

ZINTEL HALF YEAR REPORT

For the six months ended 30 September 2009

MESSAGE FROM THE CHAIRMAN

27 November 2009

Dear Shareholders,

I am pleased to present the half year report to 30 September 2009 for Zintel Group Limited.

Revenue was \$21.334m, an increase of 5.5% on last year's first half revenue of \$20.205m. Net profit before tax for the first half of the year was \$1.296m, down from \$1.855m for the same period last year, including non-recurring restructuring costs and the expenses of establishing our Payments business. In September 2009 we also began to incur acquisition costs related to Cogent Communications (Cogent).

The profit before tax of \$1.296m to 30 September 2009 resulted in unaudited net profit after tax of \$0.908m, down 25% on after tax profit of \$1.226m for the same period last year. This is a satisfactory outcome, given that we forecasted a poor result, as much as 30% down on last year, at our annual meeting of shareholders in August 2009.

Trading conditions have been challenging for the period with Zintel Enterprise revenue up but profitability down, Zintel Communications New Zealand significantly down as the full impact of losing its largest customer a year ago is felt, and Zintel Payments earning little revenue whilst in start-up mode. Interest income on cash reserves was also reduced due to lower interest rates, however our balance sheet remains strong with cash in bank and cash equivalents (bonds) of \$8.284m and net assets of almost \$12m as at 30 September.

This calendar year is exciting for Zintel Group as we execute on a major growth phase. For several years we have consistently reiterated our desire and intention to grow the Company both internally and by acquisition. We were appointed the exclusive importer and distributor for Hypercom payment (EFTPOS) terminals in January 2009, in October gained bank certification and are now selling terminals in encouraging volumes. This part of our business is unlikely to break even this financial year, but should contribute material profitability from next year onward.

On 1 October 2009 we also completed the acquisition of Cogent, currently a loss-making business. The combined revenue of Cogent and Zintel is expected to exceed \$60m on an annualised basis with a total of 250 employees across New Zealand and in our Sydney office. We are now extremely busy, focussed on the integration of the New Zealand businesses including bringing different teams of people together, streamlining processes and relocating offices.

Zintel acquired the net assets of Cogent excluding debt or cash, thus we envisage meeting the working capital requirements of Cogent to around \$1.5m in addition to the acquisition cost. Further, capital expense will also be required for computer systems and investment to grow the Group offering. These costs are well within the capacity of our current balance sheet.

In the short term, integration costs for Cogent are high, with duplication in rent and expenses and transitional costs including consultants and restructuring. This will significantly impact the year's profit to 31 March 2010 for Zintel Group, however the Group should enjoy considerably improved profitability in future years.

Dividends paid prior to 31 March 2010 continue to carry full imputation credits of 33% and consequently the Directors have resolved to pay an interim dividend of 2.50 cents per share, resulting in a gross payment of 3.7313 cps, with a record date of 11 December, payable on 18 December 2009.

I would like to personally thank all people in our business and acknowledge the hard work and skilful effort that they put in to enable us to maintain high standards of service and support with all our customers. Particular thanks go to those directors, management and staff who have worked tremendously long hours and continue to do so during a major acquisition and integration exercise.

Yours sincerely,



Nick Gordon
Chairman



CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Notes	Unaudited 6 months ended 30 September 2009 \$'000	Unaudited 6 months ended 30 September 2008 \$'000	Audited 12 months ended 31 March 2009 \$'000
Revenue from continuing operations	3	21,334	20,205	39,138
Other income	3	228	299	434
Employee benefits expense		(5,996)	(5,560)	(10,920)
Depreciation and amortisation expense		(307)	(360)	(825)
Cost of purchases for sale		(11,244)	(10,094)	(19,339)
Other expenses		(2,718)	(2,615)	(5,137)
Finance costs		(1)	(20)	69
Total expenses		(20,266)	(18,649)	(36,152)
Profit before income tax		1,296	1,855	3,420
Income tax expense		(388)	(629)	(1,124)
Profit attributable to members of Zintel Group Limited		908	1,226	2,296
		Cents	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company during the period:				
Basic earnings per share		1.76	2.43	4.55
Diluted earnings per share		1.76	2.41	4.55

