received		525	417	403	347
Income taxes paid		(1,010)	(1,230)	(682)	(801)
Net cash inflow/(outflow) from operating activities	32	2,863	3,620	(1,632)	(1,482)
Cash flows from investing activities					
Payments for purchase of business assets (net of cash acquired)	29	(764)	-	-	-
Payments for property, plant and equipment		(761)	(660)	(159)	(53)
Proceeds from sale of business assets	10	-	370	-	-
Proceeds from sale of property, plant and equipment		35	1	-	-
Advances and loans repaid by subsidiaries		-	-	3,797	2,883
Net cash inflow/(outflow) from investing activities		(1,490)	(289)	3,638	2,830
Cash flows from financing activities					
Dividends paid to company's shareholders	24	(1,010)	(1,757)	(1,010)	(1,757)
Net cash outflow from financing activities		(1,010)	(1,757)	(1,010)	(1,757)
Net increase/(decrease) in cash and cash equivalents		363	1,574	996	(409)
Cash and cash equivalents at the beginning of the financial year		6,581	5,111	3,656	4,065
Effects of exchange rate changes on cash and cash equivalents		36	(104)	(4)	-
Cash and cash equivalents at the end of the financial year	11	6,980	6,581	4,648	3,656

Notes to the Financial Statements for the year ended 31 March 2008

1. GENERAL INFORMATION

Zintel Group Limited ('the Company') and its subsidiaries (together 'the Group') comprises of two businesses: Communications and Enterprise. The Communications business offers business customers a range of telecommunications services, including Tolls and Toll free calls; the Enterprise business offers Information and Communications Technology (ICT) and contact centre solutions, specialising in Aastra (formerly Ericsson) PBXs and phone systems, and installation and maintenance of Enterprise systems.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 5 Wilkins Street, Freemans Bay, Auckland. The Company has its primary listing on the New Zealand Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 May 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and comply with NZ IFRS 1 First-time Adoption of NZ IFRS as these are the Group's first full year NZ IFRS financial statements.

(i) Entities reporting

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

The parent company and the consolidated entity are designated as profit-oriented entities for financial reporting purposes.

(ii) Statutory base

These financial statements are the first Zintel Group Limited financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 has been applied in preparing these financial statements.

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

(iii) Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

Financial statements of Zintel Group Limited until 31 March 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing Zintel Group Limited 2008 financial statements, management has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Group's equity and its net income are given in Note 34.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies.

(vi) Going concern

The parent company is in a net liability position. The subsidiary companies will continue to support the parent company for the foreseeable future.

(vii) Applicable standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 but have not been adopted early:

NZ IFRS 8, Operating segments

This standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected disclosure impact is still being assessed in detail by management, but the number of reportable segments may change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply NZ IFRS 8 from 1 April 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Zintel Group Limited ('Company' or 'parent entity') as at 31 March 2008 and the results of all subsidiaries for the year then ended. Zintel Group Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all fully owned by Zintel Group Limited or 100 per cent owned within the Zintel Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (refer to Note 17).

Intercompany transactions, balances and unrealised gains on transactions between intercompanies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of GST, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Sales of goods
The Group recognises revenue in respect of the sale of goods when significant risks and rewards are transferred to the buyer.
- (ii) Sales of services
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- (iii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
- (iv) Dividend income
Dividend income is recognised when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences

arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised within equity.

(i) Tax consolidation legislation

Zintel Group Limited and Zintel Communications Limited have formed a tax consolidated group. Following on from this, Zintel Group Limited, as the nominated company in the tax consolidated group, recognises the current tax amounts relating to the consolidated group as if those transactions, events and balances were its own.

(g) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

- (i) The Group is the lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.
- (ii) The Group is the lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(i) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than one month from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable

value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(n) Investments and other financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (Notes 12 and 14).

(ii) Investments

The investments in subsidiaries are stated at cost in the balance sheet of the Parent.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on other assets is calculated to allocate their cost over their estimated useful lives, as follows:

Computer equipment	39% to 60%
Office equipment	18% to 39%
Motor vehicles	26%
Leasehold improvements	Over life of lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(ii)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment (Note 5).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the diminishing value method to allocate the cost over the period of the expected benefit.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(iv) Customer base

The acquired customer base is recorded at cost at the date of acquisition, based on the discounted cash flows over the estimated useful life of the customers and amortised over the estimated useful life of five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long-service leave

The liability for long-service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Certain employees of the Group are entitled to benefits on retirement, disability or death from independent superannuation plans. The plans are considered to be defined contribution plans and receive fixed contributions from the Group with the Group's legal or constructive obligation being limited to these contributions.

Contributions to the defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments (Option convertible notes)

The Group operates an equity settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

In order to exercise the options, the scheme requires the employee to be in the employment of the Group at the date of maturity (refer to Note 20).

(v) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

Where the Group purchases its equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

(v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Comparatives

Certain prior year comparative figures have been reclassified to conform to the current year's presentation.

3. TRANSITION TO NZ IFRS

(a) Application of NZ IFRS 1

The Group's financial statements for the year ended 31 March 2008 are the first annual financial statements that comply with NZ IFRS. The Group has applied NZ IFRS 1 in preparing these consolidated financial statements as described in Note 2(a).

Zintel Group Limited transition date is 1 April 2006. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 31 March 2008. The Group's NZ IFRS adoption date is 1 April 2007.

(b) Exemptions from full retrospective application elected by the Group

Zintel Group Limited has elected to apply the following optional exemptions from full retrospective application:

(i) Business combinations exemption

Zintel Group Limited has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 April 2006 transition date.

(c) Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application:

(i) Estimates exception

Estimates under NZ IFRS at 1 April 2006 should be consistent with estimates made for the same date under NZ FRS, unless there is evidence that those estimates were in error.

(d) Reconciliations between IFRS and NZ FRS

The reconciliations in Note 34 provide a quantification of the effect of the transition to NZ IFRS:

- equity at 1 April 2006
- equity at 31 March 2007
- net income for the year ended 31 March 2007

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and ageing analysis for credit risk.

The Group and the parent entity hold the following financial instruments:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Financial assets				
Cash and cash equivalents	6,980	6,577	4,648	3,656
Trade and other receivables	5,482	5,519	111	120
	12,462	12,096	4,759	3,776
Financial liabilities				
Trade and other payables	4,916	5,194	7,989	5,526
	4,916	5,194	7,989	5,526

(a) Market risk

(i) Foreign exchange risk

The Group operates in New Zealand and Australia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

At 31 March 2008, if the New Zealand dollar had weakened/strengthened by 10% against the Australian dollar with all other variables held constant, post tax profit for the year would have been \$122,768 (2007: \$114,382) higher/lower, as a result of foreign exchange gains/losses on translation of Australian dollar bank accounts.

Net assets would have been \$463,611 (2007: \$403,385) lower/higher, arising mainly from foreign exchange losses/gains on translation of Australian based foreign operations.

(ii) Cash flow and fair value interest rate risk

The Group has no borrowings so is only subject to interest rate risk on cash deposits.

