Contents

Eftel Ltd is a multiple award winning Internet and telecommunications provider across the retail, wholesale, corporate and government sectors.

The retail division is a Top 10 Internet Service Provider offering a full suite of consumer Internet products. Its flagship brand - ClubTelco - provides a premium level of service and extensive member benefits.

The wholesale division services a large proportion of Australia's service providers, enabling them access to a very broad gateway of services via Eftel's extensive carrier partner network.

The corporate division offers tailored solutions to business and government clients throughout Australia. It is a preferred supplier to the Victorian Government.

Directors

Stephe Wilks – Non-executive Chairman
Scott Stavretis – Managing Director
Simon Ehrenfeld – Non-executive Director
Ilario Faenza – Non-executive Director
Larry Kestelman – Non-executive Director
Ryan O'Hare – Non-executive Director

Chief Executive Officer

Scott Stavretis

Company Secretary

John Raftis

Notice of Annual General Meeting

The annual general meeting of Eftel Limited will be held at:

The Sebel,
Albert Park
65 Queens Road
Melbourne, VIC

Time: 1:00pm AEDT
Date: Tuesday 23 October 2012

Share Register

Link Market Services
178 St George's Terrace
Perth WA 6000
Ph: 1300 554 474 or +61 2 8280 7111
Fax: +61 2 9287 0303

Auditor

Deloitte Touche Tohmatsu
Level 14
240 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Eftel Limited shares are listed on the Australian Stock Exchange.
ASX code: EFT

Registered Office

Level 11, 600 St Kilda Road, Melbourne VIC 3004
Tel. +61 3 9090 2525 **Fax.** +61 3 9090 2535
ACN 073 238 178 ABN 47 073 238 178
www.eftel.com

Chairman's Report

Dear Fellow Shareholder

This past financial year has been a period of substantial change for Eftel, with excellent results - establishing a very solid base for this new phase in the Company's history.

During the year, we completed the merger of the ClubTelco and 'original' Eftel businesses, leading to substantial operational and strategic benefits - including a critical step change in the combined entities' buying power.

The merger of the businesses also brought about significant restructuring across the entire company. We moved our headquarters from Perth to Melbourne, and introduced substantial change into the management team (while we were able to re-deploy a number of executives from other States, we also introduced new executives to the team). The new management team - under the very focused and strong leadership of Scott Stavretis - has been brought together with a clear objective: to create profitable growth.

We have also more clearly aligned the overall business in line with our key market segments of consumer, wholesale, and corporate and government.

These changes allowed the Company to deliver an excellent operational outcome, providing a sound foundation for further organic growth over the coming year, and delivering on the first leg of our two pronged strategy for increasing shareholder wealth.

Complementing the strong operational results, and delivering on the second leg of the overall strategy, the team continued to identify and acquire inorganic targets that would add value to the business as a whole. We acquired the wholesale operation, Platform Networks, in August 2011, followed by our announcements to purchase West Australia Networks and Visage Telecom shortly after the 2012 financial year closed.

With the strong operational team now in place, we have the capability not only to continue to execute on 'business as usual', but also to ensure that following each acquisition cost synergies can be quickly implemented and the transition of business systems can occur promptly and reliably. We have positioned the Company to be able to complete future acquisition opportunities that present high value to our shareholders, and fully extract that value in implementation.

In the coming year, we look forward to maximising our sales momentum, while continuing to identify and acquire profitable assets - to achieve maximum growth for all shareholders.

Stephe Wilks
Chairman

CEO's Report

Dear Fellow Shareholder

It gives me great pleasure to report to you on the Company's progress over the last financial year. I have set out below some of the highlights for the year. A substantial part of my and the executive's time and effort over the year was devoted to restructuring the company to a position where we can maximise growth opportunities - whether organic or by way of acquisition. That work was rewarded during the financial year, and we anticipate it will continue to deliver results as we move forward.

Over the past twelve months the company has reported strong growth:

	FY 2012	FY 2011
Revenues	$58m	$29m
EBITDA	$3.63m	$0.68m
EBITDA (underlying) [1]	$4.12m	$0.68m
NPAT	($2.08m)	$0.75m
NPAT (underlying) [2]	$1.75m	$0.75m

[1] Underlying EBITDA and NPAT includes an add-back of $0.490m of redundancy payments due to Company restructure.
[2] Underlying NPAT includes an add-back of non-cash cost of $3.931m comprised of asset impairment associated with the write off of the MSAN network, and the resulting tax effect of this write off.

I am delighted to advise that the company now has buying power comparable to some of our largest competitors. We have been able to leverage this buying power to assist with our organic sales activity, where our offers to customers are competitive in the market while still profitable to Eftel. In addition, this buying power flows through to our inorganic acquisition activity, where we are able to leverage cost synergies rapidly. In most cases, customers will be more profitable to Eftel once they are moved on to our network, than they were to the businesses from which we acquire them.

Some other highlights from the year (and shortly after the year-end) include:

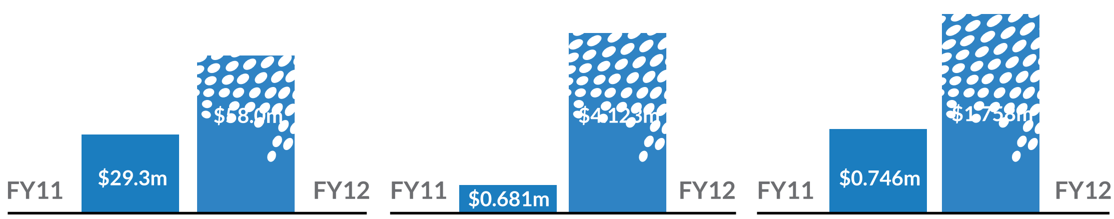
- $9.3m in capital successfully raised
- Acquisition of Platform Networks
- Acquisition of West Australian Networks
- Acquisition of Visage Telecom
- Launch of NBN products

The raising of $9.3m capital assisted the Company's balance sheet greatly by paying off our historic high interest debt. This key milestone will assist the company gaining the financial resources needed for future acquisition opportunities.

I am pleased that we have been able to deliver on these key initiatives throughout the year and I look forward to working with our refreshed team to continue the momentum and deliver greater value to our shareholders.

Scott Stavretis

Chief Executive Officer



Revenue

EBITDA (underlying)

NPAT (underlying)

Definitions

For the purposes of this report:

ClubTelco Pty Ltd refers to the company purchased by Eftel Ltd on 30 June 2011. As required by Australian Accounting Standard AASB3, the Eftel Group is deemed to have been acquired by ClubTelco Pty Ltd at 30 June 2011 under the reverse acquisition rules.

Eftel Ltd or Listed Entity means only the legal entity of Eftel Ltd, which is listed on the Australian Stock Exchange (ASX: EFT). Eftel Ltd is the legal parent of ClubTelco Pty Ltd.

Eftel Co. means Eftel Ltd and all its subsidiaries prior to the purchase of ClubTelco Pty Ltd on 30 June 2011.

Eftel Group means the Eftel Co. and ClubTelco Pty Ltd combined, where the Eftel Co. is deemed to be acquired by ClubTelco Pty Ltd as required by Australian Accounting Standard AASB3.

Your Directors present their report for the period ended 30 June 2012.

Directors

The names of the Directors of the Listed Entity in office at any time during or since the end of the year are:

Simon Ehrenfeld – ceased as Executive Chairman on 27 October 2011, reappointed as a Non-Executive Director on 27 October 2011

Ilario Faenza

Larry Kestelman – appointed 28 July 2011

Ryan O'Hare – appointed 7 August 2012

Paul Stevenage – retired 7 August 2012

Scott Stavretis – appointed 24 October 2011

Stephe Wilks – appointed 27 October 2011

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Chief Executive Officer

Scott Stavretis held the position of Chief Executive Officer of the Eftel Group throughout the financial year and until the date of this report.

Chief Financial Officer

John Raftis held the position of Chief Financial Officer of the Eftel Group throughout the financial year and until the date of this report.

Company Secretary

John Raftis held the position of company secretary of the Eftel Group throughout the financial year and until the date of this report.

Principal Activities

During the financial year the principal activities of the Eftel Group continued to be the provision of consumer, wholesale and corporate telecommunications services.

Operating Results

After providing for income tax, the loss of the Eftel Group for the period ending 30 June 2012 was $2.083million (2011: $746,000 profit).

Dividends Paid or Recommended

The Eftel Group did not declare a dividend for the 2011-12 year.

Review of Operations

During the year the company went through a period of transformation, with the Eftel and ClubTelco businesses merging, creating significant change within the business. The primary focus during the year was on integrating the businesses to ensure maximum cost synergies were achieved. This included the relocation of our headquarters from Perth to Melbourne.

Our commitment to growth was reflected in an investment of over $3million in sales and marketing activity, predominantly focusing on organic sales within the consumer and wholesale divisions of the business. This activity, coupled with the merger and the acquisition of Platform Networks in August last year, resulted in our revenue increasing to $58million.

As identified in H1 2012, the Board entered into an underwriting agreement to support a $9.3million rights issue during the financial year. Of the total amount to be raised $7.8million was received during the financial year whilst the remainder was received shortly thereafter. These funds were applied to reduce our interest bearing debt by $4.3million. Total interest bearing debt as at 30 June 2012 was $0.4million (which comprised a loan assumed as part of the acquisition of Platform Networks). The Board also resolved to write off the MSAN network asset in light of recent regulatory changes and NBN development.

During the financial year, the Company also entered into an Agreement with NBN Co. and integrated into the National Broadband Network. Our ClubTelco consumer division launched a very competitive NBN offering whilst the wholesale division secured Australia's largest private telecommunications company as a customer of Eftel's wholesale NBN offering.

During the year the company also completed a 1 for 20 share consolidation.