The above consolidated income statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Unaudited 6 months ended 30 September 2009	Unaudited 6 months ended 30 September 2008	Audited 12 months ended 31 March 2009
	Notes	\$'000	\$'000	\$'000
Profit for the period		908	1,226	2,296
Other comprehensive income:				
Available-for-sale financial assets	4	51	-	-
Currency translation differences	4	(1)	40	76
Other comprehensive income for the period, net of tax		50	40	76
Total comprehensive income for the period		958	1,266	2,372
Attributable to:				
Equity holders of Zintel Group Limited		958	1,266	2,372

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2009

		Unaudited	Unaudited	Audited
		30 September 2009	30 September 2008	31 March 2009
	Notes	\$'000	\$'000	\$'000
Assets				
Current assets				
Cash and cash equivalents		7,233	6,881	7,583
Trade and other receivables		5,685	6,188	4,723
Inventories		1,154	677	1,556
Derivative financial instruments		11	-	14
Total current assets		14,083	13,746	13,876
Non-current assets				
Available-for-sale financial assets		1,051	-	1,003
Property, plant and equipment		1,126	1,314	1,162
Deferred tax assets		577	537	646
Intangible assets		1,628	1,677	1,670
Other non-current assets	5	243	-	-
Total non-current assets		4,625	3,528	4,481
Total assets		18,708	17,274	18,357
Liabilities				
Current liabilities				
Trade and other payables		5,928	5,197	5,878
Current tax liabilities		36	195	533
Provisions		770	723	701
Total current liabilities		6,734	6,115	7,112
Non-current liabilities				
Other payables	7	28	51	40
Total non-current liabilities		28	51	40
Total liabilities		6,762	6,166	7,152
Net assets		11,946	11,108	11,205
Equity				
Contributed equity	5	4,468	4,168	4,168
Reserves	4	49	2	(1)
Retained earnings	4	7,429	6,938	7,038
Total equity		11,946	11,108	11,205

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

					Unaudited 30 September 2009				
		Share capital	Reserves	Retained earnings	Total				
Notes		\$'000	\$'000	\$'000	\$'000				
Balance at beginning of period		4,168	(1)	7,038	11,205				
Comprehensive income									
Profit for the period		-	-	908	908				
Other comprehensive income									
Currency translation differences		4	-	(1)	-	(1)			
Fair value gain, net of tax – available-for-sale financial assets		4	-	51	-	51			
Total comprehensive income		-	50	908	958				
Transactions with owners									
Dividends provided for or paid		6	-	-	(517)	(517)			
Issue of share capital		5	300	-	-	300			
Total equity		4,468	49	7,429	11,946				

					Unaudited 30 September 2008				
		Share capital	Reserves	Retained earnings	Total				
Notes		\$'000	\$'000	\$'000	\$'000				
Balance at beginning of period		4,168	(45)	6,343	10,466				
Comprehensive income									
Profit for the period		-	-	1,226	1,226				
Other comprehensive income									
Currency translation differences		4	-	40	-	40			
Total comprehensive income		-	40	1,226	1,266				
Transactions with owners									
Dividends provided for or paid		6	-	-	(631)	(631)			
Option convertible note reserve		4	-	7	-	7			
Total equity		4,168	2	6,938	11,108				

					Audited 31 March 2009				
		Share capital	Reserves	Retained earnings	Total				
Notes		\$'000	\$'000	\$'000	\$'000				
Balance at beginning of year		4,168	(45)	6,343	10,466				
Comprehensive income									
Profit for the period		-	-	2,296	2,296				
Other comprehensive income									
Currency translation differences		4	-	76	-	76			
Total comprehensive income		-	76	2,296	2,372				
Transactions with owners									
Dividends provided for or paid		6	-	-	(1,641)	(1,641)			
Transfer to retained earnings		-	-	(40)	40	-			
Option convertible note reserve		4	-	8	-	8			
Total equity		4,168	(1)	7,038	11,205				