At 31 March 2008 the Group had \$6,203,141 (2007: \$5,102,650) deposits at call. The interest rates range from 6.50% to 8.68% (2007: 6.50% to 7.68%).

4. FINANCIAL RISK MANAGEMENT, CONT.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

Consolidated 31 March 2008	Carrying amount	Interest rate risk				Foreign exchange rate risk			
		-1%		+1%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Net assets	Profit	Net assets
\$'000									
Financial assets									
Cash and cash equivalents	6,980	(70)	(70)	70	70	(123)	(332)	123	332
Trade and other receivables	5,482	-	-	-	-	-	(142)	-	142
Financial liabilities									
Trade and other payables	4,916	-	-	-	-	-	10	-	(10)
Total increase/(decrease)		(70)	(70)	70	70	(123)	(464)	123	464

Consolidated 31 March 2007	Carrying amount	Interest rate risk				Foreign exchange rate risk			
		-1%		+1%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Net assets	Profit	Net assets
\$'000									
Financial assets									
Cash and cash equivalents	6,577	(66)	(66)	66	66	(114)	(323)	114	323
Trade and other receivables	5,519	-	-	-	-	-	(95)	-	95
Financial liabilities									
Trade and other payables	5,194	-	-	-	-	-	14	-	(14)
Total increase/(decrease)		(66)	(66)	66	66	(114)	(404)	114	404

4. FINANCIAL RISK MANAGEMENT, CONT.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only registered trading banks are accepted. For customers, management assesses the credit quality of the customer, taking into account its financial position, past credit history and other factors. The utilisation of credit limits is regularly monitored.

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers, internationally dispersed.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

A summary of cashflow transactions during the year is as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Net cash inflow/(outflow) from operating activities	2,863	3,620	(1,632)	(1,482)
Net cash inflow/(outflow) from investing activities	(1,490)	(289)	3,638	2,830
Net cash outflow from financing activities	(1,010)	(1,757)	(1,010)	(1,757)
Net increase/(decrease) in cash for the year	363	1,574	996	(409)

5. SEGMENT INFORMATION

(a) Description of segments

(i) Primary reporting format – Business Segments

The Group is organised on a trans-Tasman basis into the following divisions by product and service type:

Zintel Enterprise – Zintel Enterprise is the partner for distribution, sales and service of Aastra's (formerly Ericsson's) Enterprise product portfolio within New Zealand and implements and supports advanced IP-PBX and PBX hardware and software solutions in New Zealand.

Zintel Communications– Zintel Communications is a service provider of Toll free and Toll telephone services in New Zealand and Australia.

Zintel Leasing– Zintel Leasing Ltd is a wholly owned Zintel subsidiary, which has been established to provide business customers with an in-house option for operating leases of Aastra (formerly Ericsson) equipment. This company did not trade during the year ended 31 March 2008.

(ii) Secondary reporting format – Geographical Segments

The Group operates in two main geographical areas: New Zealand and Australia.

New Zealand is the home country of the Group. The Group provides Toll free and Toll telephone services in both New Zealand and Australia, and provides distribution, sales and service of Aastra's (formerly Ericsson's) Enterprise product portfolio, implementation and support of IP-PBX and PBX hardware and software, as well as leasing of equipment in New Zealand.

5. SEGMENT INFORMATION, CONT.

(b) Primary reporting format – Business Segments

2008	Zintel Enterprise	Zintel Communications	Zintel Leasing	Total continuing operations	Discontinued operation (Note 10)	Inter-segment eliminations/unallocated	Consolidated
\$'000							
Sales to external customers	11,245	25,902	-	37,147	-	-	37,147
Inter-segment sales	-	-	-	-	-	-	-
Other income	4	119	-	123	-	435	558
Total segment revenue/income	11,249	26,021	-	37,270	-	435	37,705
Profit before income tax	280	3,762	-	4,042	-	(551)	3,491
Income tax expense							(1,219)
Profit for the year							2,272
Segment assets	3,566	6,540	23	10,129	-	5,883	16,012
Total assets							16,012
Segment liabilities	2,060	2,903	1	4,964	-	582	5,546
Total liabilities							5,546
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	404	1,295	-	1,699	-	159	1,858
Segment items included in the income statement:							
Depreciation and amortisation expense	250	353	-	603	-	111	714
Impairment of trade receivables	133	50	-	183	-	-	183

5. SEGMENT INFORMATION, CONT.

2007 \$'000	Zintel Enterprise	Zintel Communications	Zintel Leasing	Total continuing operations	Discontinued operation (Note 10)	Inter-segment eliminations/unallocated	Consolidated
Sales to external customers	13,523	24,499	-	38,022	1,309	1	39,332
Inter-segment sales	-	-	37	37	-	(37)	-
Total sales revenue	13,523	24,499	37	38,059	1,309	(36)	39,332
Other income	1	68	1	70	372	347	789
Total revenue and other income	13,524	24,567	38	38,129	1,681	311	40,121
Profit before income tax	482	3,194	4	3,680	733	(657)	3,756
Income tax expense							(1,047)
Profit for the year							2,709
Segment assets	4,095	5,936	3	10,034	26	4,803	14,863
Total assets							14,863
Segment liabilities	2,861	2,242	-	5,103	87	483	5,673
Total liabilities							5,673
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	278	328	-	606	1	53	660
Segment items included in the income statement:							
Depreciation and amortisation expense	236	207	35	478	-	167	645
Impairment of trade receivables	-	163	-	163	-	-	163
Profit on sale of division before income tax (Note 10)	-	-	-	-	369	-	369

(c) Secondary reporting format – Geographical Segments

\$'000	Segment revenues from sales to external customers for continuing operations		Segment assets for continuing operations		Acquisitions of property, plant and equipment intangibles and other non-current segment assets	
	2008	2007	2008	2007	2008	2007
New Zealand	26,074	28,907	11,439	11,495	722	531
Australia	11,073	9,115	4,573	3,342	1,136	129
	37,147	38,022	16,012	14,837	1,858	660
Assets of discontinued operations			-	26		
Total assets			16,012	14,863		

6. REVENUE

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
From continuing operations				
Sales of goods	4,306	5,921	-	-
Sales of services	32,841	32,101	-	-
Total revenue from continuing operations	37,147	38,022	-	-

7. OTHER INCOME

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Interest income	557	417	435	347
Dividend income	1	1	-	-
Total other income	558	418	435	347

8. EXPENSES

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Profit before income tax includes the following specific expenses				
Depreciation				
Motor vehicles	47	47	-	-
Office equipment	121	124	6	7
Leasehold improvements	3	-	3	-
Computer equipment	243	337	85	143
Total depreciation	414	508	94	150
Amortisation				
Software and Development costs	240	137	17	17
Customer base	60	-	-	-
Total amortisation	300	137	17	17
Total depreciation and amortisation	714	645	111	167
Finance costs				
Interest and finance charges paid/payable	37	35	37	33
Net (gain)/loss on disposal of property, plant and equipment	(2)	102	-	-
Rental expense relating to operating leases				
Property rentals	649	715	-	-
Foreign exchange gains and losses				
Net foreign exchange (gain)/loss	(26)	104	-	39
Employee benefits				
Wages and salaries, including restructuring costs and termination benefits	9,774	9,650	625	644
Pension costs – defined contribution plans	137	130	-	-
Total employee benefits	9,911	9,780	625	644

Details of auditors' remuneration can be found in Note 25.