These activities generated an underlying EBITDA of $4.1million after adding back $0.5million of redundancy costs.

	$'000
Reported loss before tax	(2,725)
Adjustments for:	
Depreciation and amortisation	1,595
Finance expenses	832
Impairment expenses	3,931
Redundancy costs	490
Underlying EBITDA	4,123

Review of Operations - Consolidated Entity

Significant events since the end of the Reporting Period

1. Acquisition of West Australian Networks.

On 25 June 2012 Eftel Ltd announced the acquisition of the business of service provider, West Australian Networks which included approximately 1,500 business and residential DSL customers and all intellectual property including the domain name westnet.net.au.

2. Acquisition of Visage Telecom

On 6 August 2012 Eftel Ltd announced the acquisition of all the issued shares of Visage Telecom Pty Ltd, an Australian voice product service provider to small and medium businesses. The consideration will be paid by way of cash instalments totalling $225,000 and the issue of Eftel Ltd shares valued at $225,000 (at an issue price of 17.5cents per share). There will also be a cash adjustment for net tangible assets acquired, which is anticipated to be less than 10% of the purchase price.

No Other Matters

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Financial Position

The net assets of the Eftel Group were $12.146million at 30 June 2012 (2011: $6.476million).

Significant Changes in State of Affairs

No significant changes occurred which have not already been mentioned.

Future Developments

Disclosure of information regarding likely developments in the operations of the Eftel Group Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

Information on Board Members of Eftel Ltd and Senior Officers of the Eftel Group

Stephe Wilks - NON-EXECUTIVE CHAIRMAN

Stephe brings with him a wealth of experience in publicly listed companies, particularly those in a high growth phase. That experience was built on his previous commercial roles at senior executive level in the telecommunications sector, together with an extensive professional background as a company lawyer and corporate adviser. Stephe currently holds directorships in other public companies, being 3Q Holdings Ltd, Tel.Pacific Ltd and Service Stream Ltd.

Stephe is a member of the Audit Committee.

Scott Stavretis - MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Scott comes from Dodo Australia, where he was responsible for the executive management and operations of the entire group. He has over 16 years of Internet and telecommunications experience.

Since its inception in 2001, Scott played a pivotal role in Dodo's growth into Australia's largest private telecommunications group. He was also responsible for forming related entities including Dodo Power & Gas and ClubTelco.

Scott has been Chief Executive Officer of the Eftel Group since April 2011 and this year won the Communications Industry ACOMM Young Achiever Award.

Simon Ehrenfeld MBA MMR - NON-EXECUTIVE DIRECTOR

Simon served as the CEO of Eftel Limited (formerly Datafast Telecommunications Ltd) from 2002-2009, during which time the group grew to become a Top 10 National Internet Provider with Australia's 6th largest broadband network. He holds a Master of Business Administration degree with 5 Dux awards and a Director's Letter from the University of Western Australia, as well as a Masters in Management Research.

Simon is a former State President and Honorary Life Member of the Young Liberal Movement of Australia. He served as Managing Director of various ISPs in the Eftel Group for 13 years and as Chairman between March 2009 and October 2012.

Simon is a member of the Audit Committee.

Ilario Faenza - NON-EXECUTIVE DIRECTOR

Ilario has over 20 years' experience in the information technology and telecommunications industry. In addition to executive roles in the sector, he has worked on several mergers and acquisitions of companies focused on this market. Ilario is a founder and Executive Director of Aggregato Pty Ltd, a Mobile Virtual Network Aggregator and Enabler that is responsible for the management of Red Bull MOBILE in Australia.

Ilario is Chair of the Audit Committee.

Larry Kestelman Dip. Acc. - NON-EXECUTIVE DIRECTOR

Larry is currently a Director of Dodo Australia, Dodo Power and Gas, Infinite Rewards, Shangri-la Constructions and Acquire Asia Pacific. Larry brings to the board well-recognised marketing skills and a proven track record of building national brands that dominate in achieving organic sales.

Larry is one of Australia's most accomplished young entrepreneurs and in 2005 was listed as the 8th wealthiest young Australian in BRW 100's Under 40 list.

Ryan O'Hare - NON-EXECUTIVE DIRECTOR

Ryan has over two decades of entrepreneurial experience gained from his previous and current CEO roles of various telecommunications companies. Ryan has a proven track record of creating wealth for shareholders including when he was CEO of CorpTEL Communications that subsequently sold to AAPT Ltd and People Telecom that was acquired by M2 Telecommunications Group Ltd.

Ryan is the current CEO of Next Telecom and E-Utility and is a Director of the National Stroke Foundation and is active with the Children with Aids Charity in the UK.

John Raftis CPA ACIS - COMPANY SECRETARY / CHIEF FINANCIAL OFFICER

John holds a Bachelor of Business degree, and completed his CPA with one of the highest rankings in Australia. He is also a Chartered Secretary and holds a Dux Award in Corporate Governance. John has over 20 years of industry-based accounting experience. John has been with ISPs in the group for 12 years.

John also serves as secretary to the audit committee.

Other Directors who held office during the year:

Paul Stevenage CPA - NON-EXECUTIVE DIRECTOR

Paul is the current General Manager Finance Australia Post and recently completed service as the CFO of the Dick Smith Group, a division of Woolworths Ltd. He has previously served in senior roles elsewhere within Woolworths as well as other major Australian companies, including Boral Ltd, Mayne Nickless and BGC. Paul is a former Lions Youth of the Year, Commonwealth of Nations Youth of the Year, and Murdoch University Guild President. He holds a Bachelor of Commerce degree, and served as a Director for nine years.

Paul served as chairman of the remuneration committee and the audit committee.

REMUNERATION REPORT (Audited)

Directors and Key Management Personnel of Eftel Group during the year were as follows:

Simon Ehrenfeld	Non-Executive Director	Ceased as Executive Chairman and reappointed as Non-Executive Director on 27 October 2011
Ilario Faenza	Non-Executive Director	Appointed 9 May 2011
Larry Kestelman	Non-Executive Director	Appointed 28 July 2011
Ryan O'Hare	Non-Executive Director	Appointed 7 August 2012
Paul Stevenage	Non-Executive Director	Retired 7 August 2012
Scott Stavretis	Managing Director / Chief Executive Officer	Appointed Director 24 October 2011
Stephe Wilks	Non-Executive Chairman	Appointed 27 October 2011

Kathryn Marshall	General Manager – Wholesale/Corporate Sales	Appointed 1 October 2011
John Raftis	Chief Financial Officer and Company Secretary	
Paul Rolfe	Technical Operations Manager	
Pauline Sabin	General Manager - Consumer	
Jurgen Steinert	Director of Operations	Ceased 22 September 2011
Richard Swancott	General Manager - Operations	

In addition to reporting for the year ended 30 June 2012, the remuneration report also discloses the ongoing policies and obligations as they apply to the Directors of the Listed Entity and Key Management Personnel of the Consolidated Entity.

Remuneration Policy

Overview

The policy of the Eftel Group has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering incentives based on key performance areas affecting the economic entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

Due to the size of the organisation it was determined on 5 June 2012 that the Board of Directors will be responsible for the compliance with remuneration policy rather than delegating to a separate sub-committee.

The Board reviews the packages of the top Key Management Personnel as well as all non-executive directors and the company secretary. The Board undertakes this process annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industry.

The Board's policy is to remunerate non-executive directors based on the market rates for comparable companies for time spent, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Where they elect to be remunerated on a PAYG basis, the non-executive directors receive a superannuation guarantee contribution required by the government, which is currently 9%. They do not receive any other retirement benefits. The executive directors and other specified executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and specified executives are entitled to receive up to a further 3% matching on a dollar for dollar basis for voluntary superannuation contributions. Directors and all other employees are able to enter into salary sacrifice arrangements for their superannuation and eligible equipment such as laptop computers.

The directors and executives are employed on a continuous basis. Should the tenure of specified executive directors be terminated then they would receive a termination payment based upon their length of service and specified notice periods.

Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The basis for determining the nature and amount of remuneration for directors of the Listed Entity and Key Management Personnel of the Consolidated Entity is as follows:

The performance of executives is measured against criteria set by the Board. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The remuneration policy for 2011-2012 was tailored to increase goal congruence between shareholders and executives. This policy includes the payment of performance bonuses based on key performance indicators. The remuneration committee has set bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as it sees fit, to ensure use of the most cost effective and efficient methods.

Consolidated Performance and Earnings Per Share

	2008	2009	2010	2011	2012
Figures Stated as per AASB3					
Total Revenue ($'000)	n/a	n/a	n/a	29,281	58,015
Earnings before Interest, Taxation, Depreciation & Amortisation ($'000)	n/a	n/a	n/a	681	3,633
Net Profit/(Loss) After Tax ($'000)	n/a	n/a	n/a	746	(2,083)
Basic Earnings Per Share (cents)	n/a	n/a	n/a	2.101	(0.036)
Diluted Earnings Per share (cents)	n/a	n/a	n/a	2.101	(0.036)
Dividends per share (cents) [1]	n/a	n/a	n/a	2.101	n/a

[1]Under AASB3, the weighted average number of shares deemed to be on issue is 58,587,227 at 30 June 2012 (2011: 30,176,456 adjusted for the 1:20 share consolidation).

	2008	2009	2010	2011	2012
Historic Figures for the Listed Entity					
Dividends per Eftel Ltd share (cents)	0.1	-	-	0.124	-
Eftel Ltd share price at the start of the year (cents)	8.4	5.6	3.0	1.1	2.3
Eftel Ltd share price at the end of the year (cents)	5.6	3.0	1.1	2.3	18.5

Performance Based Remuneration

Various remuneration packages include a performance-based component, consisting of key performance indicators (KPIs). The intention of this programme is to align the goals of executives with that of the business and shareholders. The KPIs are set annually. The KPIs are targeted in areas the Board believes hold greater potential for group expansion and profit.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals. In determining whether or not a KPI has been achieved, the Eftel Group bases the assessment on both audited figures and information recorded in the Group's customer service systems.