The above consolidated statement of changes in shareholders' equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Unaudited 6 months ended 30 September 2009	Unaudited 6 months ended 30 September 2008	Audited 12 months ended 31 March 2009
	Notes	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)		20,459	20,202	40,048
Payments to suppliers and employees (inclusive of GST)		(19,434)	(18,070)	(34,943)
		1,025	2,132	5,105
Dividends received		20	1	1
Interest received		160	282	446
Interest paid		(1)	-	(2)
Income taxes paid		(785)	(514)	(769)
Net cash inflow from operating activities	11	419	1,901	4,781
Cash flows from investing activities				
Payment for purchase of business assets (net of cash acquired)		-	(758)	(678)
Payments for property, plant and equipment		(238)	(434)	(638)
Payments for available-for-sale financial assets		(1,500)	-	(1,000)
Payments for intangible assets		(33)	(114)	(296)
Proceeds from sale of property, plant and equipment		5	13	18
Proceeds from sale of available-for-sale financial assets		1,553	-	-
Net cash outflow from investing activities		(213)	(1,293)	(2,594)
Cash flows from financing activities				
Dividends paid to company's shareholders	6	(517)	(631)	(1,641)
Net cash outflow from financing activities		(517)	(631)	(1,641)
Net increase/(decrease) in cash and cash equivalents		(311)	(23)	546
Cash and cash equivalents at the beginning of the period		7,583	6,980	6,980
Effects of exchange rate changes on cash and cash equivalents		(39)	(76)	57
Cash and cash equivalents at end of the period		7,233	6,881	7,583

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Zintel Group Limited ("the Company") and its subsidiaries (together "the Group") is comprised of three businesses: Zintel Communications, Zintel Enterprise and Zintel Payments. Zintel Communications offers business customers a range of telecommunications services, including Tolls and Toll free services in Australia and New Zealand. The Enterprise business provides and supports integrated communications solutions including telephony and maintenance services for large Government, corporate and other enterprises. Zintel Payments is the exclusive New Zealand importer and distributor for Hypercom EFTPOS terminals.

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 and is an issuer in terms of the Financial Reporting Act 1993.

These consolidated interim financial statements have not been audited.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 November 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half year reporting period ended 30 September 2009 have been prepared in accordance with Accounting Standard NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand.

These interim financial statements do not include all the accounting policies and notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2009.

(i) Changes in accounting policy and disclosure

The same accounting policies and methods of compilation have been applied in these financial statements as compared with the most recent annual financial statements, except as explained below:

The Group has adopted the following new and amended IFRSs as of 1 April 2009:

NZ IAS 1 (revised), Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NZ IFRS 3 (revised), Business combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related expenses should be expensed.

As a result of the new standard all acquisition expenses have been expensed and all payments have been recorded at fair value.

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.

This new standard will not have a significant impact on the presentation of the segments.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors to assess performance and make strategic decisions.

Operating segments

The Group is organised into the following divisions by product and service type:

Zintel Communications – Zintel Communications provides a range of business telecommunications services, including Toll free and Toll calling in New Zealand and Australia.

Zintel Enterprise – Zintel Enterprise designs, implements and supports integrated communications solutions, including traditional PBX or IP-based telephone systems and integrated complex call centre solutions, for small and medium sized enterprises (SME) to large corporate and government organisations.

Zintel Leasing – Zintel Leasing Ltd is a wholly owned Zintel subsidiary, which was established to provide business customers with an in-house option for operating leases of Enterprise equipment. This company did not trade during the period ended 30 September 2009.

Zintel Payments – Zintel Payments Ltd was incorporated in January 2009 and is the exclusive New Zealand importer and distributor for Hypercom EFTPOS Terminals.

Segment information used internally for the period ended 30 September 2009 is as follows:

6 months ended 30 September 2009	Zintel Enterprise	Zintel Communi- cations	Zintel Leasing	Zintel Payments	Total continuing operations	Inter-segment eliminations/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	8,465	12,653	-	216	21,334	-	21,334
Other income	-	77	-	-	77	151	228
Total segment revenue/income	8,465	12,730	-	216	21,411	151	21,562
Profit/(loss) before income tax	303	1,200	-	(129)	1,374	(78)	1,296
Income tax expense							(388)
Profit for the period							908
Segment assets	4,878	8,044	13	740	13,675	5,033	18,708
Total assets							18,708
Segment liabilities	2,302	4,280	(5)	214	6,791	(29)	6,762
Total liabilities							6,762
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	40	39	-	72	151	120	271
Depreciation and amortisation expense	130	124	-	3	257	50	307
Impairment of inventories	8	-	-	3	11	-	11
Impairment of trade receivables	2	52	-	-	54	-	54

3 SEGMENT INFORMATION (CONTINUED)

Segment information used internally for the period ended 30 September 2008 is as follows:

