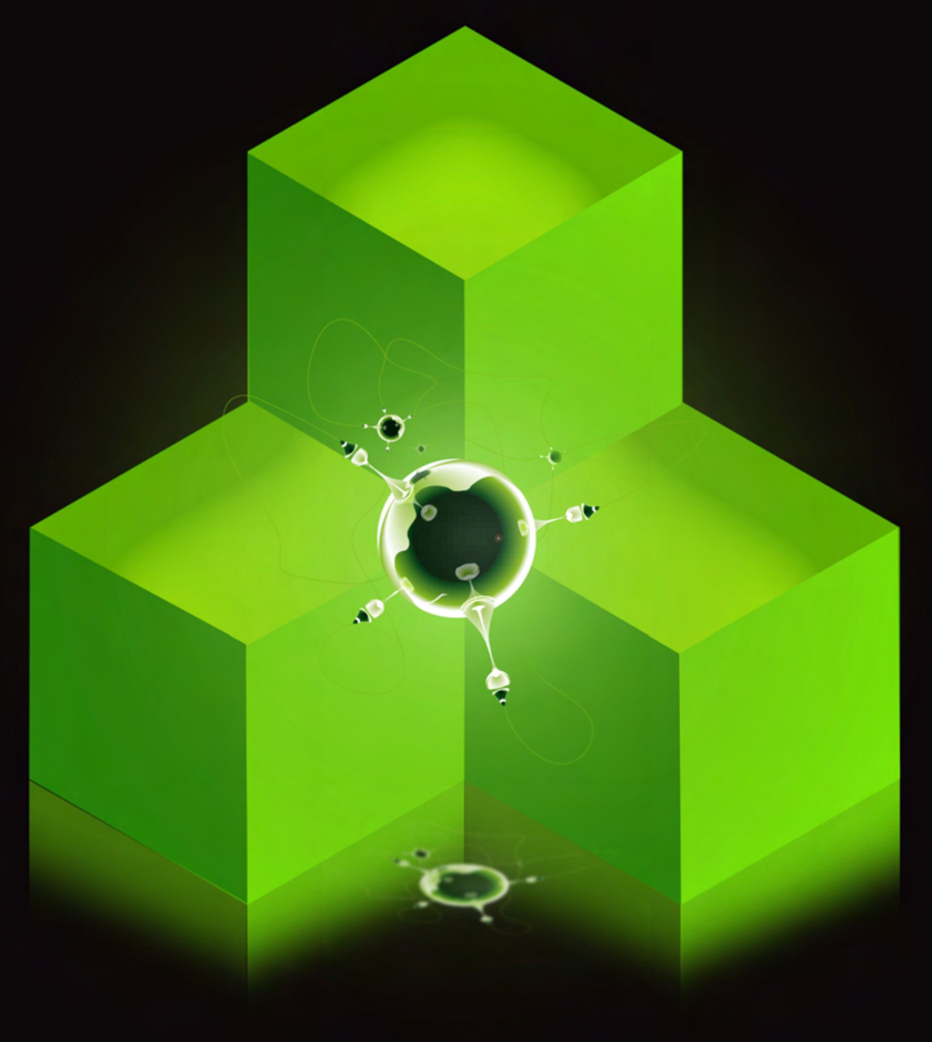


EFTel
anything's possible

half yearly report - december 2008

Half-year report for the half-year ended 31 December 2008

Directors

Simon Ehrenfeld

John Lane

Paul Stevenage

Jeremy Cousins

Company Secretary

John Raftis

Registered Office and Principal Place of Business

Level 8

250 St George's Terrace

Perth WA 6000

www.eftel.com

Other Offices

Sydney Melbourne Kuala Lumpur

Auditors

PKF Perth

Level 7 BGC Centre

28 The Esplanade

Perth WA 6000

Solicitors

Allens Arthur Robinson

530 Collins Street

Melbourne VIC 3000

Bankers

Westpac

109 St George's Terrace

Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth WA 6000

Stock Exchange Listing

EFTel Limited shares are listed on the Australian Stock Exchange. ASX Code: EFT

Results for announcement to the market

		Consolidated 31 December 2008 $ '000
Revenue	up 5% to	19,036
Net profit for the period attributable to members	down 1283%	(1,727)

Dividends (distributions)	**Amount per share**	**Franked amount per share**
2008 Interim dividend paid on 25 September 2008	0.1 cents	0.1 cents

Record date for determining entitlements to the dividend	8/09/2008

	Current Period 31 December 2008 c per share	**Previous Period 31 December 2007 c per share**
Net Tangible Assets per Ordinary Share (NTA Backing)	(0.34)	0.95

Directors' report

The directors of EFTel Limited submit herewith the financial report for the half-year ended 31 December 2008. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Directors

Simon Ehrenfeld
Russell Collett (retired on 22 October 2008)
Jurgen Steinert (retired on 5 December 2008)
Paul Stevenage
Jeremy Cousins
John Lane (appointed on 28 November 2008)

Review of operations

Principal Activities
The principal activity of the consolidated entity for the half-year were the provision of Telecommunications and supply of internet services.