Directors and key management personnel remuneration

The aggregate compensation of the Key Management Personnel relating to the financial report as contained in this Annual Report is set out below:

	Consolidated	
	2012	2011
	$	$
Short-term employee benefits	1,703,900	339,191
Post-employment benefits	133,194	31,725
Share-based payment	-	-
Total	1,837,094	370,916

Total salaries and wages costs appear as Employee Benefit Expenses in the financial report, and totalled $11.885million (2011: $5.183million). The amount of those Employee Benefit Expenses paid to each director and key executive of the Eftel Group during the year was as follows:

Directors

2012	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Simon Ehrenfeld[1 2]	554,062	-	-	-	28,471	-	-	582,533	-	-
Ilario Faenza[1]	25,000	-	-	-	-	-	-	25,000	-	-
Larry Kestelman[3]	22,917	-	-	-	-	-	-	22,917	-	-
Stephe Wilks	66,666	-	-	-	-	-	-	66,666	-	-
Scott Stavretis[4]	287,340	-	-	-	25,861	-	-	313,201	-	-
Paul Stevenage	25,000	-	-	-	2,250	-	-	27,250	-	-
Total	980,985	-	-	-	56,582	-	-	1,037,567	-	-

[1] Director of Eftel Ltd. Eftel Ltd purchased ClubTelco Pty Ltd on 30 June 2011.

[2] This amount includes an executive termination payment of $402,499, which includes accrued leave entitlements of $166,917.

[3] Director of ClubTelco Pty Ltd. Mr Kestelman resigned as Director of ClubTelco Pty Ltd effective from 30 June 2011. Mr Kestelman became a Director of Eftel Ltd on 28 July 2011.

[4] Mr Stavretis was a Senior Executive of ClubTelco Pty Ltd until 14 April 2011 and became a Director of ClubTelco Pty Ltd on 30 June 2011. Mr Stavretis was Key Management Person of the Eftel Group from 14 April 2011.

Key management personnel

2012	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Pauline Sabin	142,307	-	-		12,808	-	-	155,115	-	-
Richard Swancott	140,000	13,175	-	-	13,786	-	-	166,961	7.89	-
John Raftis	146,639	20,400	-	-	21,158	-	-	188,197	10.84	-
Paul Rolfe	100,828	13,387	-	-	14,668	-	-	128,883	10.37	-
Kathryn Marshall[1]	146,179	-	-	-	14,192	-	-	160,371	-	-
Total	675,953	46,962	-		76,612	-	-	799,527	5.87	-

[1] Remuneration since commencement of employment with Eftel on 1 October 2011.

Directors

2011	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Simon Ehrenfeld[1]	-	-	-	-	-	-	-	-	-	-
Ilario Faenza[1]	-	-	-	-	-	-	-	-	-	-
Larry Kestelman[2]	-	-	-	-	-	-	-	-	-	-
Michael Slepoy[2]	-	-	-	-	-	-	-	-	-	-
Scott Stavretis[3]	-	-	-	-	-	-	-	-	-	-
Paul Stevenage[1]	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

[1] Director of Eftel Ltd. Eftel Ltd purchased ClubTelco Pty Ltd on 30 June 2011.

[2] Directors of ClubTelco Pty Ltd. Mr Slepoy was appointed Director of ClubTelco Pty Ltd on 7 July 2010. Messrs Kestelman and Slepoy resigned as Directors of ClubTelco Pty Ltd effective from 30 June 2011. Mr Kestelman became a Director of Eftel Ltd on 28 July 2011.

[3] Mr Stavretis was a Senior Executive of ClubTelco Pty Ltd until 14 April 2011 and became a Director of ClubTelco Pty Ltd on 30 June 2011. Mr Stavretis was Key Mangement Person of the Eftel Group from 14 April 2011 to 30 June 2011.

2011	Short-term employee benefits				Post-employment		Share-based payment	Total	% Performance Related	% Options Related
	Salary & fees	Bonus	Non-Monetary	Other	Superannuation	Other	Options			
	$	$	$	$	$	$	$	$	%	%
Vishal Bhalla[1]	91,832	-	-	667	8,325	-	-	100,824	-	-
Luke Golledge[2]	131,692	-	-	-	11,852	-	-	143,544	-	-
John Raftis[3]	-	-	-	-	-	-	-	-	-	-
Paul Rolfe[3]	-	-	-	-	-	-	-	-	-	-
Pauline Sabin[4]	115,000	-	-	1,198	10,350	-	-	126,548	-	-
Jurgen Steinert[3]	-	-	-	-	-	-	-	-	-	-
Richard Swancott[3]	-	-	-	-	-	-	-	-	-	-
Total	338,524	-	-	1,865	30,527	-	-	370,916	-	-

[1] Remuneration since commencement of employment with ClubTelco Pty Ltd on 29 July 2010 until 30 June 2011. Classification as a Key Management Person does not apply to the Consolidated Entity and ceased upon completion of the purchase by Eftel Ltd of ClubTelco Pty Ltd on 30/6/ 2011.

[2] Remuneration since commencement of employment with ClubTelco Pty Ltd on 19 August 2010 until 30 June 2011. Classification as a Key Management Person does not apply to the Consolidated Entity and ceased upon completion of the purchase by Eftel Ltd of ClubTelco Pty Ltd on 30/6/ 2011.

[3] Key Management Personnel of Eftel Ltd. Eftel Ltd purchased ClubTelco Pty Ltd on 30 June 2011.

[4] Remuneration since commencement of employment with ClubTelco Pty Ltd on 9 August 2010.

Performance Income as a Proportion of Total Remuneration

Executive directors and executives are offered performance bonuses based on set monetary figures, rather than proportions of their salary. The remuneration committee has set bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as it sees fit, to ensure use of the most cost effective and efficient methods.

Shares and Options Issued as Part of Remuneration for the Year Ended 30 June 2012

No shares were issued to directors and executives as part of remuneration for the year ended 30 June 2012 (2011: nil). Also no options were on issue or expired during the year ended 30 June 2012 (2011: nil).

Number of fully paid shares of Eftel Limited in which the Parent Entity Directors and other Key Management Personnel have a direct or indirect interest:

2012	Balance 1 July 2011	Change in holdings due to appointment, retirement or resignation	Adjustment relating to share consolidation on 1:20 basis	Net Change Other*	Balance 30 June 2012
Directors					
Stephe Wilks	-	-	-	40,000	40,000
Scott Stavretis	-	40,225,261	(38,213,997)	-	2,011,264
Simon Ehrenfeld	47,397,388	-	(45,027,516)	-	2,369,872
Ilario Faenza	-	-	-	-	-
Larry Kestelman	-	716,763,588	(680,925,407)	29,167,288	65,005,469
Paul Stevenage	150,000	-	(142,500)	-	7,500
Other Key Management Personnel					
Scott Stavretis	40,225,261	(40,225,261)	-	-	-
Kathryn Marshall	-	120,000	(114,000)	219,350	225,350
John Raftis	7,045,320	-	(6,693,054)	37,085	389,351
Paul Rolfe	4,069,066	-	(3,865,612)	-	203,454
Pauline Sabin	-	-	-	-	-
Richard Swancott	612,792	-	(582,152)	-	30,640

* Net change other refers to shares purchased or sold during the financial year.

2011	Balance 07/06/2010	Received as Remuneration	Shares issued as a result of Option exercised	Change in recognition of director/ executive holdings due to appointment, retirement or resignation	Net Change Other*	Balance 30/06/2011
Directors						
Simon Ehrenfeld	46,337,737	-	-	-	475,000	47,397,388
Ilario Faenza[1]	-	-	-	-	-	-
Paul Stevenage	150,000	-		-		150,000
Other key management personnel						
Vishal Bhalla[2]	-	-	-	-	-	-
Luke Golledge[3]	-	-	-	-	-	-
Larry Kestelman[4]	-			12,393	772,517,287	772,529,680
John Raftis	6,835,320	-	-	-	210,000	7,045,320
Paul Rolfe	4,069,066	-	-	-	-	4,069,066
Pauline Sabin[5]	-	-	-	-	-	-
Michael Slepoy[4]	-	-	-	12,393	772,517,287	772,529,68
Scott Stavretis[6]	-	-	-	-	40,225,261	40,225,261
Jurgen Steinert	6,124,590	-	-	-	-	6,124,590
Richard Swancott	612,792	-	-	-	-	612,792

* Net change other refers to shares purchased or sold during the financial year.

[1] Appointed 9 May 2011

[2] Appointed 29 July 2010

[3] Appointed 19 August 2010

[4] Messrs Kestelman and Slepoy ceased to be Directors of ClubTelco Pty Ltd on 30 June 2011, on which date shares were issued to their associated entities pursuant to the purchase of ClubTelco Pty Ltd and Share Subscription Agreement. At that date Mr Kestelman and Mr Slepoy already held 12,393 shares through associated entities. Up until that time ClubTelco Pty Ltd was not a legal subsidiary of Eftel Ltd and therefore those shares were not considered for disclosure nor required to be disclosed in the 2010 Annual Report. Mr Kestelman became a Director of Eftel Ltd on 28 July 2011.

[5] Appointed 9 August 2010

[6] Mr Scott Stavretis was a key executive of ClubTelco Pty Ltd throughout the year and of Eftel Ltd from 14 April 2011. In addition it had been agreed during the 2010-11 year that Mr Stavretis would at a point in time during the 2011-12 year become a Director of Eftel Ltd. Mr Stavretis became a Director of ClubTelco Pty Ltd on 30 June 2011. The issue of shares to Mr Stavretis was approved by shareholders on 29 June 2011.