6 months ended 30 September 2008	Zintel Enterprise \$'000	Zintel Communi- cations \$'000	Zintel Leasing \$'000	Zintel Payments \$'000	Total continuing operations \$'000	Inter-segment eliminations/ unallocated \$'000	Total \$'000
Sales to external customers	7,163	13,042	-	-	20,205	-	20,205
Other income	-	85	-	-	85	214	299
Total segment revenue/income	7,163	13,127	-	-	20,290	214	20,504
Profit/(loss) before income tax	377	1,517	-	-	1,894	(39)	1,855
Income tax expense							(629)
Profit for the period							1,226
Segment assets	4,881	8,126	22	-	13,029	4,245	17,274
Total assets							17,274
Segment liabilities	2,600	4,093	(2)	-	6,691	(525)	6,166
Total liabilities							6,166
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	708	50	-	-	758	226	984
Depreciation and amortisation expense	151	155	-	-	306	54	360
Impairment of trade receivables	-	72	-	-	72	-	72

Segment information used internally for the year ended 31 March 2009 is as follows:

12 months ended 31 March 2009	Zintel Enterprise \$'000	Zintel Communi- cations \$'000	Zintel Leasing \$'000	Zintel Payments \$'000	Total continuing operations \$'000	Inter-segment eliminations/ unallocated \$'000	Total \$'000
Sales to external customers	13,477	25,627	-	34	39,138	-	39,138
Other income	-	179	-	-	179	255	434
Total segment revenue/income	13,477	25,806	-	34	39,317	255	39,572
Profit/(loss) before income tax	594	2,920	-	(47)	3,467	(47)	3,420
Income tax expense							(1,124)
Profit for the year							2,296
Segment assets	4,458	8,737	22	566	13,783	4,574	18,357
Total assets							18,357
Segment liabilities	2,405	4,099	-	504	7,008	144	7,152
Total liabilities							7,152
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	769	309	-	22	1,100	274	1,374
Depreciation and amortisation expense	335	366	-	1	702	123	825
Impairment of inventories	114	-	-	-	114	-	114
Impairment of trade receivables	41	76	-	-	117	-	117

4 RESERVES AND RETAINED EARNINGS

(a) Reserves

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Foreign currency translation reserve	(2)	(37)	(1)
Option convertible note reserve	-	39	-
Available-for-sale investments revaluation reserve	51	-	-
Total reserves	49	2	(1)

Movements:

Foreign currency translation reserve			
Balance at the beginning of period	(1)	(77)	(77)
Currency translation differences arising during the period	(1)	40	76
Balance at end of period	(2)	(37)	(1)

Movements:

Option convertible note reserve			
Balance at beginning of period	-	32	32
Increases in the period	-	7	8
Transfer to retained earnings	-	-	(40)
Balance at end of period	-	39	-

Movements:

Available-for-sale investments revaluation reserve			
Balance at beginning of period	-	-	-
Increases in the period	51	-	-
Balance at end of period	51	-	-

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars.

(ii) Option convertible note reserve

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.

These options have expired as at 17 November 2008.

(iii) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments in bonds, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve.

4 RESERVES AND RETAINED EARNINGS (CONTINUED)

(c) Retained earnings

Movements in retained earnings were as follows:

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Balance at beginning of period	7,038	6,343	6,343
Net profit for the period	908	1,226	2,296
Dividends paid or provided	(517)	(631)	(1,641)
Transfer from option convertible note reserve	-	-	40
Balance at end of period	7,429	6,938	7,038

5 OTHER NON-CURRENT ASSETS

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Fair value of loan to shareholder	243	-	-

The Company provided a loan to assist JJ Trust with the purchase of 1,200,000 shares at 25c each on 12 June 2009. \$300,000 was advanced and is repayable in one lump sum on 12 June 2014, though any amount may be repaid at any time. The loan is interest free and recorded at fair value. Amount outstanding at 30 September 2009 is \$288,000 (30 September 2008: \$Nil; 31 March 2009: \$Nil).

6 DIVIDENDS

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Ordinary shares			
Final dividend for the year	517	631	631
Interim dividend for the year	-	-	1,010
	517	631	1,641

7 COMMITMENTS

(a) Capital commitments

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

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Leasehold improvements	16	-	-
Computer hardware	79	-	-
	95	-	-

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 period results.