9. INCOME TAX EXPENSE

(a) Income tax expense

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Current tax	1,051	1,040	(157)	(193)
Deferred tax	185	(32)	(10)	(17)
Under/(over) provided in prior years – Income tax	(17)	51	-	(10)
	1,219	1,059	(167)	(220)
Deferred income tax (credit)/expense included in income tax expense comprises				
Decrease/(increase) in deferred tax assets (Note 16)	185	(32)	10	(17)
	185	(32)	10	(17)

(b) Numerical reconciliation of income tax expense

Profit/(loss) from continuing operations before income tax expense	3,491	3,023	(551)	(659)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	1,089	991	(182)	(217)
Tax effect of a change in tax rates	34	-	3	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	14	17	8	7
	1,137	1,008	(171)	(210)
Under/(over) provision in prior years	(17)	51	-	(10)
Prior year deferred tax not previously recognised	99	-	4	-
	82	51	4	(10)
Income tax expense/(credit)	1,219	1,059	(167)	(220)

The weighted average applicable tax rate was 31.2% (2007: 32.8%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

10. DISCONTINUED OPERATIONS

(a) Description

On 1 August 2006 the Company announced its intention to sell certain assets of Zintel Enterprise Pty Limited and initiated an active program to locate a buyer and complete the sale. The sale was completed on 23 January 2007 and is reported in the financial year ended 31 March 2007 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below and in Note 5.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the ten months to the date of sale.

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Revenue	-	1,312	-	-
Expenses	-	(948)	-	-
Profit before income tax	-	364	-	-
Income tax credit/(expense)	-	12	-	-
Profit after income tax of discontinued operations	-	376	-	-
Gain on sale of the division before income tax	-	369	-	-
Income tax expense	-	-	-	-
Gain on sale of the division after income tax	-	369	-	-
Profit from discontinued operations	-	745	-	-
Cash flow				
Net cash inflow from ordinary activities	-	376	-	-
Net cash inflow from investing activities	-	370	-	-
Net increase in cash generated by the division	-	746	-	-

10. DISCONTINUED OPERATIONS, CONT.

(c) Carrying amounts of assets held for sale

The carrying amounts of assets as at disposal date (23 January 2007) and 31 March 2007 (2008: \$Nil) are:

	Group	Group	Parent	Parent
\$'000	23 January 2007	31 March 2007	23 January 2007	31 March 2007
Property, plant and equipment	25	-	-	-
Cash	38	4	-	-
Trade receivables	247	10	-	-
Deferred tax	40	12	-	-
Inventories	24	-	-	-
Total assets	374	26	-	-

(d) Details of the sale of the division

	Group	Group	Parent	Parent
\$'000	23 January 2007	31 March 2007	23 January 2007	31 March 2007
Consideration received or receivable:				
Cash	390	-	-	-
Carrying amount of net assets sold	21	-	-	-
Gain on sale before income tax	369	-	-	-
Income tax expense	-	-	-	-
Gain on sale after income tax	369	-	-	-

11. CASH AND CASH EQUIVALENTS

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Cash at bank and in hand	776	1,474	18	1
Deposits at call	6,204	5,103	4,630	3,655
	6,980	6,577	4,648	3,656
Cash from Discontinued operations (Note 10)	-	4	-	-
Total cash and cash equivalents	6,980	6,581	4,648	3,656

12. TRADE AND OTHER RECEIVABLES

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Net trade receivables				
Trade receivables	5,115	5,104	-	-
Provision for doubtful receivables	(266)	(182)	-	-
	4,849	4,922	-	-
Net related party receivables				
Intercompany	-	-	15	16
Net other receivables				
Deposits	15	23	15	15
Interest receivable	61	28	61	28
Staff loans	5	7	-	-
	81	58	76	43
Prepayments				
Prepayments and other receivables	228	215	20	61
Staff loan				
Staff loan for Option Convertible notes	324	-	-	-
Total trade and other receivables	5,482	5,195	111	120

Refer to Note 14 for the non-current portions of the Staff loan for Option Convertible notes.

(a) Impaired receivables

As at 31 March 2008 current trade receivables of the Group with a nominal value of \$329,329 (2007: \$182,282) were impaired. The amount of the provision was \$265,329 (2007: \$182,282). As at 31 March 2007 all impaired current trade receivables of the Group were provided for. As at 31 March 2008 one impaired receivable was not fully provided for as it was assessed that a portion of the receivable is expected to be recovered. There were no impaired trade receivables for the Parent in 2008 or 2007.

The ageing of these impaired receivables is as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
2 to 3 months	22	70	-	-
Over three months	307	112	-	-
	329	182	-	-

As of 31 March 2008, trade receivables of \$287,148 (2007: \$119,431) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
2 to 3 months	187	119	-	-
Over three months	100	-	-	-
	287	119	-	-

Movements in the provision for impairment of receivables are as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Balance at beginning of year	182	156	-	-
Provision for impairment recognised during the year	183	163	-	-
Receivables written off against the provision during the year as uncollectible	(53)	(123)	-	-
Unused amount reversed	(46)	(14)	-	-
Balance at end of year	266	182	-	-

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

12. TRADE AND OTHER RECEIVABLES, CONT.

(b) Bad and doubtful trade receivables

The Group has recognised a loss of \$8,082 (2007: \$128,759) in respect of bad and doubtful trade receivables during the year ended 31 March 2008. The loss has been included in 'other expenses' in the income statement.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to Note 4 for more information on the risk management policy of the Group.

13. INVENTORIES

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Work in progress:				
Cost	91	7	-	-
Finished goods:				
Cost	1,255	1,327	-	-
Less: provision for obsolescence	(625)	(628)	-	-
Total inventories	721	706	-	-

14. OTHER RECEIVABLES

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Staff loan				
Staff loan for Option Convertible notes	-	324	-	-
Total other receivables	-	324	-	-

Refer to Note 12 for the current portions of these receivables.

15. PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment	Motor vehicles	Leasehold improvements	Computer equipment	Total
\$'000					
At 1 April 2006					
Cost	818	273	-	1,347	2,438
Accumulated depreciation	(455)	(111)	-	(806)	(1,372)
Net book amount	363	162	-	541	1,066
Year ended 31 March 2007					
Opening net book amount	363	162	-	541	1,066
Additions	182	47	-	248	477
Disposals net of depreciation	(49)	(7)	-	(62)	(118)
Depreciation charge	(124)	(47)	-	(337)	(508)
Closing net book amount	372	155	-	390	917
At 31 March 2007					
Cost	965	298	-	1,007	2,270
Accumulated depreciation	(593)	(143)	-	(617)	(1,353)
Net book amount	372	155	-	390	917
Year ended 31 March 2008					
Opening net book amount	372	155	-	390	917
Additions	137	90	115	166	508
Disposals net of depreciation	-	(32)	-	-	(32)
Depreciation charge	(121)	(47)	(3)	(243)	(414)
Closing net book amount	388	166	112	313	979
At 31 March 2008					
Cost	1,102	303	115	1,173	2,693
Accumulated depreciation	(714)	(137)	(3)	(860)	(1,714)
Net book amount	388	166	112	313	979

15. PROPERTY, PLANT AND EQUIPMENT, CONT.

Parent				
\$'000	Office equipment	Leasehold improvements	Computer equipment	Total
At 1 April 2006				
Cost	28	-	400	428
Accumulated depreciation	(5)	-	(134)	(139)
Net book amount	23	-	266	289
Year ended 31 March 2007				
Opening net book amount	23	-	266	289
Additions	4	-	42	46
Disposals net of depreciation	-	-	(5)	(5)
Depreciation charge	(7)	-	(143)	(150)
Closing net book amount	20	-	160	180
At 31 March 2007				
Cost	31	-	427	458
Accumulated depreciation	(11)	-	(267)	(278)
Net book amount	20	-	160	180
Year ended 31 March 2008				
Opening net book amount	20	-	160	180
Additions	1	115	30	146
Depreciation charge	(6)	(3)	(85)	(94)
Closing net book amount	15	112	105	232
At 31 March 2008				
Cost	32	115	457	604
Accumulated depreciation	(17)	(3)	(352)	(372)
Net book amount	15	112	105	232

16. DEFERRED TAX ASSETS

\$'000	Group 2008	Group 2007	Parent 2008	Parent 2007
The balance comprises temporary differences attributable to:				
Doubtful debts	80	57	-	-
Employee benefits	269	195	32	18
Non-deductible provisions	(7)	256	3	7
Property, plant and equipment	18	5	-	-
Intangible assets	(115)	-	-	-
Other	194	111	-	-
	439	624	35	25
Movements:				
Balance at beginning of year	624	592	25	8
Credited/(charged) to the income statement (Note 9)	(185)	32	10	17
Balance at end of year	439	624	35	25
Expected settlement:				
Within 12 months	554	195	35	18
In excess of 12 months	(115)	429	-	7
	439	624	35	25

17. INTANGIBLE ASSETS

Group

\$'000	Customer base	Goodwill	Computer software	Software Development costs	Total
At 1 April 2006					
Cost	-	-	429	918	1,347
Accumulated amortisation	-	-	(318)	(711)	(1,029)
Net book amount	-	-	111	207	318
Year ended 31 March 2007					
Opening net book amount	-	-	111	207	318
Additions	-	-	41	142	183
Disposals net of amortisation	-	-	(16)	-	(16)
Amortisation charge	-	-	(61)	(76)	(137)
Closing net book amount	-	-	75	273	348
At 31 March 2007					
Cost	-	-	310	1,060	1,370
Accumulated amortisation	-	-	(235)	(787)	(1,022)
Net book amount	-	-	75	273	348
Year ended 31 March 2008					
Opening net book amount	-	-	75	273	348
Acquisition of business assets (Note 29)	403	694	-	-	1,097
Additions	-	-	38	215	253
Amortisation charge	(60)	-	(46)	(194)	(300)
Closing net book amount	343	694	67	294	1,398
At 31 March 2008					
Cost	403	694	348	1,275	2,720
Accumulated amortisation	(60)	-	(281)	(981)	(1,322)
Net book amount	343	694	67	294	1,398

Parent

\$'000	Computer software	Software Development costs	Total
At 1 April 2006			
Cost	39	-	39
Accumulated amortisation	(6)	-	(6)
Net book amount	33	-	33
Year ended 31 March 2007			
Opening net book amount	33	-	33
Additions	7	-	7
Amortisation charge	(17)	-	(17)
Closing net book amount	23	-	23
At 31 March 2007			
Cost	46	-	46
Accumulated amortisation	(23)	-	(23)
Net book amount	23	-	23
Year ended 31 March 2008			
Opening net book amount	23	-	23
Additions	1	12	13
Amortisation charge	(12)	(5)	(17)
Closing net book amount	12	7	19
At 31 March 2008			
Cost	47	12	59
Accumulated amortisation	(35)	(5)	(40)
Net book amount	12	7	19

Amortisation of \$299,732 (2007: \$136,761) is included in depreciation and amortisation expense in the income statement.

17. INTANGIBLE ASSETS, CONT.

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment.

A segment level summary of the goodwill allocation is presented below.

\$'000	New Zealand	Australia	Total
2008			
Zintel Communications Pty Limited	-	694	694
	-	694	694
2007			
Zintel Communications Pty Limited	-	-	-
	-	-	-

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts covering a five-year period. Cash flows beyond the five-year period is the terminal value of the fifth year.

(b) Key assumptions used for value-in-use calculations

CGU	Gross margin [*]		Net growth rate ^{**}		Discount rate ^{***}	
	2008	2007	2008	2007	2008	2007
	%	%	%	%	%	%
New Zealand	-	-	-	-	-	-
Australia	In line with current margins		0.5	-	15.0	-

* Budgeted gross margin

** Assumed growth rate is 1%, market decline is assumed to be 0.5% giving net growth rate of 0.5%

*** Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

Based on these calculations the goodwill is not considered to be impaired.

18. TRADE AND OTHER PAYABLES

\$'000	Group 2008	Group 2007	Parent 2008	Parent 2007
Trade payables	615	651	-	1
Intercompany advances	-	-	7,416	5,055
Accrued expenses	3,487	3,304	272	154
GST – NZ	209	273	(23)	(8)
GST – Australia	154	101	-	-
Other payables	451	541	324	-
Total trade and other payables	4,916	4,870	7,989	5,202

Other payables includes \$324,000 Option Convertible notes (2007: \$Nil). Refer to Note 20 for further information.

Intercompany advances are interest free and payable on demand.

19. PROVISIONS

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee benefits	Lease incentives	Make good provision	Total
\$'000				
Group – 2007				
Balance at beginning of year	321	8	2	331
Additional provisions recognised	716	50	16	782
Amounts incurred and charged	(634)	-	-	(634)
Balance at end of year	403	58	18	479
Group – 2008				
Balance at beginning of year	403	58	18	479
Additional provisions recognised	865	6	15	886
Amounts incurred and charged	(751)	-	-	(751)
Acquired from business combination (Note 29)	16	-	-	16
Balance at end of year	533	64	33	630
Parent – 2007				
Balance at beginning of year	9	-	-	9
Additional provisions recognised	34	-	-	34
Amounts incurred and charged	(31)	-	-	(31)
Balance at end of year	12	-	-	12
Parent – 2008				
Balance at beginning of year	12	-	-	12
Additional provisions recognised	45	-	-	45
Amounts incurred and charged	(48)	-	-	(48)
Balance at end of year	9	-	-	9

(b) Employee benefits

Employee benefits provision is made up of accrued annual leave, accrued sick leave and long-service leave entitlements.

(c) Make good provision

One of the Group's leases includes requirements for the Group to restore the leased premises to its original condition (except for normal wear and tear). A provision for the best estimate of the present value of expenditure required to comply with the make good requirements of the lease has been recognised.