Employment Contracts of Directors and Key Management Personnel

The employment of the Chief Executive Officer, Mr Scott Stavretis, and specified executives, are under formalised contracts of employment. All executives are permanent employees on a continuous basis without any fixed duration.

Termination Notice Periods are as per the following table:

Executive	Current Classification	Termination Notice Period Required	Length of Full-time Continuous Employment
Kathryn Marshall	Senior Management	2 months	<1 year
John Raftis	Senior Management	3 months	12 years
Paul Rolfe	Senior Management	2 months	16 years
Pauline Sabin	Senior Management	2 months	5 years
Scott Stavretis	Senior Management	3 months	1 year
Richard Swancott	Senior Management	2 months	11 years

Under existing agreements, for involuntary or mutually agreed termination, Mr S Ehrenfeld and Mr J Steinert were entitled to a base of six months termination benefit. Mr Steinert has also served two years of part-time employment. Termination benefits based on any periods of part-time employment are pro-rated. Mr Steinert ceased employment on 22 September 2011. Mr Ehrenfeld ceased executive employment on 27 October 2011 and was reappointed to the Board as a non-executive director.

Under existing agreements, for involuntary or mutually agreed termination, Mr S Stavretis, Mr J Raftis, Pr P Rolfe and Mr R Swancott are entitled to a termination benefit of up to 2 months of total salary plus up to two weeks per year of service, determined by the relevant length of period of service.

Including previous employment with an acquired business, Ms P Sabin is deemed to have commenced employment on 28 July 2007.

End of Remuneration Report

Meetings of Directors

During the financial year, 13 meetings of Directors (excluding committees of Directors) of the Listed Entity were held. Attendances by each Director during the year were as follows:

	BOARD MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	**Number Attended**	**Number eligible to attend**	**Number Attended**
Stephe Wilks	10	10		
Simon Ehrenfeld	13	13	1	1
Ilario Faenza	13	13	1	1
Larry Kestelman	12	11		
Scott Stavretis	10	10		
Paul Stevenage	13	13	1	1

Directors' Shareholdings

The following table sets out the relevant interest in Shares and Options of the Listed Entity of all persons who held directorships at the date of this report:

Directors	**Fully Paid Ordinary Shares**
	Number
Stephe Wilks	40,000
Simon Ehrenfeld	2,369,872
Ilario Faenza	-
Larry Kestelman	66,915,532
Ryan O'Hare	5,714,286
Scott Stavretis	2,011,264

Indemnifying Officers or Auditor

The Eftel Group has entered into an agreement to pay insurance premiums to indemnify directors and officers against any payment they shall become legally obligated to make arising out of claims made against them in their capacity as directors and/or officers of the Eftel Group. The terms of the agreement prohibit the directors from disclosing further information.

The Eftel Group has not entered into any arrangement to indemnify the auditors.

Options

No person entitled to exercise the Options had or has any right by virtue of the Options to participate in any share issue of any other body corporate.

As at the date of this report, there were no unissued shares or interests under options.

Environmental regulation and performance

The operations of Eftel Group are not subject to any significant environmental regulations.

Proceedings on Behalf of the Listed Entity and/or Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the Eftel Group or intervene in any proceedings to which the Eftel Group is a party for the purpose of taking responsibility on behalf of the Eftel Group for all or any part of those proceedings.

The Eftel Group was not a party to any such proceedings during the year.

Non-audit Services

During the year ended 30 June 2012, $91,926 (2011: $14,100) in fees was incurred with Deloitte Touche Tohmatsu for taxation services. In the opinion of the Board of Eftel Ltd, this does not compromise the independence of the external auditor.

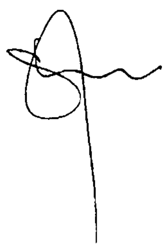
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 17 of the Directors' Report.

Rounding off of Amounts

The Eftel group is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors of Eftel Ltd made pursuant to s. 298(2) of the Corporations Act 2001.



Stephe Wilks
Chairman

Dated this 13 day of September 2012.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Eftel Limited
Level 11, 600 St Kilda Road
Melbourne, VIC 3004

13 September 2012

Dear Directors

Eftel Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Eftel Limited.

As lead audit partner for the audit of the financial statements of Eftel Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Eftel Limited produces its Corporate Governance guidelines giving consideration to the *Corporate Governance Principles and Recommendations* of the ASX Corporate Governance Council.

1. ROLE OF THE BOARD AND MANAGEMENT

The Board of Directors is responsible to shareholders for the overall corporate governance of the company. This responsibility includes:

- reviewing and determining the company's strategic direction, the annual budget and financial plans;
- overseeing and monitoring organisational performance and the achievement of the company's strategic goals and objectives;
- enhancing and protecting the reputation of the organisation;
- appointing, monitoring and rewarding the managing director/chief executive officer;
- approving all significant business transactions, including acquisitions and significant capital expenditure;
- ensuring the significant risks facing the company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are put in place;
- monitoring and approving financial and other reporting including continuous disclosure reporting; and
- reporting to shareholders.

The chief executive officer is accountable to the board for the operational management of the company within the policy and authority levels prescribed by the board. He has the authority to approve capital expenditure and business transactions within limits set by the board. The chief executive officer delegates responsibilities to the executive management as appropriate.

The performance of senior executives is evaluated by the chief executive officer. The performance of the executive management is considered with regard to the achievement of key targets set by the chief executive officer. The performance of the chief executive officer is evaluated by the Board and takes into account the financial performance of the organisation as well as non-financial measures such as the management of stakeholders.

2. COMPOSITION OF THE BOARD

The company presently has five non-executive directors and one executive director. Of the non-executive directors, Mr Stephe Wilks and Mr Ilario Faenza are considered by the Board to be independent directors. Although the majority of the Board is not regarded as independent according to the definition in the ASX Corporate Governance Principles and Recommendations the Board is structured so as to add value to the organisation. The non-independent directors are Mr Scott Stavretis, Mr Simon Ehrenfeld, Mr Larry Kestelman and Mr Ryan O'Hare.

The Board believes that the appointment of Mr Simon Ehrenfeld as a Non-Executive Director, as both the founder of the Eftel business and its longstanding previous Managing Director, allows him to add significant value to the organisation. As the controlling shareholder and CEO of the Dodo group (the company's major supplier and lender), Mr Kestelman is not independent according to the definition in the ASX Corporate Governance Principles and Recommendations. The Board believes that the appointment of Mr Kestelman, as both the founder of ClubTelco and the CEO of Dodo Australia, Mr Kestelman brings a vast amount of knowledge and experience of the industry.

The Directors are aware of their obligations, exercise independent judgement with regard to Board decisions, and absent themselves at all times from Board discussions regarding any related party matter or conflict of interest arises.

The CEO Mr Scott Stavretis joined the Board on 24 October 2011. Mr Stavretis is not independent according to the definition in the ASX Corporate Governance Principles and Recommendations. The Board believes the appointment of Mr Stavretis to The Board, as both the company's CEO and as a person with considerable skill and experience, will add further to the strategic value and general functioning of the Board.

The increased knowledge and experience provided by including the above individuals allows the board to more effectively drive enhanced performance of the executive management.

Directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Due to the downsizing of the Board in 2007, the Board deemed it was not necessary to have a separate nomination committee and this role was performed by the Board as a whole. For similar reasons, in 2012 the board resolved that the role of the Remuneration Committee would be performed by the board as a whole. The board is balanced in its composition with each current director bringing a range of complementary skills and experience to the company as indicated on page 7 of this Annual Report. The board will consider the appointment of further directors if it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.

The board recognises the benefit that it and the Company can derive from having a diverse range of individuals and skill sets within its composition. A range of perspectives is considered imperative to making sound and informed decisions that are in the interests of the Company as a whole and its key stakeholders including the shareholders, customers and staff.

In relation to gender diversity the board is committed to ensuring appropriate representation at all levels of the organisation. The proportion of female directors, key management personnel, senior management and team members as at the date of this Statement is as follows:

Role	By Number	By Percentage
Female Directors	0	0%
Female Key Management Personnel	2	40%
Australian Female Team Members	20	32%

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

It continues to be the policy of the company for directors, officers and employees to act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. All members of the organisation are expected to abide by the code of conduct published within the Eftel Team Guide.

Eftel Ltd allows employees and directors to own and trade securities in the company under the guidelines announced to the ASX and which can be found on the company's website at www.eftel.com.

- In accordance with ASX listing rules the company notifies the ASX of any transactions undertaken by directors in the securities of the company.

4. INTEGRITY OF FINANCIAL REPORTING

Eftel's chief executive officer and chief financial officer report in writing to the audit committee that the consolidated financial statements of Eftel and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the group's financial position and operational results and are in accordance with accounting standards.

An audit committee was established during the 2004 financial year. The current members of the Eftel audit committee are Mr Stephe Wilks, Mr Ilario Faenza and Mr Simon Ehrenfeld. The company secretary and chief financial officer John Raftis is the secretary to the committee. Mr Faenza, who is an independent non-executive director, is the chairman of the committee. The composition of the committee is in line with the recommendation of the ASX Corporate Governance Principles and Recommendations. The board believes that the committee contains the technical skills and acts independently so as to discharge its obligations effectively.

The qualifications of the members of the audit committee are contained on page 7 of the Directors' Report. The meetings and attendance of the audit committee are also detailed in the Directors' Report.

The audit committee has adopted a formal charter that specifies objectives as detailed below:

- monitor the integrity of the company's financial statements and any formal announcements relating to the company's financial performance;
- investigate and resolve any disputes regarding financial reports between the external auditors and the management;
- review the company's internal financial controls and risk management systems;
- make recommendations to the board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the independence of the external auditor and overall effectiveness of the audit process; and
- report to the board on all matters and note any items of concern or areas where improvement is needed, and make recommendations as to how those concerns can be resolved.