(b) Lease commitments: as lessee

(i) Operating leases

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

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	817	436	817
Later than one year but not later than five years	1,765	293	2,176
	2,582	729	2,993

(ii) Finance leases

The Group leases various motor vehicles with a carrying amount of \$58,000 (30 September 2008: \$77,000, 31 March 2009: \$66,000) under finance leases expiring within two to four years.

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Commitments in relation to finance leases are payable as follows:			
Within one year	25	30	26
Later than one year but not later than five years	29	53	41
Minimum lease payments	54	83	67
Future finance charges	(2)	(4)	(3)
Recognised as a liability	52	79	64
Representing lease liabilities:			
Current	24	28	24
Non-current	28	51	40
	52	79	64

8 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 period are as follows: N Gordon, P Connell and J Scholtz. N Gordon, P Connell and J Scholtz were also directors during the year ended 31 March 2009. Cogent Zintel Limited was incorporated on 16 September 2009 and A Wallis was appointed as a director of this entity on 30 September 2009.

(c) Key management and personnel compensation

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company and the executives reporting directly to the executive director with the greatest authority for the strategic direction and management of the Company.

	6 months ended 30 September 2009	6 months ended 30 September 2008	12 months ended 31 March 2009
	\$'000	\$'000	\$'000
Short-term benefits	544	818	1,386
Termination benefits	140	-	-
Total key management and personnel compensation	684	818	1,386

(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

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Loans to key management personnel comprise:			
Unsecured loans	-	324	-
Loans advanced from key management personnel:			
Unsecured loans	-	324	-
Interest revenue from loans	-	17	(61)

On 5 May 2006 Zintel Communications Limited loaned \$810,000 to senior management to purchase optional convertible notes in Zintel Group Limited. At 30 September 2009, \$Nil remains outstanding (30 September 2008: \$324,000, 31 March 2009: \$Nil) as the optional convertible notes expired on 17 November 2008.

8 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Transactions with other related parties

The following transactions occurred with related parties other than key management personnel or entities related to them:

	6 months ended 30 September 2009	6 months ended 30 September 2008	12 months ended 31 March 2009
	\$'000	\$'000	\$'000
Purchases of services			
N Gordon – Director			
Gordon Family Trust – Landlord	180	166	355
Artique Limited – Director Fees	35	36	70
Artique Limited – Consultancy Fees	20	-	14
P Connell – Director			
Connell & Associates – Director Fees	23	23	45
Connell & Associates – Executive Director Fees	125	-	-
Connell & Associates – Consultancy Fees	-	5	28
J Scholtz – Director (subsidiary)			
S Data Investments Pty Limited - Management Services	238	277	467
I Scholtz - Spouse of J Scholtz			
S Data Investments Pty Limited - Consultancy Fees	49	-	-
	670	507	979

(f) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Current payables (purchases of services)			
Artique Limited	20	-	14
Connell & Associates	49	4	19
S Data Investments Pty Limited	75	26	145
	144	30	178

9 BUSINESS COMBINATIONS

(a) Summary of acquisition – Bluestar Telecoms

On 19 December 2008, Zintel Communications Pty Limited acquired certain business assets of Bluestar Telecoms, a business of Australia Star Communications Pty Limited.

The acquired business assets were integrated with Zintel Communications Pty Limited. The acquired business contributed revenue of \$619,000 to the company for the period from 19 December 2008 to 31 March 2009. If the acquisition had occurred on 1 April 2008, consolidated revenue for the year ended 31 March 2009 would have been \$40,376,000. It is not possible to separate out profit earnings from the acquired assets as the business was integrated with Zintel Communications Pty Limited on 19 December 2008.

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

(i) Purchase consideration:

	\$'000
Cash paid or payable	247
Direct costs relating to the acquisition	7
Total purchase consideration	254
Fair value of net identifiable assets acquired (refer to (a)(ii) below)	254
Total assets acquired	254

(ii) Assets and liabilities acquired

The assets arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Trade receivables	254	254

(b) Summary of acquisition - Downer EDI Engineering Commspec (NZ) Limited

On 1 June 2008 Zintel Enterprise Limited acquired certain business assets of Downer Commspec (NZ) Limited.