Expected payment is upon expiry of the lease in January 2009.

(d) Accounting for leases

Under NZ IFRS, operating lease charges must be recognised on a straight-line basis over the lease term incorporating escalations in the lease charge over the term of the lease.

20. OTHER PAYABLES

	Group 2008	Group 2007	Parent 2008	Parent 2007
\$'000				
Option convertible notes	-	324	-	324
Total other payables	-	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 2008 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 the Group.

Refer to Note 18 for the current portion of these Other Payables of \$324,000 (2007: \$Nil).

23. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Foreign currency translation reserve	(77)	(77)	-	-
Option convertible note reserve	32	18	32	18
Total reserves	(45)	(59)	32	18

Movements:

Foreign currency translation reserve				
Balance at beginning of year	(77)	-	-	-
Currency translation differences arising during the year	-	(77)	-	-
Balance at end of year	(77)	(77)	-	-

Movements:

Option convertible note reserve				
Balance at beginning of year	18	-	18	-
Increases in the period	14	18	14	18
Balance at end of year	32	18	32	18

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in Note 2(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Option convertible note

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 and measured at fair value at the grant date and is expensed over the vesting period with the corresponding credit posted to the option convertible note reserve. The liability component is accounted for under NZ IAS 39 and is initially recognised at fair value and subsequently measured at amortised cost.

The classification of components is not revised as a result of a change in the likelihood that a conversion option will be exercised.

(c) Retained earnings

Movements in retained earnings were as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Balance at beginning of year	5,081	4,129	(4,921)	(2,725)
Net profit/(loss) for the year	2,272	2,709	(384)	(439)
Dividends	(1,010)	(1,757)	(1,010)	(1,757)
Balance at end of year	6,343	5,081	(6,315)	(4,921)

24. DIVIDENDS

(a) Ordinary shares

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Final dividend for the year	505	879	505	879
Interim dividend for the year	505	878	505	878
	1,010	1,757	1,010	1,757

(b) Imputed dividends

The dividends are fully imputed and do not include final dividend declared for the year ended 31 March 2008, as declared post balance date. Supplementary dividends of \$8,348 (2007: \$7,611) were paid to shareholders not tax resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

Both dividends paid in the year were \$0.01 per share (2007: \$0.02).

25. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
(a) Assurance services				
Audit services:				
PricewaterhouseCoopers New Zealand firm				
Audit and review of financial reports and other audit work	90	88	9	8
Other assurance services:				
PricewaterhouseCoopers New Zealand firm				
IFRS accounting services	39	25	39	25
Total remuneration for audit and assurance services	129	113	48	33
(b) Taxation services				
PricewaterhouseCoopers New Zealand firm				
Tax compliance services, including review of company income tax returns	31	29	6	14
Total remuneration for PricewaterhouseCoopers	160	142	54	47

26. CONTINGENCIES

As at 31 March 2008 the parent entity and Group had no contingent liabilities or assets (2007: none).

27. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Leasehold improvements	122	-	122	-

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent have been included as work in progress in the current year results.

(b) Lease commitments: Company as lessee

(i) Operating leases

The Group leases various offices and equipment under non-cancellable operating leases expiring within two to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	560	658	255	255
One to two years	39	525	-	255
Two to five years	107	-	-	-
	706	1,183	255	510

Leases for two properties are due to expire within 12 months. At this date it is management's intention to renew one of these leases and review options for the second.

28. RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity within the Group is Zintel Group Limited

(b) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows: N Gordon; P Connell; G Walker; J Scholtz and P Revell. All of these persons were also directors during the year ended 31 March 2007, except for P Revell and J Scholtz who were appointed on 31 March 2008. G Walker held office as a director until his retirement on 21 November 2007.

(c) Key management and personnel compensation

Key management personnel compensation for the years ended 31 March 2008 and 2007 is set out below. The key management personnel are all the directors of the Company and the executives reporting directly to the group managing director with the greatest authority for the strategic direction and management of the Company.

	Group	Group
\$'000	2008	2007
Short-term benefits	1,659	1,573
Termination benefits	45	165
Total key management and personnel compensation	1,704	1,738

(d) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

(i) Loan transactions and balances

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Loans to key management personnel disclosed in Notes 12 and 14 comprise:				
Unsecured loans	324	324	-	-
Loans advanced from key management personnel				
Unsecured loans	324	324	-	-
Interest revenue from loans	32	33	32	33

On 5 May 2006 Zintel Communications Limited loaned \$810,000 to senior management to purchase optional convertible notes in Zintel Group Limited. At 31 March 2008, \$324,000 remains outstanding and is not due until 17 November 2008. The interest rate at balance date is 10.37% (2007: 9.55%).

28. RELATED PARTY TRANSACTIONS, CONT.

(e) Transactions with related parties

The following transactions occurred with related parties:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Sales of goods and services				
N Gordon and P Connell – Directors				
Provenco Group – Telecommunication fees	42	56	-	-
Purchases of goods				
N Gordon – Director				
Gordon family trust – Landlord	278	278	278	278
Jaka Limited – Director Fees	-	50	-	50
Artique Limited – Director Fees	50	-	50	-
P Connell – Director				
Connell & Associates – Director Fees	35	35	35	35
Connell & Associates – Consultancy Fees	9	5	9	5
J Scholtz – Director				
S Data Investments PTY Limited – Management Services	403	398	-	-
N Gordon and P Connell				
Provenco Group – IT Services	-	13	-	-
	775	779	372	368

N Gordon and P Connell resigned as directors of Provenco Group on 7 September 2007 and 19 December 2007 respectively. All transactions disclosed with Provenco Group are for the period ending 31 December 2007.

(f) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Current receivables (sales of goods and services)				
Provenco Group	-	5	-	-
Current payables (purchases of goods)				
Gordon family trust	-	19	-	19
Connell & Associates	12	3	12	3
S Data Investments PTY Limited	110	90	-	-
	122	112	12	22

29. BUSINESS COMBINATION

(a) Summary of acquisition

On 1 July 2007, Zintel Communications Pty Limited acquired certain business and assets of Concert Telecom Pty Limited.

The acquired business assets were integrated with Zintel Communications Pty Limited. The acquired business contributed revenue of \$2,682,000 to the company for the period from 1 July 2007 to 31 March 2008. If the acquisition had occurred on 1 April 2007, consolidated revenue for the year ended 31 March 2008 would have been \$3,654,000. It is not possible to separate out profit earnings from the acquired assets as the business was integrated with Zintel Communications Pty Limited on 1 July 2007.