5. CONTINUOUS DISCLOSURE TO ASX

The board of directors is responsible for monitoring compliance with ASX Listing Rule disclosure requirements. The board recognises that all investors and stakeholders are entitled to equal and timely access to balanced information that could impact, either positively or negatively, on the value of the company's share price.

The board has established a Continuous Disclosure Policy applicable to all employees of the organisation. Announcements are circulated to board members before they are released to the ASX. The company secretary is responsible, under the ASX Listing Rules, for all communications with the ASX. The chief executive officer and company secretary regularly discuss issues relating to the company's continuous disclosure obligations.

6. COMMUNICATION WITH SHAREHOLDERS

It is the policy of the company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. Mechanisms used to communicate with shareholders include:

- regular shareholder communications such as the Annual Report and the Half-Yearly Report (unless a shareholder has elected not to receive same); and
- shareholder access to communications through the use of information technology, e.g. the Eftel website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the company's strategy and goals. It is also the company's practice to ensure the group's external auditor attends the AGM.

7. RISK MANAGEMENT

The board is responsible for the oversight of the group's risk management and control framework. The audit committee assists the board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the framework.

Responsibility for control and risk management at different sites is delegated to the appropriate individual within the group with the chief executive officer having ultimate responsibility to the board for the risk management and control framework.

Existing arrangements put in place by the board to monitor risk management include:

- regular reporting to the board in respect of operations and the financial position of the group;
- circulation to the board of the minutes of each meeting of the audit committee; and
- presentations to the board by appropriate managers and/or independent advisors, where necessary on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.
- Eftel's chief executive officer and chief financial officer report in writing to the audit committee that:
    - the declaration regarding the integrity of the financial reports, provided in accordance with s295A of the Corporations Act, is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and
    - the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects in relation to financial reporting.

8. REMUNERATION

The company's policies relating to directors' and senior executives' remuneration and the level of their remuneration are set out in the Directors' Report on page 8 of this Annual Report.

The role of the remuneration committee was assumed by the board as a whole, adopting the following formal charter:

- Review and recommend to the Board an appropriate Remuneration policy, including:
    1. Employee share plans
    2. Incentive schemes
    3. Superannuation;
- Determine the broad structure and objectives of the remuneration policy and its relationship to company performance; and
- Determine:
    1. the remuneration of all directors
    2. the fees of the company secretary
    3. the remuneration of key executives who earn above a threshold set by the Board from time to time.

The fees payable to individual non-executive directors have been determined by the board within the aggregate sum of $350,000 per annum provided for under clause 21.1 of the constitution. That aggregate sum can only be increased with the prior approval of the shareholders of the company at a general meeting. A non-executive director is entitled to a refund of approved expenditure and may also receive payments for consultancy work contracted for and performed on the company's behalf. The remuneration levels of executive directors are determined by the Board after taking into consideration those that apply to similar positions in comparable companies in Australia.

Corporate Governance

Unless disclosed above, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2012.

Consolidated Statement of Comprehensive Income for the period ended 30 June 2012

	Note	2012 $'000	2011 $'000
Continuing Operations:			
Service revenue	4	57,785	29,252
Other revenue	4	230	29
Communication expenses	4	(36,036)	(20,336)
Employee benefits expenses	4	(11,885)	(5,183)
Occupancy expenses		(732)	(160)
Depreciation and amortisation expenses	4	(1,595)	(22)
Finance expenses	4	(832)	(29)
Impairment of Assets	26	(3,931)	-
Other expenses	4	(5,730)	(2,921)
Profit/(loss) before income tax expense		(2,725)	630
Income tax benefit/(expense)	5	642	116
Net profit/(loss) for the period		(2,083)	746
Other comprehensive income/ (loss)			
Exchange differences on translating foreign operations		(16)	-
Total comprehensive income/ (loss) for the year attributable to members of Eftel Limited		(2,099)	746
Earnings per share:			
Basic (cents per share)	19	(3.556)	2.101
Diluted (cents per share)	19	(3.556)	2.101

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

Consolidated Statement of Financial Position as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	6	3,549	1,156
Trade and other receivables	8	6,067	2,955
Other	9	1,113	1,168
Assets held for sale	26	-	4,912
Total current assets		10,729	10,191
Non-current assets			
Property, plant and equipment	10	1,422	719
Deferred tax assets	5	3,673	3,031
Goodwill	11	15,306	14,069
Other intangible assets	12	256	205
Total non-current assets		20,657	18,024
Total assets		31,386	28,215
Current liabilities			
Trade and other payables	13	13,406	10,257
Borrowings	14	400	3,351
Current tax payables	5	-	-
Provisions	15	3,024	2,995
Deferred revenue	16	2,332	2,168
Total current liabilities		19,162	18,771
Non-current liabilities			
Borrowings	14	-	962
Provisions	15	79	2,006
Total non-current liabilities		79	2,968
Total liabilities		19,241	21,739
Net assets		12,146	6,476
Equity			
Issued capital	17	14,245	6,476
Accumulated profit	18	(2,083)	-
Reserves	28	(16)	
Parent entity interest		12,146	6,476
Total equity		12,146	6,476

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

Consolidated statement of changes in equity for the financial year ended 30 June 2012

	Note	2012 Issued Capital $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2011		6,476	-	-	6,476
Profit for the period		-		(2,083)	(2,083)
Exchange differences arising on translation of foreign operations		-	(16)	-	(16)
Total comprehensive income/ (loss) attributable to members of the parent entity		-	(16)	(2,083)	(2,099)
Share issue costs		(27)			(27)
Rights Issue 10 May 2012		7,796			7,796
Balance at 30 June 2012		14,245	(16)	(2,083)	12,146

	2011 Issued Capital $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
	-		-	-
Total comprehensive income/ (loss) attributable to members of the parent entity			746	746
	-	-		
Issue of shares on 10 June 2010	242		-	242
Dividends paid	-		(746)	(746)
Issue of 812,742,548 Ordinary fully paid shares on 30 June 2011	6,252		-	6,252
Share issue costs	(18)		-	(18)
Balance at 30 June 2011	6,476	-	-	6,476

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

Consolidated statement of cash flows for the financial year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		61,319	27,848
Payments to suppliers and employees		(60,911)	(28,553)
Tax paid		-	-
Net cash provided by operating activities	6(c)	408	(705)
Cash flows from investing activities			
Interest received		230	29
Payment for property, plant and equipment		(722)	(239)
Net cash received from business acquisitions	6(b)	(147)	
Net cash (used in) investing activities		(639)	(210)
Cash flows from financing activities			
Proceeds from issues of equity securities		7,796	2,100
Payment for share issue costs		(27)	-
Repayment of borrowings		(4,313)	-
Interest and other costs of finance paid		(832)	(29)
Net cash provided by/(used in) financing activities		2,624	2,071
Net increase in cash and cash equivalents		2,393	1,156
Cash and cash equivalents at the beginning of the period		1,156	-
Cash and cash equivalents at the end of the period	6(a)	3,549	1,156

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

1. General information

Eftel Ltd is a publicly listed company (EFT), incorporated in Australia and operating in Australia and is referred to as the Company. Eftel owns a number of subsidiaries and has a business processing facility in Malaysia. Eftel Limited is the ultimate parent entity. Eftel Group is referred to as the consolidated group prior to the acquisition of ClubTelco Pty Ltd on 30 June 2011. The consolidated entity reflects the consolidation of Eftel Group and ClubTelco Pty Ltd. The registered office and principal place of business is at Level 11, 600 St Kilda Rd, Melbourne Vic 3004.

Registered Office and Principal Place of Business

Level 11, 600 St Kilda Rd
Melbourne Vic 3004

Other Offices

• Perth • Sydney • Gold Coast • Kuala Lumpur • Manila

The principal activities of the Consolidated Entity are the provision of telecommunications and supply of Internet services.

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 13 September 2012.

Basis of preparation

The financial report has been prepared on the historical cost basis. All amounts are presented in Australian dollars.

On 30 June 2011 the Company issued 30,176,456 fully paid ordinary shares to the shareholders of ClubTelco Pty Ltd resulting in ClubTelco Pty Ltd becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 'Business Combinations', this transaction represented a reverse acquisition with the result that ClubTelco Pty Ltd was identified as the acquirer for accounting purposes of Eftel Limited (the "acquiree" and "legal parent").

The consolidated financial statements are issued under the name of legal parent (Eftel Limited) but are deemed to be a continuation of the legal subsidiary (ClubTelco Pty Ltd).

On 15 December 2011 Eftel Ltd completed a 1:20 share consolidation and all references to shares issued prior to this date have been adjusted to take into account this consolidation.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2012, the consolidated entity had net current liabilities of $8,433,000 (2011: $8,580,000) and had incurred a net loss after tax of $2,083,000 (2011: $746,000 profit) and had experienced net operating cash inflows of $408,000 (2011: $705,000 outflows) for the year then ended.

Also during the year the consolidated entity has recorded an impairment charge of $3,931,000.

The EBITDA for the year, excluding one-off redundancy costs of $490,000 was $4,123,000 (2011: $681,000).

The main contributing factors to the loss for the year ended 30 June 2012 were non-cash items, being:

- ✦ Asset impairment charges of $3,931,000 (one-off impairment cost of MSAN assets); and
- ✦ Depreciation and amortisation charges of $1,595,000 (including $1,065,000 of depreciation charges on the MSAN network which will not be ongoing due to the impairment recognised in this year)
- ✦ The main contributing factors to the net current liability position of the consolidated entity as at 30 June 2012 were:
- ✦ Trade payables of $6,705,000 as at 30 June 2012 from Dodo Wholesale Pty Ltd, which is a related party to the company's major shareholders.
- ✦ Deferred revenue of $2,332,000. Deferred revenue is services invoiced in advance as such, is a non-cash liability and is spread across the large customer base of Eftel.

