

## MARKET ANNOUNCEMENT:

### Chairman's address

#### Zintel Group Limited Annual General Meeting, 26 August 2008

It is disappointing to stand before our shareholders and once again present a financial result which is less profitable than last year. Whilst the Board of Directors and management still have faith that Zintel Group can grow, we have not yet achieved that goal. It is now obvious that we can't achieve significant growth internally, so we must continue to find suitable acquisitions to add revenue and profitability. Without such acquisition, it is inevitable the Group will continue to shrink and if so will not exist in the same shape or form in a few years time.

It is not all bad news though; profit from continued operations did actually increase last year (although overall net profit was down), the Group's balance sheet still has no debt, we currently have \$7m cash in the bank and we provide a healthy dividend stream to our shareholders. This augers well as the economy enters a recessionary period. If the NZ dollar continues its downward trend against the Australian dollar this also improves the profit we report from our Australian business.

Our Board composition has changed this year with the appointment of Peter Revell and Johan Scholtz as Directors. As previously advised to the market we elected to appoint two executive staff rather than look outside the company as we believe the most appropriate contribution can be made by having management representation at board level at this time.

For the benefit of those shareholders not familiar with Zintel Group, it consists of three business units:- Zintel Communications manages and bills customers for toll and tollfree calls in both Australia and New Zealand, and Zintel Enterprise imports and distributes business telephony product in New Zealand.

Zintel Communications in NZ is the original business started thirteen years ago and remains the backbone of the Group both in terms of profitability and cash flow. Unfortunately the General Manager of two and a half years has just tendered his resignation and we now face a recruitment process to replace. I would thank Lindsay Cowley for the work he has done and the achievements he has made in our NZ Comms business over that period.

Zintel Communications in Australia is also a profitable business and has once again produced growth in revenue and bottom line over the last twelve months, which is most pleasing. On the 24<sup>th</sup> August we celebrated the 8<sup>th</sup> 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 sincerely thank Johan Scholtz who has managed the Australian business since inception.

Zintel Enterprise in New Zealand is a people centric business with 66 staff employed to sell, install and support hardware, software and applications. Revenue is lumpy as we rely on winning a small number of large contracts each year. On 30 April 2008 Ericsson sold their Enterprise manufacturing business to Aastra of Canada, and so we now represent that brand in New Zealand. We have recently announced the acquisition of the Commspec business to widen our product offering, increase our customer base and gain further scale in this telephony industry.

We have now made two relatively small acquisitions, the first last year buying a customer database of tolls customers in Australia – referred to as Concert Telecom. This acquisition has been integrated into our existing business and has provided additional revenue and profitability. The second effective early June this year is the business of Commspec in Auckland, which imports and sells Alcatel-Lucent telephony. The challenge is to fully integrate this business and demonstrate we can create synergy and growth from multiple brands and two teams of people.

Looking back, our financial performance to 31 March 2008 was again unsatisfactory given the intention of the Company to grow. Revenue fell to \$37.14 million, excluding interest earned of \$557k, resulting in profit before tax of \$3.49 million, down from \$3.74 in the prior year. One of the challenges confronting us seeking suitable acquisitions is finding businesses where additional profit generated will exceed interest on the cash outlaid.

The Group's balance sheet continues to strengthen and as at 31 March 2008, total equity stood at \$10.5 million, including intangible assets of \$1.4million. The Group has paid full year dividends of 2.25 cents per share plus imputation credits making a gross payout of 3.36 cents or 50% of the profit for the year as against a policy of paying at least 40% of profit to shareholders in the form of dividend. The Directors do not intend to increase the dividend or make any special one off payments at this time, as it is imperative we continue to seek investment opportunities and retain cash particularly during a recessionary period.

On the acquisition front we have investigated several opportunities with one coming very close to fruition but unfortunately that particular business was withdrawn from sale at the last minute. We have stepped up acquisition activity and broadened the scope of potential targets.

Looking to the current financial year, "business as usual" projections suggest operating profit to be in line with last year, excluding investment initiatives. We are mindful of economic conditions both sides of the Tasman and are experiencing the effects of the credit crunch and recession.

FY2008 was the year that Zintel has reported under the new international financial reporting standards (NZIFRS). Achieving this was not insignificant as can be gauged from the thickness of the Annual Report. However I do acknowledge the role played in this of our CFO Alf Wallis, the board, and our auditors PWC.

In closing, I do still remain confident that Zintel will execute its growth plans, and that the focus of this is now more by acquisition. Unfortunately this still requires time and patience from our shareholders.

I would now like to hand over to Peter Revell, Managing Director.

**ENDS**

**Background of Zintel Group Limited**

Zintel Group Limited ([www.zintel.co.nz](http://www.zintel.co.nz)) comprises two businesses, Communications and Enterprise, which provide businesses with everything from Toll free services to complete state-of-the-art telephony and ICT solutions. Established in 1995 and listed on the NZAX in November 2003, Zintel now employs over 110 staff with offices in Auckland, Sydney, Wellington, Christchurch and Dunedin.

**For further information:**

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