Details of the fair value of the net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration:	
Cash paid or payable	1,086
Direct costs relating to the acquisition	70
Total purchase consideration	1,156
Fair value of net identifiable assets acquired (refer to (ii))	59
Total intangible assets acquired	1,097
Goodwill	694
Intangible asset – customer base	403
Total intangible assets acquired	1,097

(i) Purchase consideration

	\$'000
Cash paid or payable	1,086
Direct costs relating to the acquisition	70
	1,156
Less: cash acquired	(392)
Net cash outflow	764

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

\$'000	Acquiree's carrying amount	Fair value
Cash and cash equivalents	392	392
Trade receivables	479	479
Inventories	15	15
Trade payables	(658)	(658)
Provision for employee benefits	(16)	(16)
Deferred tax liability	(121)	(121)
Contingent liabilities	(32)	(32)
Net identifiable assets acquired	59	59

30. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2008 %	2007 %
Zintel Communications Holdings Limited	New Zealand	Ordinary	100	100
Zintel Communications Limited	New Zealand	Ordinary	100	100
Zintel Communications Pty Limited	Australia	Ordinary	100	100
Zintel Enterprise Holdings Limited	New Zealand	Ordinary	100	100
Zintel Enterprise Limited	New Zealand	Ordinary	100	100
Concert Telecom Pty Limited (formerly Zintel Enterprise Pty Limited)	Australia	Ordinary	100	100
Zintel Leasing Limited	New Zealand	Ordinary	100	100

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Declaration of Dividend

Subsequent to year end the Board of Directors declared a final dividend of 1.25 cents per share, a total of \$631,122, with a record date of 13 June 2008 and a payment date of 27 June 2008. The dividends are fully imputed.

Business combination

On 26 May 2008 the company entered into a conditional purchase agreement for certain business assets of DownerCommspec (NZ) Limited. The expected settlement price will be \$250,000 to \$350,000. The acquired business assets will be fully integrated into the Zintel Enterprise business. It is anticipated that the agreement will go unconditional on 30 May 2008.

32. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Profit/(loss) for the year after income tax	2,272	2,709	(384)	(439)
Depreciation and amortisation	714	645	111	167
Write off/loss/(gain) on sale of property, plant and equipment	(2)	102	-	6
Non-cash employee benefits expense - share-based payments	14	18	14	18
Increase in estimated doubtful debts	84	27	-	-
Provision for stock obsolescence	(3)	(16)	-	-
Bad debts written off	8	129	-	-
Interest expense on OCN	37	35	37	-
Interest received on OCN	(32)	(33)	(32)	-
Gain on disposal of business assets	-	(370)	-	-
(Increase)/decrease in intercompany account	-	-	(1,436)	(910)
Change in operating assets and liabilities, net effects from purchase of business assets	(212)	-	-	-
Change in working capital items:				
(Increase)/decrease in trade debtors	(11)	(81)	(33)	(28)
(Increase)/decrease in inventories	(12)	264	-	-
(Increase)/decrease in prepayments	(13)	268	41	6
Increase/(decrease) in GST payable	(10)	63	(15)	(1)
(Increase)/decrease in staff share loans	2	4	-	-
Increase/(decrease) in trade creditors	(291)	39	114	(31)
Increase in provision for income taxes payable	133	(139)	(39)	(253)
Increase in provision for deferred income tax	185	(44)	(10)	(17)
Net cash inflow/(outflow) from operating activities	2,863	3,620	(1,632)	(1,482)

33. EARNINGS PER SHARE

(a) Basic earnings per share

	Group	Group	Parent	Parent
Cents	2008	2007	2008	2007
Profit from continuing operations attributable to the ordinary equity holders of the company	4.50	3.89	-	-
Profit from discontinued operation	-	1.48	-	-
Profit attributable to the ordinary equity holders of the company	4.50	5.37	-	-

(b) Diluted earnings per share

	Group	Group	Parent	Parent
Cents	2008	2007	2008	2007
Profit from continuing operations attributable to the ordinary equity holders of the company	4.47	3.86	-	-
Profit from discontinued operation	-	1.46	-	-
Profit attributable to the ordinary equity holders of the company	4.47	5.32	-	-

(c) Reconciliations of earnings used in calculating earnings per share

	Group	Group	Parent	Parent
\$'000	2008	2007	2008	2007
Profit from continuing operations	2,272	1,964	-	-
Profit from discontinued operation	-	745	-	-
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	2,272	2,709	-	-

(d) Weighted average number of shares used as the denominator

	Group	Group	Parent	Parent
Number '000	2008	2007	2008	2007
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	50,490	50,490	-	-
Adjustments for calculation of diluted earnings per share:				
Option convertible notes	400	400	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	50,890	50,890	-	-

One million optional convertible notes were issued on 5 May 2006. 600,000 were cancelled when certain senior management left the employment of the Group. 400,000 remain and can be converted to ordinary shares on 17 November 2008.

(e) Information concerning the classification of securities

(i) Option convertible notes

Convertible notes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in Note 20.

34. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs

(a) Reconciliation of equity reported under previous New Zealand Generally Accepted Accounting Principles (NZ GAAP) to equity under New Zealand equivalents to IFRSs (NZ IFRS)

(i) At the date of transition to NZ IFRS: 1 April 2006

Group \$'000	IFRS transition notes	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
ASSETS				
Current assets				
Cash and cash equivalents		5,111	-	5,111
Trade and other receivables		5,716	-	5,716
Inventories		954	-	954
Total current assets		11,781	-	11,781
Non-current assets				
Property, plant and equipment	34(c)(ii-i)	1,384	(318)	1,066
Deferred tax assets	34(c)(i-iv)	556	36	592
Intangible assets	34(c)(ii-i)	-	318	318
Total non-current assets		1,940	36	1,976
Total assets		13,721	36	13,757
LIABILITIES				
Current liabilities				
Trade and other payables		5,351	-	5,351
Provisions	34(c)(i-ii)	-	109	109
Total liabilities		5,351	109	5,460
Net assets		8,370	(73)	8,297
EQUITY				
Contributed equity		4,168	-	4,168
Retained earnings	34(c)(i)	4,202	(73)	4,129
Total Equity		8,370	(73)	8,297

(i-i) At the date of transition to NZ IFRS: 1 April 2006

Parent \$'000	IFRS transition notes	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
ASSETS				
Current assets				
Cash and cash equivalents		4,064	-	4,064
Trade and other receivables		742	-	742
Total current assets		4,806	-	4,806
Non-current assets				
Investments in subsidiaries		1	-	1
Property, plant and equipment	34(c)(ii-i)	324	(33)	291
Deferred tax assets		8	-	8
Intangible assets	34(c)(ii-i)	-	33	33
Total non-current assets		333	-	333
Total assets		5,139	-	5,139
LIABILITIES				
Current liabilities				
Trade and other payables		3,687	-	3,687
Provisions		9	-	9
Total liabilities		3,696	-	3,696
Net assets		1,443	-	1,443
EQUITY				
Contributed equity		4,168	-	4,168
Retained earnings		(2,725)	-	(2,725)
Total Equity		1,443	-	1,443

34. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs, CONT.