The consolidated entity has received a letter of forbearance from Dodo Australia Pty Ltd ATF the Dodo Partnership (a partnership of the Slepoy and Kestelman Family Trusts) ('Dodo Australia Pty Ltd'), being the ultimate parent entity of Dodo Wholesale Pty Ltd, which confirms that Dodo Wholesale Pty Ltd will not require payment of the accounts payable balance of $6,705,000 unless the consolidated entity has sufficient cash resources to do so and will continue to provide services on extended terms to ensure that Eftel is able to meet other creditor payments as they fall due

After adjusting for the deferred revenue balance and the amounts owing to Dodo Wholesale Pty Ltd, the consolidated entity has net current assets of $604,000.

Based on the extended accounts payable terms and payable forbearance provided by Dodo Australia Pty Ltd as described above the consolidated entity, trading profitably as a result of the synergies resulting from the merger of Eftel and ClubTelco and other acquisitions since then including Platform Networks Pty Ltd, the directors have prepared cash flow forecasts that indicate the consolidated entity will have sufficient cash flows to meet all working capital requirements for a period of at least 12 months from the date of signing the consolidated financial report.

Accordingly, the directors consider it appropriate for the consolidated financial statements to be prepared on the going concern basis.

Rounding of amounts

The consolidated entity is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period or in the period of the revision and future periods if the revision affects both current and future periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being ClubTelco Pty Ltd (the deemed parent entity for accounting purposes) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 23 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is initially recognised at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which ClubTelco Pty Ltd obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

In the separate financial statements, investments in subsidiaries acquired from other entities are recognised based on book values of the immediate parent entity, being the legal seller. Where there is a difference between the aggregate amount recognised in respect of these transactions and the consideration paid or received, the difference is recognised as a contribution by, or distribution to, equity participants.

b. Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which as similar borrowing could be obtained from an independent financier under comparable terms and conditions.

On 30 June 2011 the Company acquired ClubTelco Pty Ltd. The consideration comprised issuance of 30,176,456 fully paid ordinary shares.

As required by Accounting Standard AASB3, the Eftel group was deemed to be acquired by ClubTelco Pty Ltd as at 30 June 2011 for reporting purposes. The operating results for the year enderd 30 June 2011 reflect only the financial performance of ClubTelco Pty Ltd for the period from incorporation on 7 June 2010 to 30 June 2011.

c. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

i. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

d. Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised on completion of the installation
- Internet and telephony service fees are recognised by reference to the period of time for which the service has been supplied.
- excess usage charges for Internet services and telephony call charges are recognised in arrears at the time the charges are raised.

Dividend and interest revenue

Dividend revenue is recognised when the shareholder's right to receive payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

e. Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

ClubTelco Pty Ltd was part of the tax-consolidated group of ClubTelco Australia Pty Ltd and tax liabilities were taken up by the parent entity (ClubTelco Australia Pty Ltd). On 30 June 2011 ClubTelco exited the tax consolidated group of ClubTelco Australia Pty Ltd.

Eftel Ltd and all its wholly-owned Australian resident entities have formed a tax consolidated group under Australian taxation law from 7 January 2003. Eftel Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

The Eftel group has entered into a Tax Funding and Sharing Agreement between the entities in the tax-consolidated group. Therefore amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

g. Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified as either financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets, or ‘loans and receivables’, and are measured at amortised cost or at fair value with changes in fair value recorded in equity, according to their classification. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The consolidated entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a consolidated entity of financial assets with similar credit risk characteristics and that consolidated entity of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

h. Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	5
Plant and equipment	5

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

i. Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

k. Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(m).

l. Intangible assets

Software

Software is recorded at cost less amortisation and impairment. Software is amortised over 3 years.

Internally generated software arising from internal development is recognised if, and only if, all of the following are demonstrated:

- how the intangible asset will generate probable future economic benefits;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated software is stated at cost less accumulated amortisation and impairment, and is amortised on a straight-line basis over 3 years.

Purchased customer bases

Purchased customer bases represent the purchase price allocated to the existing customer base acquired. The purchased customer bases are recorded at cost less amortisation and impairment. Customer bases are amortised over the estimated customer attrition of the related customer base, which is 3 years.

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets are acquired separately.

m. Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash inflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n. Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

o. Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

p. Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

q. Foreign Currency

For the purpose of the consolidated financials statements, the results and financial position of Eftel Limited and its subsidiaries are expressed in Australian dollars (AUD). The functional currency of the overseas subsidiary (CGOC (M) Sdn Bhd) is Malaysian Ringgit (MYR).

In preparing the financial statements of the individual entities transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At the balance sheet date, non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing.

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the consolidated entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

r. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

s. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

In arriving at the in use valuation the Directors have made appropriate assumptions on the relevant variables and discount rate which should be applied. Details of these assumptions are set out in the note on Goodwill. See Note 11.

Applying these assumptions the discounted value of the estimated cash flows for the 5 years together with the terminal value is approximately $32m.

Based on this assessment the Directors have concluded that the goodwill and other relevant non-current assets have not been impaired.

Useful lives of property, plant and equipment

As described at 2(h), the consolidated entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives of the property, plant and equipment of the consolidated entity are appropriate.

Valuation of customer bases

The consolidated entity has used an external independent valuation to estimate the fair value of the acquired Eftel customer base. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the customer bases.

t. Deferred Revenue

Deferred revenue represents the value of services invoiced in advance of the period in which the service will be provided. Deferred revenue is recorded as a liability until it is recognised as being earned in future reporting periods as the invoiced services are provided.

u. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
AASB 2009-12 Amendments to Australian Accounting Standards	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 Amendments to Australian Accounting Standards	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1-Jan-13	30-Jun-14
AASB 10 'Consolidated Financial Statements'	1-Jan-13	30-Jun-14
AASB 11 'Joint Arrangements'	1-Jan-13	30-Jun-14
AASB 12 'Disclosure of Interests in Other Entities'	1-Jan-13	30-Jun-14
AASB 127 'Separate Financial Statements' (2011)	1-Jan-13	30-Jun-14
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1-Jan-13	30-Jun-14
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1-Jan-13	30-Jun-14
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1-Jan-13	30-Jun-14
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1-Jan-12	30-Jun-13
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1-Jan-13	30-Jun-14
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1-Jan-13	30-Jun-14
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1-Jan-12	30-Jun-13

3. Segment information

The consolidated entity has adopted AASB 8 Operating Segments. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of common share communication costs, central administration costs and directors' salaries, investment revenue, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The consolidated entity has generated its major revenue from the following products and services:

	2012 $'000	2011 $'000
Broadband Internet	31,755	8,116
Mobile phone	5,868	1,260
VoIP	3,901	5,115
Home phone	13,346	12,984
Other	2,915	1,777
Total service revenue	57,785	29,252

Eftel operates solely in the telecommunications industry in Australia. The consolidated entity's principle activity is provision of Internet and telephony services. The consolidated entity have aggregated into a single reportable segment given the similarity of the services provided, method in which services are delivered, types of customers and regulatory environment. There are no inter-segment transactions. There was no single customer that contributed 10% or more to the consolidated entity's revenue for 2012.

4. Revenue and Expenses

	2012 $'000	2011 $'000
a. Revenue		
Revenue from the rendering of services	57,785	29,252
Interest revenue:		
Bank deposits	230	29
Other		-
	58,015	29,281
b. Finance costs		
Interest on loans	649	-
Finance charges under hire purchase contracts	7	-
Other interest charges	176	29
Total finance costs	832	29
c. Depreciation, amortisation, foreign exchange differences included in income statement		
Depreciation of non-current assets	1,487	20
Amortisation of non-current assets	108	2
	1,595	22
d. Employee benefits expense includes:		
Salary & wages	6,478	1,792
Sub-contractors payments	3,271	3,097
Defined contribution superannuation expense	499	152
Redundancy costs	490	-
Other employee benefits	1,146	142
	11,885	5,183
e. Net bad and doubtful debts included in other expenses:		
Trade debtors (Note 8)	875	2,122

5. Income Taxes

	2012 $'000	2011 $'000
a. Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	188
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(642)	-
Deferred tax revenue recognised in the current year	-	(304)
Total tax expense/(benefit)	(642)	(116)
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	(2,723)	630
At the statutory income tax rate of 30%	(817)	188
Effect of prior period adjustment	116	
Non-deductible expenses	23	-
Adjustments through Equity	-	-
Other	36	(304)
Income tax attributable to entity	(642)	(116)

At an effective income tax rate of 23.58%

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2012 $'000	2011 $'000
b. Current tax liabilities		
Current tax payables:		
Income tax payable attributable to:		
Parent entity	-	-
Other	-	-
	-	-
c. Deferred tax balances		
Deferred tax assets comprise:		
Tax allowances relating to property, plant and equipment	1,160	18
Provisions	861	1,760
Allowance for doubtful debts	1,235	1,234
Tax losses	320	-
Other	96	83
	3,672	3,095
Deferred tax liabilities comprise:		
Other	-	64
	-	64

5. Income taxes (Con't)

Taxable and deductible temporary differences arise from the following:

2012	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Deferred tax liabilities:							
Tax allowances relating to property, plant and equipment	-		-		-	-	-
Other	64	- 64	-		-	-	-
	64	- 64	-	-	-	-	-
Deferred tax assets:							
Property, Plant and Equipment	18	1,142					1,160
Provisions	1,760	(899)	-		-	-	861
Provision for doubtful debts	1,234	1	-		-	-	1,235
Provision of onerous contracts							-
Losses		320					320
Other	83	13	-		-	-	96
	3,095	578	-	-	-	-	3,672
Net	3,031	642					3,672

2011	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Deferred tax liabilities:							
Tax allowances relating to property, plant and equipment	-		-	-	-	-	-
Other	-		-	64	-	-	64
	-	-	-	64	-	-	64
Deferred tax assets:							
Tax allowances relating to property, plant and equipment				18			18
Provisions	-		-	1,760	-	-	1,760
Provision for doubtful debts	-	250	-	984	-	-	1,234
Provision of onerous contracts							
Other	-	54	-	29	-	-	83
	-	304	-	2,773	-	-	3,095
Net	-	304					3,031

Tax consolidation

Relevance of tax consolidation to the consolidated entity

ClubTelco Pty Ltd was part of the tax-consolidated group of ClubTelco Australia Pty Ltd and tax liabilities were taken up by the parent entity (ClubTelco Australia Pty Ltd). On 30 June 2011 ClubTelco exited the tax consolidated group of ClubTelco Australia Pty Ltd.