The acquired business assets were integrated with Zintel Enterprise Limited. The acquired business assets contributed revenues of \$2,143,000 to the company for the period from 1 June 2008 to 31 March 2009. If the acquisition had occurred on 1 April 2008, consolidated revenue for the year ended 31 March 2009 would have been \$41,710,000. It is not possible to separate out profit earnings from the acquired assets as the business was integrated with Zintel Enterprise Limited on 1 June 2008.

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

(i) Purchase consideration:

	\$'000
Cash paid or payable	375
Direct costs relating to the acquisition	49
Total purchase consideration	424
Fair value of net identifiable assets acquired (refer to (b)(ii) below)	(125)
Goodwill acquired	299

9 BUSINESS COMBINATIONS (CONTINUED)

(b) Summary of acquisition - Downer EDI Engineering Commspec (NZ) Limited (continued)

(ii) Assets and liabilities acquired

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

	Acquiree's carrying amount	Fair value
	\$'000	\$'000
Trade receivables	524	274
Inventories	108	121
Property, plant & equipment	16	129
Computer software	12	12
Trade payables	(120)	(282)
Lease liabilities	-	(83)
Provision for employee benefits	(32)	(46)
Net identifiable assets acquired	508	125

10 EVENTS OCCURRING AFTER THE BALANCE DATE

Acquisition of Cogent Communications Limited

On 1 October 2009 the company acquired certain business assets of Cogent Communications Limited.

The provisional fair value of the net identifiable assets of the company at the date of acquisition was \$1,637,000 and the purchased goodwill amounted to \$263,000.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

	\$'000
Cash paid	1,900
Total purchase consideration	1,900
Provisional fair value of the net assets acquired (refer below)	(1,637)
Provisional goodwill	263

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

	Acquiree's carrying amount	Provisional fair value
	\$'000	\$'000
Property, plant and equipment	1,039	1,039
Prepayments & other current assets	1,541	1,541
Inventories	1,161	911
Receivables	2,076	1,826
Payables	(2,644)	(2,644)
Employee benefit liabilities	(1,036)	(1,036)
Net identifiable assets acquired	2,137	1,637

The financial effects of the above transaction have not been brought to account at 30 September 2009. The operating results and assets and liabilities of the company will be brought to account from 1 October 2009.

10 EVENTS OCCURRING AFTER THE BALANCE DATE (CONTINUED)

Declaration of Dividend

An interim dividend of 2.50 cents per share was declared on 27 November 2009, with a record date of 11 December, and a payment date of 18 December 2009. The dividends are fully imputed.

Share issue

A resolution for the issue of 2,000,000 ordinary shares at 23c to certain directors and senior management was passed at the AGM on 26 August 2009. A resolution to provide certain directors and senior management with financial assistance for the share purchase was also passed. As at 30 September 2009 the issue had not taken place.

On 18 September 2009 the board resolved to issue up to 3,333,333 shares at 30c (\$1m in total) for cash to enable employees to participate in the ownership of Zintel Group. As at 30 September 2009 the issue had not taken place.

11 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	30 September 2009	30 September 2008	31 March 2009
	\$'000	\$'000	\$'000
Profit for the period after income tax	908	1,226	2,296
Depreciation and amortisation	305	360	825
Write off/loss/(gain) on sale of property, plant and equipment	(1)	1	85
Non-cash employee benefits expense - share-based payments	-	7	8
Increase in estimated doubtful debts	29	21	17
Increase/(decrease) in provision for stock obsolescence	4	29	114
Bad debts written off	64	25	89
Interest expense on option convertible notes	-	20	(70)
Interest received on option convertible notes	-	(17)	61
Change in operating assets and liabilities, net effects from purchase of business assets	-	-	224
Forward contract exchange (gain)/loss	3	-	(14)
Change in working capital items:			
(Increase)/decrease in trade debtors	(823)	(283)	387
(Increase)/decrease in inventories	397	12	(949)
(Increase)/decrease in prepayments	(144)	(49)	(29)
Increase/(decrease) in GST payable	(152)	(120)	(11)
(Increase)/decrease in staff share loans	-	-	1
Increase/(decrease) in trade creditors	257	559	1,408
Increase/(decrease) in provision for income taxes payable	(497)	208	546
(Increase)/decrease in provision for deferred income tax	69	(98)	(207)
Net cash inflow from operating activities	419	1,901	4,781

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