(ii) At the end of the last reporting period under previous NZ GAAP: 31 March 2007

Group \$'000	IFRS transition notes	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
ASSETS				
Current assets				
Cash and cash equivalents		6,581	(4)	6,577
Trade and other receivables		5,205	(10)	5,195
Inventories		706	-	706
Current tax receivables		146	-	146
Non-current assets classified as held for sale		-	26	26
Total current assets		12,638	12	12,650
Non-current assets				
Other receivables		324	-	324
Property, plant and equipment	34(c)(ii-i)	1,265	(348)	917
Deferred tax assets	34(c)(i-iv)	603	21	624
Intangible assets	34(c)(ii-i)	-	348	348
Total non-current assets		2,192	21	2,213
Total assets		14,830	33	14,863
LIABILITIES				
Current liabilities				
Trade and other payables		4,870	-	4,870
Provisions	34(c)(i-ii)	304	175	479
Total current liabilities		5,174	175	5,349
Non-current liabilities				
Other payables		324	-	324
Total Non-current liabilities		324	-	324
Total liabilities		5,498	175	5,673
Net assets		9,332	(142)	9,190
EQUITY				
Contributed equity		4,168	-	4,168
Reserves	34(c)(i-i)	18	(77)	(59)
Retained earnings	34(c)(i)	5,146	(65)	(5,081)
Total Equity		9,332	(142)	9,190

(ii-i) At the end of the last reporting period under previous NZ GAAP: 31 March 2007

Parent \$'000	IFRS transition notes	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
ASSETS				
Current assets				
Cash and cash equivalents		3,656	-	3,656
Trade and other receivables		120	-	120
Current tax receivables		798	-	798
Total current assets		4,574	-	4,574
Non-current assets				
Investments in subsidiaries		1	-	1
Property, plant and equipment	34(c)(ii-i)	203	(23)	180
Deferred tax assets		25	-	25
Intangible assets	34(c)(ii-i)	-	23	23
Total non-current assets		229	-	229
Total assets		4,803	-	4,803
LIABILITIES				
Current liabilities				
Trade and other payables		5,202	-	5,202
Provisions		12	-	12
Total current liabilities		5,214	-	5,214
Non-current liabilities				
Other payables		324	-	324
Total non-current liabilities		324	-	324
Total liabilities		5,538	-	5,538
Net assets		(735)	-	(735)
EQUITY				
Contributed equity		4,168	-	4,168
Reserves		18	-	18
Retained earnings		(4,921)	-	(4,921)
Total Equity		(735)	-	(735)

34. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs, CONT.

(iii) Reconciliation of profit for the year ended 31 March 2007

Group \$'000	IFRS transition notes	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
Revenue from continuing operations		39,334	(1,312)	38,022
Other income		787	(369)	418
Employee benefits expense	3a	(10,023)	243	(9,780)
Depreciation and amortisation expense	3a	(663)	18	(645)
Cost of purchases for sale	3a	(19,576)	236	(19,340)
Other expenses	3a	(6,079)	462	(5,617)
Finance costs		(35)	-	(35)
Profit from continuing operations before income tax		3,745	(722)	3,023
Income tax expense	3a	(1,044)	(15)	(1,059)
Profit from continuing operations		2,701	(737)	1,964
Profit from discontinued operations		-	745	745
Profit attributable to members of Zintel Group Limited		2,701	8	2,709

(iii-i) The adoption of NZ IFRSs has not resulted in any adjustments to the net loss of the Parent for the year ending 31 March 2007.

(b) Reconciliation of cash flow statement for the year ended 31 March 2007

The adoption of NZ IFRSs has not resulted in any material adjustments to the cash flow statement for the Group or Parent.

(c) Notes to the reconciliations

(i) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

Group \$'000	Notes	31 March 2007	1 April 2006
(Debit)/credit			
Foreign currency translation reserve	(i-i)	77	-
Sick leave provision	(i-ii)	-	(99)
Lease incentives	(i-iii)	(50)	(8)
Make good provisions	(i-iii)	(16)	(2)
Deferred tax	(i-iv)	(3)	36
Total adjustment		8	(73)
Retained Earnings			
Previous NZ GAAP Retained earnings		5,146	4,202
Effect of transition to NZ IFRS as above table		8	(73)
Effect of transition to NZ IFRS at 1 April 2006		(73)	-
Total Retained Earnings		5,081	4,129

The adoption of NZ IFRSs has not resulted in any adjustments to the retained earnings of the Parent.

34. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs, CONT.

(i-i) Foreign currency translation reserve: cumulative translation differences

Under previous NZ FRS the Group had previously classified its Australian subsidiaries as integrated foreign operations. As such the results of the Australian subsidiaries were translated into New Zealand dollars and included in the consolidated financial statements and the translation difference was recognised in the Group income statement. Under NZ IFRS the Australian subsidiaries are considered to have an Australian dollar functional currency. As such, exchange differences arising on consolidation are recorded in a foreign currency translation reserve within equity rather than in the income statement. The effect of this change in accounting policy is:

Group \$'000	31 March 2007	1 April 2006
Decrease in foreign exchange losses and increase in net profit	77	-
Decrease (debit) in foreign currency translation reserve	(77)	-
	-	-

At 31 March 2007 – Retained earnings was increased by \$77,000 and the foreign currency translation reserve was decreased by \$77,000.

(i-ii) Employee Benefits

Under previous NZ FRS employee entitlements to salaries and wages, annual leave, long-service and other benefits are recognised when they accrue to employees and are fully vested. Under NZ IFRS employee entitlements are accrued as they are earned and long-service leave accrued is measured using actuarial techniques to reflect the probability that payment will be required.

Group \$'000	31 March 2007	1 April 2006
Increase in provision for sick leave	-	99
Increase in provision for long-service leave	-	-
Total impact on liabilities	-	99

At 1 April 2006 – Retained earnings was decreased by \$99,275 and provisions were increased by \$99,275.

At 31 March 2007 – There was no effect.

(i-iii) Accounting for leases

Under NZ IFRS, operating lease charges must be recognised on a straight-line basis over the lease term incorporating escalations in the lease charge over the term of the lease. This has resulted in the Group recognising more lease expense as set out in the table below.

One of the Group's leases includes requirements for the Group to restore the leased premises to its original condition (except for normal wear and tear). Under NZ IFRS, a provision for the best estimate of the present value of expenditure required to comply with the make good requirements of the lease should be recognised. This has resulted in a provision being recognised as set out in the table below.

Group \$'000	31 March 2007	1 April 2006
Increase in operating lease expense accrual	50	8
Increase in provision for make good provisions	16	2
Total impact on liabilities	66	10

At 1 April 2006 – Retained earnings was decreased by \$9,861 and provisions were increased by \$9,861.

At 31 March 2007 – Retained earnings was decreased by \$66,666 and provisions were increased by \$66,666.

34. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs, CONT.

(i-iv) Deferred tax liability

Under previous NZ GAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of NZ IFRS has resulted in a change in accounting policy. The application of NZ IAS 12 Income Taxes has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets as well as deferred tax balances arising during the year in relation to fair value adjustments on the acquisition of a controlled entity and the equity component of convertible notes issued.

