

Market Announcement

1 June 2010

Zintel realising growth ambitions

Zintel Group Ltd (NZAX: ZIN) today reported revenue of \$49.508m for the full year ended 31 March 2010, an increase of 26.5% on prior year revenue of \$39.138m. Net profit before tax was \$0.488m, down from \$3.420m for the same period, as the Group incurred acquisition, transition and restructuring costs, and some divisional trading losses as anticipated.



Zintel Hypercom new generation EFTPOS

Chairman, Nick Gordon says “After aspiring to grow the group and amassing considerable cash over several years, we are now delighted to be realising our ambition on several fronts. Firstly, the Hypercom EFTPOS distribution for NZ, secondly the acquisition of Cogent Communications and thirdly, the recent announcement of an MVNO for mobile. We have now embarked on a major growth phase”.

Zintel Payments Ltd was formed to distribute the Hypercom payment terminals (for EFTPOS and credit cards in retail stores) and the company commenced selling terminals in October 2009. This business has been in establishment mode and is now gaining traction with significant opportunity in the next twelve months as 60,000 terminals need to be replaced to meet compulsory security requirements. Losses were incurred for the year ended 31 March, but this business is expected to be profitable in the current full year.

Cogent was acquired 1 October 2009 and is being integrated. The legal entity has been amalgamated with Zintel Enterprise to form Zintel Cogent Ltd. “We acquired the net assets of Cogent excluding debt or cash and have funded the working capital of Cogent to around \$1.5m in addition to the acquisition cost. Further capital is also being expended for computer systems and software of close to \$1m”, says Gordon. “These costs are as anticipated and well within the capacity of our balance sheet. We believe Cogent is an excellent buy at a net acquisition cost of only \$1.75m for a business with 120 staff, branch offices throughout NZ and a well established customer base of many thousands of businesses using our technology. We are now realising the opportunity to establish stronger relationships with these customers and cross sell our other services.”

Zintel Communications Ltd recently announced an MVNO (Mobile Virtual Network Operator) agreement with Telecom. It will launch in July of this year with testing commencing shortly. In the next 12 months this is expected to be a loss making investment but will provide top line revenue growth, recurring income and a deeper relationship with existing customers. “An MVNO is something we have been seeking for many years and provides the ability to offer our customers 3G mobile cellular on our own rate plans and billed by Zintel”, says Gordon. The operational separation of Telecom is most favourable to us and supports our long established philosophy of wholesale purchase of airtime, rather than the high capital investment in infrastructure”.

In the short term integration costs for Zintel Cogent are still high, with transitional costs, double ups in expenses, consultants, and restructuring of a business that was not profitable. These factors have significantly impacted the year's profit for Zintel Group to 31 March 2010, as flagged at the time of the acquisition announcement and at our half year result.

The Group expects to enjoy further top line growth in revenue again this year and increasing bottom line profitability in future years. Internal forecasts predict profitability in all businesses for the first quarter ending June 30.

No final dividend has been declared for the year, as the Group paid an interim dividend of 2.5 cents per share, resulting in a gross payment of 3.731 cps, to use imputation credits at 33% that were only applicable to payments physically made prior to 31 March 2010.

Trading conditions have been challenging for the year, with Zintel Cogent feeling the effects of the Global Financial Crisis particularly in large contracts with Government. The business that was Zintel Enterprise has always experienced lumpy revenue and was particularly affected recently with a large contract it had been awarded, being subsequently cancelled by mutual agreement. Work that had already been done in preparation resulted in an impairment expense of \$274k as at 31 March, which was most disappointing.

In New Zealand, Zintel Communication's profit was down for the year, but Australia up. It is worth noting that Zintel Australia intends to expand this year, increasing staff numbers from 25 to 36 people. This will reduce profitability of that business in the short term, but is in line with our growth plans and long term aspirations.

Interest income has also reduced due to lower interest rates and reduced cash in bank. The balance sheet remains strong with cash in bank and cash equivalents (bonds) of \$5.429m and net assets of \$10.68m as at 31 March.

As the Group will become larger over coming years, consideration is being given to moving from the NZAX to the main NZX board, which amongst other benefits should improve share liquidity. The market will continue to be informed of developments.

ENDS

About Zintel Group limited

Established in 1995 and listed on the NZAX, Zintel Group Limited provides a broad range of business telecommunication solutions to companies across New Zealand and Australia. The Group comprises of three businesses - Zintel Cogent, Zintel Payments and Zintel Communications in Australia. Zintel Cogent provides innovative telecommunications solutions, including business phone systems, contact centre solutions, Toll free and voice services - through to network infrastructure and structured cabling. Zintel Payments is the exclusive New Zealand importer and distributor for Hypercom EFTPOS terminals. Zintel Communications Pty is Australia's Toll free specialist and provides a range of competitive business telecommunication services. Zintel Group has over 250 employees operating from 15 nationwide offices across New Zealand and Australia.

For further information:

Nick Gordon, Zintel Group Chairman on +64 21 930568