Eftel Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 7 January 2003 and are therefore taxed as a single entity from that date.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, each of the entities in the tax-consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement between members of the tax-consolidated group will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

6. Notes to the cash flow statement

a. Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2012 $'000	2011 $'000
Cash and cash equivalents	3,549	1,156
Bank overdraft	-	-
	3,549	1,156
b. Businesses acquired (note 24)		
During the financial year businesses were acquired, details of the acquisition are as follows:		
Consideration		
Cash and cash equivalents	-	-
	-	-
Cash obtained through acquisition of businesses		-
c. Reconciliation of profit for the period to net cash flows from operating activities		
Profit / (Loss) for the period	(2,083)	746
Depreciation and amortisation of non-current assets	1,595	22
Income Tax		-
Increase/(decrease) in current tax liability	-	(116)
(Increase)/decrease in deferred tax balances	(642)	-
Impairment of assets	3,931	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and term receivables	(1,581)	422
Other operating assets	291	(86)
Inventories	-	-
Increase/(decrease) in liabilities:		
Trade creditors and accruals	718	(1,673)
Provisions	(1,984)	180
Deferred revenue	164	(200)
Net cash from operating activities	408	(705)

d. Cash balances not available for use

Total restricted cash at 30 June 2012 was $500k (2011: $880k). The company provides bank guarantees as security for various suppliers. These guarantees are secured in turn by an equivalent value of term deposits placed with the relevant financial institution. The term deposits are held in the company's name and are restricted from use whilst the bank guarantees are on issue.

e. Non-cash financing activities

During FY2011, Eftel issued 603,529,130 fully paid ordinary shares, consideration for the acquisition of ClubTelco Pty Ltd, which become a wholly owned subsidiary representing a reverse acquisition. Refer Note 17, 24 (c)

40,225,261 fully paid ordinary shares have been issued for the conversion of a $500,000 loan as approved by shareholders on 29 June 2011. Refer Note 17.

7. Remuneration of auditors

	2012 $'000	2011 $'000
Audit or review of the financial report		
Deloitte Touche Tohmatsu[1] - audit fees	132	-
- taxation services	92	
	224	-

[1] Eftel Limited incurred $134,250 for audit fees with Deloitte Touche Tohmatsu in FY2011.

8. Current trade and other receivables

	2012 $'000	2011 $'000
Trade receivables[1]	10,102	6,953
Allowance for doubtful debts	(4,035)	(4,030)
	6,067	2,923
Other receivables:		
Other	-	32
	-	32
	6,067	2,955
Ageing of past due but not impaired		
30 - 60 days	-	902
60 - 90 days	178	674
90+ days	497	378
Total	675	1,954
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	4,030	-
Acquisition through business combination	346	1,908
Amounts written off as uncollectable	(1,216)	-
Movement in the allowance for doubtful debts	875	2,122
Balance at the end of the year	4,035	4,030
Age of impaired trade receivables		
60 - 90 days	185	24
90+ days	3,850	4,006
Total	4,035	4,030

[1] Trade receivables are generally on 10 to 30 day terms and other receivables are generally on 30 day terms. A provision has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past recovery experience.

The concentration of credit risk is reduced due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

Trade receivables greater than 30 days are assessed and then provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience. All other customers where evidence exists to suggest that the collection of the receivable is in question will be provided for to the extent that the consolidated entity believes that the balance is irrecoverable.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The consolidated entity does not hold any collateral over these balances.

9. Other current assets

	2012 $'000	2011 $'000
Accrued revenue	646	452
Prepayments	250	240
Other	217	476
	1,113	1,168

10. Property, plant and equipment

	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Total $'000
Gross carrying amount				
Incorporation at 7 June 2010	-	-	-	-
Additions	65	124	-	189
Acquisitions through business combinations (Note 24)	1	451	98	550
Balance at 30 June 2011	66	575	98	739
Additions		657		657
Acquisitions through business combinations (Note 24)	4	548		552
Transfer from Stock held for resale		4,912		4,912
Asset Writedown		(4,996)		(4,996)
Transfer from Equipment under finance lease		98	(98)	-
Disposals		(47)		(47)
Balance at 30 June 2012	70	1,746	-	1,817
Accumulated depreciation/ amortisation and impairment				
Incorporation at 7 June 2010	-	-	-	-
Depreciation expense	(6)	(14)	-	(20)
Balance at 30 June 2011	(6)	(14)	-	(20)
Depreciation expense	(15)	(1,472)		(1,487)
Asset Writedown		1,065		1,065
Disposal of Assets		47		47
Balance at 30 June 2012	(21)	(373)	-	(394)
Net book value				
As at 30 June 2011	60	561	98	719
As at 30 June 2012	49	1,373	-	1,422

11. Goodwill

	2012 $'000	2011 $'000
Net book value		
Balance at beginning of period	14,069	-
Additional amounts recognised from business combinations (Note 24)	1,237	14,069
Impairment losses for the year	-	-
Balance at end of period	15,306	14,069

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which goodwill has been allocated. For the value in use calculation the directors estimated the future cash flows expected to arise from the cash-generating unit and applied an appropriate discount rate in order to calculate the net present value of these estimated cashflows. The directors have determined that there is no requirement to provide for any impairment to the carrying value of Goodwill at 30 June 2012 (2011: $nil).

At 30 June 2011, the deemed acquisition of Eftel resulted in goodwill being recognised under AASB 3 Business Combinations.

The allocation of the purchase price in accordance with the reverse takeover provisions of AASB 3 was finalised by the Directors which resulted in the recognition of additional Deferred Tax Assets of $1,923k and as a consequence the Goodwill arising on acquisition was reduced by an equivalent amount. The comparative figures have been amended to reflect this adjustment.

Allocation of goodwill to cash-generating units

Goodwill has been allocated to one individual cash-generating unit being the national telecommunications network, through which all revenue is generated. The company operates in one geographical region in one business segment being the telecommunications industry in Australia.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.The following key judgements have been made in relation to the assessment of the value in use of the cash generating unit:

- The EBITDA for the 2012 financial year has been applied as a base for assessing future performance
- Goodwill has been allocated to the whole of business and no operating segment has been identified for the allocation of goodwill at a lower level.
- The whole of property, plant and equipment, goodwill and other intangible assets combine to generate the future cash inflows for the business and hence the carryng amount these assets are relevant for the testing of impairment.

The carrying amount of the relevant assets at 30 June 2012 are:

	$'000
Property, plant and equipment	1,422
Intangible assets	256
Goodwill	15,306
Total assets	16,984

The following variables have been applied in assessing the value in use of the business:

- Growth in EBITDA at 2.5% for 5 years
- Growth in EBITDA at 2% for the period beyond 5 years for the estimation of the terminal value
- The discount rate used was 15% being an estimate of the pre-tax WACC for the business.

Applying these assumptions the discounted value of the estimated cash flows for the 5 years together with the terminal value is approximately $32m.

Based on this assessment the Directors have concluded that the goodwill and other relevant non-current assets have not been impaired.

12. Other intangible assets

	Software $'000	Other $'000	Customer Bases $'000	Total $'000
Gross carrying amount				
Incorporation at 7 June 2010	-		-	-
Additions	28		-	28
Acquisitions through business combinations (Note 25)	72		107	179
Balance at 30 June 2011	100		107	207
Additions	49	16		65
Acquisitions through business combinations (Note 24)	94			94
Asset Writedown				-
Disposals				-
Balance at 30 June 2012	243	16	107	366
Accumulated amortisation and impairment				
Incorporation at 7 June 2010	-		-	-
Amortisation expense	(2)	-	-	(2)
Balance at 30 June 2011	(2)		-	(2)
Amortisation expense	(72)	-	(36)	(108)
Asset Writedown				-
Disposal of Assets				-
Balance at 30 June 2012	(74)	-	(36)	(110)
Net book value				
As at 30 June 2011	98	-	107	205
As at 30 June 2012	169	16	71	256

13. Current trade and other payables

	2012 $'000	2011 $'000
Trade payables[1 2]	10,760	7,143
Sundry creditors and accrued expenses[2]	2,646	3,114
	13,406	10,257

[1] Terms of major suppliers are typically 30-60 days.

[2] Refer to Note 27 for related party trade and other payables.

14. Borrowings

	2012 $'000	2011 $'000
Current		
Secured- at amortised cost		
Obligations under finance leases and hire purchase contracts (Refer to note 22)	-	80
Loans from related parties (Refer to note 27)	-	2,864
Vendor financing facilities[1]	-	277
Other Loans[2]	400	
	400	3,221

[1] Secured by equipment at a fixed rate between 12% per annum. This amount is due in equal monthly instalments over the period from June 2011 until December 2011

[2] This loan was repaid in full on 4 September 2012.