At 1 April 2006 and 31 March 2007 the effects on the deferred tax liability of the adoption of NZ IFRS are as follows (tax rate of 33%):

Group		
\$'000	31 March 2007	1 April 2006
Foreign currency translation reserve	(25)	-
Sick leave provision	-	33
Lease incentives	17	3
Make good provisions	5	-
Increase/(decrease) in deferred tax asset and retained earnings	(3)	36

(ii) Reclassifications

(ii-i) Software and development reclassification

Intangible assets are identifiable non-monetary assets without physical substance that are held for their own use or for rental to others. Examples of intangible assets include computer software, licences, patents and copyrights. On adopting NZ IFRS, at 1 April 2006, \$320,223 of software and development costs classified as property, plant and equipment under previous NZ FRS will be reclassified to intangible assets. At 31 March 2007 \$348,265 of software and development costs was reclassified to intangible assets.

	Group	Group	Parent	Parent
\$'000	31 March 2007	1 April 2006	31 March 2007	1 April 2006
Increase in intangibles	348	318	23	33
Decrease in property, plant and equipment	(348)	(318)	(23)	(33)
Total impact on assets	-	-	-	-

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 28). 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 (resigned 7 September 2007) Jaka Limited Brackenridge Investments Limited Artique Limited
	Trustee	Gordon Family Trust Waimea Trust
G R Walker (resigned 21 November 2007)	Director and Shareholder	Walker Consulting Group Limited Lion Nathan Limited Lion Nathan Nominees Limited Veda Advantage Limited Goodman Fielder Limited
	Trustee	Waiata Trust, Trahlee Trust and Tirohanga Trust
P Connell	Director	Provenco Group Limited (resigned 19 December 2007) Connell and Associates Limited Mail Holdings Limited Universal Mail New Zealand Limited
J A Scholtz	Director and Shareholder	S Data Investments PTY Limited

Directors shareholdings as at 31 March 2008

Directors shareholdings as at 31 March 2008	Non Beneficial ownership
N P Gordon	29,796,030
G R Walker	750,000
P Connell	172,000
P A Revell	71,000
J A Scholtz	1,260,481

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 2008 was:

\$'000	Directors Fee	Total
G R Walker	22	35
P 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 \$16,300 (2007: \$22,984).

Directors and subsidiaries

As at 31 March 2008 the directors of Zintel Communications Pty Limited and Concert Telecom Pty Limited (formerly Zintel Enterprise Pty Limited) were N P Gordon and J A Scholtz.

N P Gordon is the sole director for Zintel Leasing Limited, Zintel Enterprise Limited, Zintel Communications Limited and Zintel Enterprise Holdings Limited.

P 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	2008	
	Parent	Subsidiaries
100,000 – 109,999		9
110,000 – 119,999		2
120,000 – 129,999		4
130,000 – 139,999		2
140,000 – 149,999		3
160,000 – 169,999		1
170,000 – 179,999		4
180,000 – 189,999	1	1
230,000 – 239,999		1
360,000 – 369,999	1	

Auditors

The principal 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:

\$'000	2008 Audit	2008 Other	2007 Audit	2007 Other
Zintel Group Limited and subsidiaries	90	71	84	63

Donations

The Group made no donations during the year (2007: 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 23 May 2008

Holder Name	No. of shares		Holding ranges	No. of shareholders		No. of shares	
Nicholas Peter Gordon & Richard Anthony Johnston	22,576,373	44.71%	1-1,000	16	4.95%	11,883	0.02%
Nicholas Peter Gordon & Richard Anthony Johnston & Lynda Rae Gordon	7,215,657	14.29%	1,001-5,000	114	35.29%	402,869	0.80%
New Zealand Central Securities Depository Limited	4,003,696	7.93%	5,001-10,000	57	17.65%	491,158	0.97%
Zylt Limited	1,703,960	3.37%	10,001-50,000	88	27.24%	2,228,104	4.41%
Walter Frederick Holland	1,160,000	2.30%	50,001-100,000	15	4.64%	1,139,260	2.26%
John Harold Wynn Kirkby	1,132,032	2.24%	100,001 and over	33	10.23%	46,216,472	91.54%
Johannes Adolf Scholtz	1,024,893	2.03%	TOTAL	323	100.00%	50,489,746	100.00%
FNZ Custodians Limited	760,586	1.51%	Substantial Security Holders				
Anthony Charles Waldegrave	700,154	1.39%	N P Gordon			29,796,030	59.01%
Portfolio Custodian Limited	619,217	1.23%	Gordon Family Trust			22,576,373	44.71%
Ronald David Smith	578,838	1.15%	Waimea Trust			7,215,657	14.29%
Masfen Securities Limited	474,000	0.94%	Evan Christian			3,329,217	6.63%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	375,000	0.74%	Wiltshire Holdings Limited			2,929,217	5.83%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	375,000	0.74%	Country				
Stephen C Montgomery & Charlotte V Montgomery	359,000	0.71%	No. of shareholders	No. of shares	% of capital		
Alfred Laurence Wallis & Deborah Ann Wallis & Cynthia Forbes	302,188	0.60%	New Zealand	314		49,280,547	97.60%
Ace Finance Limited	259,958	0.51%	Australia	7		40,199	0.08%
Investit Limited	250,684	0.50%	United Kingdom	2		1,169,000	2.32%
Custodial Services Limited	221,706	0.44%	TOTAL	323		50,489,746	100.00%
Ronald Joseph Gillat	217,000	0.43%					

Company directory

NEW ZEALAND

Auckland
5 Wilkins Street, Freemans Bay
PO Box 90373, Victoria Street West
Auckland
New Zealand
Phone: +64 9 360 7730
Fax: +64 9 360 4238
www.zintel.co.nz

Wellington
L2, 204-206 Thorndon Quay
PO Box 1471
Wellington
New Zealand
Phone: +64 4 462 4800
Fax: +64 4 462 4801
www.zintel.co.nz

Christchurch
10b Leslie Hills Drive
PO Box 80128
Christchurch
New Zealand
Phone: +64 3 341 4500
Fax: +64 3 341 4509
www.zintel.co.nz

Dunedin
L2 Consultancy House
7 Bond Street
PO Box 1365
Dunedin
New Zealand
Phone: +64 3 471 6999
Fax: +64 3 471 6998
www.zintel.co.nz

AUSTRALIA

Sydney
18-24 Chandos Street
St Leonards, NSW 2065
Locked Bag 3700
Australia
Phone: +61 2 9431 9600
Fax: +61 2 9431 9602
www.zintel.com.au

DIRECTORS

Nicholas Peter Gordon
Chairman
35 Burwood Crescent, Remuera
Auckland
New Zealand

Paul Anthony Connell, CA
30 Ennismore Road, Mt Albert
Auckland
New Zealand

Peter Revell
76 St Vincent Ave
Remuera
Auckland
New Zealand

Johan Scholtz
4 Alder Drive, St Ives
Sydney
Australia

REGISTERED OFFICE

Level 1, 5 Wilkins Street
Freemans Bay
Auckland
New Zealand

AUDITOR

PricewaterhouseCoopers
PricewaterhouseCoopers Building
188 Quay Street
Auckland
New Zealand

SOLICITORS

Jones Young
Level 14, ASB Bank Centre
135 Albert Street
Auckland
New Zealand

SHARE REGISTER

Link Market Services
138 Tancred Street, PO Box 384
Ashburton
New Zealand
Phone: +64 3 308 8887