Operating Results

The Board of EFTel is pleased to report a record revenue result for the half-year to 31 December 2008 with a 5% increase to $19.036 million.

The Financial Position of EFTel Limited remained strong with Net Assets of $14.815 million and cash on hand at 31 December 2008 of $1.649 million.

EFTel posted positive net operating cash flow for the half of $0.442 million. This follows from five previous consecutive years of positive net operating cash flow.

Dividends
Maiden dividend declared on 25 June 2008 and paid on 25 September 2008.
There has not been an interim dividend paid or declared.

Significant Events
Acquisition of ISP businesses of the Conceptual Internet Group.
Acquisition of CGOC Malaysia.
Secured exclusive access to MPORT DSLAM infrastructure of NEXTEP (a division of NEC Australia).
Network partnership with Wideband to access regional Victorian ADSL2+ exchange infrastructure.
Partnership with Dodo to provide access to EFTel BroadbandNext network.
Clearing of all Westpac finance facilities and the lifting of the fixed/ floating charge on the company.

Events Subsequent to Reporting Date
Launch of EFTel Wholesale.
Refinancing payable terms with key supplier.

Directors' report

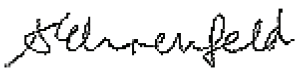
The auditor's independence declaration is included on page 5 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Simon Ehrenfeld
Chief Executive Officer
Perth, 27 February 2009

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of EFTel Limited and its controlled entities for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of EFTel Limited and the entities it controlled during the half year.

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 27th day of February 2009.

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West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

Directors' declaration

The directors declare that:
(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

S Ehrenfeld

Simon Ehrenfeld
Chief Executive Officer

Perth, 27 February 2009

Condensed income statement for the half-year ended 31 December 2008

	Note	Consolidated Half-year ended 31-Dec-08 $'000	Consolidated Half-year ended 31-Dec-07 $'000
Revenue from operations		18,748	17,937
Other revenue		288	199
Total revenue		19,036	18,136
Communication expenses		(13,556)	(11,642)
Employee benefits expense		(3,702)	(3,539)
Occupancy expenses		(551)	(415)
Depreciation and amortisation expense		(1,246)	(1,044)
Finance costs		(72)	(82)
Other expenses		(2,231)	(1,068)
Profit/ (loss) before income tax expense		(2,322)	346
Income tax (expense) / benefit		595	(200)
Net profit/ (loss) for the period		(1,727)	146
Net profit/ (loss) attributable to members of EFTel Limited		(1,727)	146
Earnings per share:			
Basic (cents per share)	4	(1.072)	0.093
Diluted (cents per share)	4	(1.072)	0.093

The notes following the financial statements form part of the financial report.

Condensed balance sheet as at 31 December 2008

	Note	Consolidated 31-Dec 2008 $'000	30-Jun 2008 $'000
Current assets			
Cash and cash equivalents		1,649	2,242
Trade and other receivables		3,562	3,242
Other		834	875
Total current assets		6,045	6,359
Non-current assets			
Other financial assets		1	1
Property, plant and equipment		7,431	7,247
Deferred tax assets		3,842	3,195
Goodwill		13,517	12,556
Other intangible assets		1,853	1,515
Total non-current assets		26,644	24,514
Total assets		32,689	30,873
Current liabilities			
Trade and other payables		11,888	9,996
Borrowings		50	13
Current tax payables		424	421
Provisions		374	372
Deferred revenue		2,216	2,144
Total current liabilities		14,952	12,946
Non-current liabilities			
Borrowings	9	2,596	1,750
Provisions		326	326
Total non-current liabilities		2,922	2,076
Total liabilities		17,874	15,022
Net assets		14,815	15,851
Equity			
Issued capital	10	38,258	37,708
Reserves		141	-
Accumulated losses		(23,584)	(21,857)
Total equity		14,815	15,851

The notes following the financial statements form part of the financial report.

