



Zintel Group Limited
5 Wilkins Street, Freemans Bay
PO Box 90373, Victoria Street West
Auckland, New Zealand
TEL +64 9 360 7730
FAX +64 9 360 4238
FREE CALL 0800 ZINTEL (946 835)
FREE FAX 0800 ZINFAX (946 329)
www.zintel.com

MARKET ANNOUNCEMENT

Chairman's address

Zintel Group Limited Annual General Meeting, 25 August 2009

It is pleasing to stand before our shareholders and finally present a financial result to 31 March 2009 where net profit after tax was slightly higher than the prior year, the first time in four years that profit has not declined. Whilst the Board of Directors and management still have faith that Zintel Group can grow, we do however face a number of challenges and a recession that has begun to affect our business.

In January this year we announced our appointment as the exclusive New Zealand distributor for Hypercom payment terminals and this is an important event which we believe will add profitable revenue in future years and should create significant shareholder value.

As previously acknowledged we know that we cannot achieve significant growth internally from existing business, so we continue to be on the lookout for further suitable acquisitions to add revenue and profitability.

In summary, revenue last year was \$39.13m, resulting in net profit before tax of \$3.42m (\$2.29m after tax). The Group's balance sheet still has no debt and net assets of \$11.2m, we currently have circa \$8m cash in the bank and we provided a healthy gross dividend of 4.48 cents per share to our shareholders. This augers well as the economy endures a recessionary period.

Our board composition has changed this year with the resignation of Peter Revell as a director. At this time the remaining directors, Johan Scholtz, Paul Connell and I have not considered a further appointment to the board.

We recently announced Peter Revell, managing director, had resigned, after an extended leave of absence for health reasons from which he has made a successful recovery. Since March, Paul Connell has been acting in the role of executive director and I am very pleased with the work he is doing at both a strategic and operational level. We have changed the structure slightly, whereby Paul effectively operates as Zintel New Zealand "country manager" and Johan operates in a similar role as Australian GM or country manager. Both of these positions report directly to the board, via me as chairman. We intend to continue operating in this mode for the time being.

For the benefit of those shareholders not familiar with Zintel Group, it now consists of three business units: Zintel Communications manages and bills customers for Toll and Toll free calls in both Australia and New Zealand, and Zintel Enterprise imports business telephony product and provides enterprise communication solutions in New Zealand. The most recent start up is Zintel Payments, which has been established to import and distribute payment terminals in New Zealand.

Firstly then, Zintel Communications in New Zealand is the original business started 14 years ago and remains both profitable and cash flow positive. We advised the market late last calendar year that Zintel Communications had lost its largest customer and so this year we will realise the full 12 month effect of that loss and, unfortunately this year the business is also experiencing higher churn (losing more customers than it is winning). We buy 0800 minutes in bulk from a number of telcos including Telecom, who we also compete with at a retail customer level. Telecom has been particularly aggressive in both terms of pricing and bundling services to our customer base which has seen our churn greater than budgeted.

In April of this year we appointed a sales and operations manager, David Turner, to replace the previous role of general manager. He is currently addressing the churn we are experiencing and also developing new strategies to grow this business. There are opportunities to develop new revenue streams within the telecommunications arena.

Zintel Communications in Australia is, on the other hand, trading well and has once again produced growth in revenue and bottom line profit over the last twelve months, which is most pleasing. On the 24th August we reached the 9th anniversary of operating in the Australian market which, whilst a more competitive and expensive country to do business, is a very important contributor to Group profit. For that I once again sincerely thank Johan Scholtz who has managed the Australian business since inception.

Zintel Enterprise designs, implements and supports integrated communications solutions for small and medium sized enterprises to large corporate and government organisations. Solutions include tailoring traditional PBX or IP-based telephone systems, integrated call centre solutions, VoIP, workforce management, training and voice and data integration. Enterprise was successful with the last two large Government call centre tenders that we bid on and maintains its reputation for providing leadership in this space. However, this business relies on its people with 64 staff and large contracts which can produce lumpy revenue. Customers are focusing on lowering the total cost of ownership which puts pressure on recurring revenue. Nevertheless, Enterprise is slightly ahead of budget year-to-date and currently continues to be busy despite the economic environment. The Commspec business acquired in June 2008 has now been fully integrated into this business. We are looking to improve synergies between the Enterprise and New Zealand Communication business.

Looking back, our financial performance to 31 March 2009 was satisfactory, although it remains the intention of the Company to grow. Revenue increased to \$39.13m from \$37.14m the previous year, excluding interest earned of \$433k which was considerably less than the interest income of \$557k in the prior year as rates on money invested have fallen. The resulting profit before tax of \$3.42m is on par with \$3.49m in the prior year. One of the challenges confronting us seeking suitable acquisitions is finding businesses where additional profit generated will exceed interest income on the cash outlaid.

The Group's balance sheet continues to strengthen and as at 31 March 2009 total equity stood at \$11.2m, including intangible assets of only \$1.6m. The Group has paid full year dividends of 3 cents per share plus imputation credits, making a gross payout of 4.486 cents per share or 66% of the profit for the year as against a policy of paying at least 40% of profit to shareholders in the form of dividend. This represents around an 18% dividend yield on the current share price. The directors continue to consider the balance of dividends level to our shareholders whilst being mindful of economic uncertainty and retaining cash reserves to invest in growth opportunities.

On the acquisition front we have once again investigated several opportunities and broadened the scope of potential targets. Since Commspec last June, nothing material has developed, although the single biggest opportunity we have in front of us is the introduction of the Hypercom payment terminal for EFTPOS and credit card processing. The certification of the product has taken longer than expected but is progressing well and we would expect to commence selling terminals shortly. There is considerable interest in the Hypercom range which is very well regarded in the marketplace by banks, resellers and retail merchants. The recent demise of Provenco-Cadmus provides greater opportunity due to uncertainty and disruption. Since January 2009 our new Payments business has been an investment which will not likely be repaid at a P&L level this financial year, but we are hopeful of significant revenue and profit contribution from next year onward.

When we released our annual report I said that looking to the current financial year "business as usual" projections suggest operating profit to be similar to last year, excluding investment initiatives, but that trading conditions are most uncertain. I would now have to say that we cannot forecast year end with any certainty as to how it will compare to last year as, even almost half way through the year, we face many unknown factors. On one hand there are pressures on the business and EFTPOS certification has taken months longer than anticipated but, on the other hand, we have very good opportunities in all parts of our businesses.

The half year to September 30 is likely to be a poor result, as much as 30% down on the same period last year, after non-recurring restructuring costs and the aforementioned expenses in our new Payments business. This is not as bad as it sounds though, as the first half last year was much stronger than the second half, and consolidated Group numbers are tracking close to internal budgets

In closing, as I stated last year, I do still remain confident that Zintel will execute its growth plans and that the focus of this is now more by acquisition, under which I would include our Payments business as it is a new leg to the existing businesses.

Once again thank you for attending.

ENDS

Background of Zintel Group Limited

Zintel Group Limited (www.zintel.co.nz) comprises three businesses providing a broad range of communication technology solutions in Australia and New Zealand. The Communications business offers a range of telecommunications services, specialising in Toll free services. The Enterprise business is a leading provider of integrated communications solutions based around Aastra, Alcatel-Lucent, GMT Workforce Management and Juniper data networking products. The recent inception of Zintel Payments has added payment technology products and services to the Group's capability. Established in 1995 and listed on the NZAX in November 2003, Zintel now employs over 120 staff with offices in Sydney, Auckland, Wellington, Christchurch and Dunedin.

For further information:

Nick Gordon, Chairman on +64 21 930 658