Condensed statement of changes in equity for the half-year ended 31 December 2008

	Consolidated				
	Issued capital	Employee share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 Jul 2007	37,708	-	-	(21,970)	15,738
Profit/ (loss) attributable to members of the parent entity	-	-	-	146	146
Balance at 31 Dec 2007	37,708	-	-	(21,824)	15,884
Balance at 1 Jul 2008	37,708	-	-	(21,857)	15,851
Profit/ (loss) attributable to members of the parent entity	-	-	-	(1,727)	(1,727)
Issue of ordinary shares	551	-	-	-	551
Share issue costs	(27)	-	-	-	(27)
Share options exercised	26	-			26
Share-based payment expenses	-	39	-	-	39
Exchange differences arising on translation of foreign operations	-	-	102	-	102
Balance at 31 Dec 2008	38,258	39	102	(23,584)	14,815

The notes following the financial statements form part of the financial report.

Condensed cash flow statement for the half-year ended 31 December 2008

	Note	Consolidated Half-year ended 31-Dec-08 $'000	Consolidated Half-year ended 31-Dec-07 $'000
Cash flows from operating activities			
Receipts from customers		20,141	17,655
Payments to suppliers and employees		(19,693)	(17,404)
Interest and other costs of finance paid		(6)	(82)
Income tax paid		-	(106)
Net cash provided by operating activities		442	63
Cash flows from investing activities			
Interest received		42	56
Payment for property, plant and equipment		(940)	(224)
Proceeds from sale of equipment		189	-
Net cash received from business acquisition		48	-
Payment for intangible assets		(58)	-
Net cash used in investing activities		(719)	(168)
Cash flows from financing activities			
Proceeds from borrowings		-	450
Repayment of other loans		(157)	(225)
Repayment of lease liabilities		(13)	(86)
Dividends paid		(145)	-
Payment for share issue costs		(28)	-
Receipts from Options issue		27	-
Net cash used in financing activities		(316)	139
Net (decrease)/increase in cash and cash equivalents		(593)	34
Cash and cash equivalents at the beginning of the period		2,242	2,451
Cash and cash equivalents at the end of the period		1,649	2,485

The notes following the financial statements form part of the financial report.

Notes to the condensed financial statements for the half-year ended 31 December 2008

1. Corporate information

The financial report of EFTel Limited for the half-year ended 31 December 2008 was authorised for issue in accordance with a circular resolution of the directors on 27 February 2009.
EFTel Limited is a company limited by shares incorporate in Australia whose shares are publicly traded on the Australian Security Exchange.
The principal activities of the consolidated entity for the half-year were the provision of telecommunications and supply of internet services.

2. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *'Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the financial year ended 30 June 2008 and any public announcements made by EFTel Limited and its controlled entities ("the consolidated entity") during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001.*

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.
The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

Going Concern

As at 31 December 2008, the consolidated entity had net current liabilities of $8.907 million and had incurred a loss of $1.727 million for the 6 month period then ended.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The main contributing factors to the net current liability position are:

• The recognition of $5.348 million of capital expenditure in trade and other payables for the BroadbandNext network infrastructure project which is expected to result in future increased profits and cash flows; and
• Deferred revenue of $2.216 million. Deferred revenue is invoiced in advance and as such, is a non-cash liability.

The ability of the consolidated entity to continue as a going concern is principally dependent upon:

• The refinancing of $2.959 million payable to a key supplier into a long term interest bearing facility. At the date of this report, the consolidated entity has received confirmation from the supplier that the refinancing proposal has been recommended to their parent company, and is subject to final approval from the parent company. This approval is anticipated to be received within 28 days.
• The finalisation of agreed payment terms for services and equipment contracts with a key supplier, being $2.652 million, on the basis that the amount will be settled by payments scheduled within the next 12 months. Capital raising activity (refer next point) and cash reserves resulting from the consolidated entity trading profitably will be used to meet these payments. At the date of this report, the consolidated entity has not finalised these terms.

• The raising of $1 million in long term debt and equity from existing shareholders/directors and/or their associates, on interest only terms until 30 June 2010 and repayable from 1 July 2010 onwards. At the date of this report, the consolidated entity has received offer agreements from these parties to finance this sum by the end of April 2009. As already stated in the 2008 Annual Report, the company intends to raise a greater level of funds in order to further expand its BroadbandNext network.

The directors have prepared cash flow forecasts that indicate that the consolidated entity is expected to be profitable for the 12 month period ended 28 February 2010.

Based on the above, the directors are satisfied that, the going concern basis of preparation is appropriate. The half-year financial report has therefore been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and amounts that differ from those stated in the half-year financial report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

3. Segment information

The consolidated entity operates in the Telecommunications industry in Australia.

4. Earnings per share	**Consolidated**	
	31-Dec-08 cents	**31-Dec-07 cents**
Basic earnings per share - cents	(1.072)	0.093
Diluted earnings per share - cents	(1.072)	0.093
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earning per share	161,092,514	157,837,521
Reconciliation of earnings used in calculating earnings per share		
Net profit/(loss)	(1,726,691)	146,327

5. Contingencies and commitments

Contingent liabilities
Court proceedings
The legal action pending at 30 June 2008 against one of the entities of the consolidated group was resolved in the half-year.

Contingent liabilities
There were no material contingent liabilities at the date of this report.

6. Subsequent events

On 10 February 2009, EFTel has re-launched EFTel Wholesale.

Refinancing payable terms with a key supplier.

7. Leases

Finance leases

Finance leases relate to plant and equipment with leases terms of 3 to 4 years. The borrowings on the finance leases are secured by the assets financed. The consolidated entity retains ownership of the plant and equipment at the conclusion of the lease agreement.

Operating leases
Leasing arrangements
Operating leases relate to property, plant and equipment with leases terms between 1 and 5 years. The majority of operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated	
	31-Dec-08 $'000	30-Jun-08 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Not longer than 1 year	638	193
Longer than 1 year and not longer than 5 years	614	46
	1,252	239

8. Acquisition of businesses

Name of businesses acquired 2008	Date of Acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
Concept ISP business	1 September 2008	-	1,120
CGOC (Malaysia) Sdn Bhd	1 September 2008	100%	396
			1,516

Name of businesses acquired 2007	Date of Acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
No acquisition			
			-

On 8 September 2008, EFTel announced the acquisition of the Internet business of Concept Networks and the acquisition of CGOC Malaysia Sdn Bhd. The consideration for the acquisitions consist of 8,350,000 shares and a deferred cash component of $965,000.

The net assets acquired in the businesses and the goodwill arising, are as follows:

	Concept ISP business		
	Carrying Value $'000	Fair value adjustments $'000	Fair value $'000
Net assets acquired:			
Intangible assets - customer base	-	716	716
Property, plant and equipment	104	-	104
Trade and other receivables	124	-	124
Finance Equipment	(78)	-	(78)
Trade and other payables	(51)	-	(51)
Deferred revenue	(252)	-	(252)
	(153)	716	563
Goodwill arising on acquisition			557
Total consideration			1,120

	CGOC (Malaysia) Sdn Bhd		
	Carrying Value $'000	Fair value adjustments $'000	Fair value $'000
Net assets acquired:			
Property, plant & equipment	152	-	152
Trade and other receivables	14	-	14
Cash and cash equivalent	48		48
Trade and other payables	(276)	-	(276)
	(62)	-	(62)
Goodwill arising on acquisition			458
Total consideration			396

Notes to the condensed financial statements for the half-year ended 31 December 2008

Up to 31 December 2008, these acquired entities contributed the following towards the profit and loss statement of the consolidated entity:

	$'000
Concept Networks Net profit/ (loss)	(257)
CGOC (Malaysia) Net profit/ (loss)	55
	(202)

The profit/ (loss) include the transition costs and amortisation of customer base.

9. Loans and Borrowings

Movements in loans and borrowings during the six months ended 31 December 2008 were as follows:

	Consolidated $'000
Balance as at 1 July 2008	1,750
Acquisition deferred cash component	965
Early payments on acquisition deferred cash component	(157)
Finance Lease	38
Balance as at 31 December 2008	2,596

10. Issued Capital

	Consolidated	
	31-Dec-08 $'000	31-Dec-07 $'000
166,495,905 fully paid ordinary shares (2007: 157,837,521)	38,258	37,708
	38,258	37,708

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated	
	No.	$'000
Fully paid ordinary shares		
Balance as at 1 July 2008	157,837,521	37,708
Issue of shares under acquisition	8,350,000	551
Issue of shares under employee share option plan	308,384	26
Costs relating to share issues	-	(27)
Balance as at 31 December 2008	166,495,905	38,258

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Notes to the condensed financial statements for the half-year ended 31 December 2008

Share options

The company issued 12,503,500 share options (exercisable at 6 cents) to key employees. The options expire on 31 December 2009.

At 31 December 2008, there were 100,000 unissued ordinary shares for which options were outstanding. These options have an exercise price of $2 and expiry date of 16 June 2010. None of these options are held by the current directors, key management personnel or employees.

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF EFTEL LIMITED AND ITS CONTROLLED ENTITIES ("EFTEL")

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of EFTel Limited and its controlled entities ("EFTel"), which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of EFTel, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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PKF

Chartered Accountants
& Business Advisers

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of EFTel Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the half-year Financial Report which indicates that at 31 December 2008, the consolidated entity had net current liabilities of $8.907 million and had incurred losses for the half-year then ended of $1.727 million. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Should the consolidated entity and the parent entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the half-year Financial Report.

PKF

PKF
Chartered Accountants

Chris Nicoloff

Chris Nicoloff
Partner

Dated in Perth, Western Australia on this 27th day of February 2009.