	2012 $'000	2011 $'000
Unsecured- at amortised cost		
Other loans	-	130
	400	3,351
Non-current		
Secured- at amortised cost		
Other Loans	-	30
Loans from related parties (Refer to note 27)	-	932
Vendor financing facility	-	-
	0	962

15. Provisions

	2012 $'000	2011 $'000
Employee benefits[1]	716	706
Onerous contracts[3]	2,076	4,295
Customer refunds	232	
	3,024	5,001
Current	3,024	2,995
Non-current	79	2,006
	3,103	5,001

[1] The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees.

[2] The provision for onerous contracts represents the present value of the future payments that the consolidated entity is presently obligated to make under non-cancellable onerous contracts, less revenue expected to be earned. The unexpired term of the contracts is 1 year.

16. Other current liabilities

	2012 $'000	2011 $'000
Deferred revenue	2,332	2,168
	2,332	2,168

17. Issued capital

97,655,583 fully paid ordinary shares	14,245	6,476
(2011: 1,062,201,255 prior to consolidation - see below)		
	14,245	6,476
Movement in ordinary shares on issue		
Incorporation at 7 June 2010	-	-
Issue of shares on 10 June 2010 (Note 25 (a))		242
Issue of shares under business combination on 30 June 2011 (Note 25)		3,652
Issue of shares on 30 June 2011		2,100
Conversion of loan to shares on 30 June 2011		500
Share issue costs		(18)
At 30 June 2011	0	6,476

On 30 June 2011, ClubTelco Pty Ltd completed the reverse acquisition of Eftel Limited under AASB3 "Business Combinations".

At 1 July 2011	6,476	
Issue of shares on 10 May 2012 pursuant to rights issue	7,796	
Share issue costs	(27)	
At 30 June 2012	14,245	

The issued capital note below relates to the legal parent, Eftel Ltd:

	No.	No.
At 1 July 2009		166,697,664
Issue of shares under employee share option plan		58,491
Issue of shares		82,702,552
At 1 July 2010	.	249,458,707
Issue of shares under business combination (Note 25)		603,529,130
Issue of shares on 30 June 2011		209,213,418
At 30 June 2011	1,062,201,255	1,062,201,255
Impact of 1:20 share consolidation on 15 December 2011	53,110,355	-
Issue of shares pursuant to rights issue on 10 May 2012[1]	44,545,228	-
At 30 June 2012	97,655,583	1,062,201,255

[1] The rights issue was completed on 7 August 2012 by the issue of an additional 8,565,127 shares by way of a placement, with the underwriters taking up the balance as per the underwriting agreement. The additional equity raised was $1.499m (see Note 29).

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

Share options

There are no options issued in the current period or outstanding at 30 June 2012.

18. Accumulated profit

	2012 $'000	2011 $'000
Balance at beginning of period	-	-
Net profit attributable to members of the parent entity	(2,083)	746
Dividends provided for	-	(746)
Balance at end of period	(2,083)	-

19. Earnings per share

	2012 Cents per share	2011 Cents per share
Basic earnings per share:		
From continuing operations	(3.556)	2.101
Total basic earnings per share	(3.556)	2.101
Diluted earnings per share:		
From continuing operations	(3.556)	2.101
Total diluted earnings per share	(3.556)	2.101

Under AASB3, the weighted average number of shares deemed to be on issue at 30 June 2011, was 603,529,130

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	$'000	$'000
Earnings	(2,083)	746

	2012 '000s	2011 '000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	58,587	35,502

Under AASB3, the weighted average number of shares deemed to be on issue at 30 June 2011, was 603,529,130

On 15 December Eftel undertook a 1 for 20, share consolidation

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2012 $'000	2011 $'000
Earnings	(2,083)	746

	2012 '000s	2011 '000s
Weighted average number of ordinary shares used in the calculation of basic EPS	58,587	35,502
Weighted average number of ordinary shares used in the calculation of diluted EPS	58,587	35,502

There were no options on issue during the period.

20. Dividends

ClubTelco Pty Ltd declared dividends of $730k out of pre 30 June 2011 accumulated profits and this was payable to shareholder prior to the deemed acquisition of Eftel.

21. Contingent liabilities and contingent assets

The Directors are unaware of any contingencies at the date of this report.

22. Leases

Finance leases

Leasing arrangements

Finance leases relate to plant and equipment with lease terms of between 2 and 3 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.

Finance lease liabilities

	2012	
	Minimum future lease payments $'000	Present value of minimum future lease payments $'000
No later than 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Minimum lease payments[1]	-	-
Less future finance charges	-	-
Present value of minimum lease payments	-	-
Included in the financial statements as:		
Current borrowings (note 14)		-
Non-current borrowings (note 14)		-
		-

[1] Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Finance lease liabilities

	2011	
	Minimum future lease payments $'000	Present value of minimum future lease payments $'000
No later than 1 year	80	80
Later than 1 year and not later than 5 years	-	-
Minimum lease payments[1]	80	80
Less future finance charges	-	-
Present value of minimum lease payments	80	80
Included in the financial statements as:		
Current borrowings (note 14)		80
Non-current borrowings (note 14)		-
		80

[1] Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

22. Leases (Con't)

Operating leases

Leasing arrangements

Operating leases relate to property with lease 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 property at the expiry of the lease period.

	2012 $'000	2011 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Not longer than 1 year	284	338
Longer than 1 year and not longer than 5 years	65	243
	349	581

23. Subsidiaries

Ultimate Parent entity

Eftel Limited

Detail of Eftel Ltd's subsidiaries at the end of the period are as follows:

Name of entity	Country of incorporation	Ownership interest	
		2012	2011
		%	%
Subsidiaries			
Datafast Telecommunications Pty Ltd	Australia	100%	100%
Datafast (Sites) Pty Ltd	Australia	100%	100%
Datafast (Melbourne Central) Pty Ltd	Australia	100%	100%
Business Technologies Pty Ltd	Australia	100%	100%
Network Technology Pty Ltd	Australia	100%	100%
Northvoice Communications Pty Ltd	Australia	100%	100%
VivaNET Pty Ltd	Australia	100%	100%
Viva.com Pty Ltd	Australia	100%	100%
Vivanet Australia Pty Ltd	Australia	100%	100%
Eftel Retail Pty Ltd (formerly Eftel More Than Broadband Pty Ltd)	Australia	100%	100%
Tower.Net Pty Ltd	Australia	100%	100%
Spacenet Holdings Pty Ltd	Australia	100%	100%
Xcomm (WA) Pty Ltd	Australia	100%	100%
Q-Net Australia Pty Ltd	Australia	100%	100%
Quality Internet Services Pty Ltd	Australia	100%	100%
Eftel Radio Pty Ltd	Australia	100%	100%
Eftel Tasmania Pty Ltd	Australia	100%	100%
Southern Star Technologies Pty Ltd	Australia	100%	100%
Eftel Rural Pty Ltd	Australia	100%	100%
Keypoint Pty Ltd	Australia	100%	100%
Paradox Digital Pty Ltd	Australia	99.99%	99.99%
Planet Netcom Pty Ltd	Australia	100%	100%
Planet Netcom Radioworx Pty Ltd	Australia	100%	100%
M Power Technologies Pty Ltd	Australia	100%	100%
CGOC (Malaysia) Sdn Bhd	Malaysia	100%	100%
ClubTelco Pty Ltd	Australia	100%	100%
Eftel Corporate Pty Ltd	Australia	100%	100%
Eftel Wholesale Pty Ltd (formerly Platform Networks Pty Ltd)	Australia	100%	100%

24. Acquisition of businesses

a. On 23 August 2011 Eftel Ltd announced the acquisition of Platform Networks Pty Ltd. The fair value of the net assets acquired and the goodwill arising on acquition are as follows:

	Eftel		
2012	Carrying Value	Fair value adjustment	Recognised on acquisition
Net assets acquired	$'000	$'000	$'000
Net assets acquired:			
Trade and other receivables	929		929
Other current assets	236		236
Assets held for sale			-
Property, plant and equipment	552		552
Deferred tax assets			-
Goodwill			-
Intangible assets – software	94		94
Bank Overdraft	(97)		(97)
Trade and other payables	(2,415)		(2,415)
Deferred revenue			-
Provisions	(86)		(86)
Borrowings	(400)		(400)
	(1,187)	-	(1,187)
Consideration *			50
Goodwill on Acquisition			1,237

* Consideration was settled in cash.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Had this business combinations been effected at 1 July 2011, the revenue of the consolidated entity from continuing operations would have been $59.064m.

24. Acquisition of businesses (Con't)

b. On 30 June 2011, the Company acquired ClubTelco Pty Ltd. The consideration comprises issuance of 603,529,130 fully paid ordinary shares in Eftel Limited. Pursuant to Accounting Standard AASB3 'Business Combinations', this transaction represents a reverse acquisition with the result that ClubTelco Pty Ltd was identified as the acquirer of Eftel Limited (the "acquiree" and "legal parent"). The Eftel group is deemed to be acquired by ClubTelco Pty Ltd at 30 June 2011 for reporting purposes.

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

	Eftel		
2011	**Carrying Value**	**Fair value adjustment**	**Recognised on acquisition**
Net assets acquired	**$'000**	**$'000**	**$'000**
Trade and other receivables	691		691
Other current assets	668		668
Assets held for sale	4,912		4,912
Property, plant and equipment	550		550
Deferred tax assets	6,149	(3,422)	2,727
Goodwill	10,346	(10,346)	-
Intangible assets – software	72		72
Intangible assets – customer base	670	(563)	107
Trade and other payables	(9,132)		(9,132)
Deferred revenue	(1,396)		(1,396)
Provisions	(4,819)		(4,819)
Conversion loan	(500)		(500)
Other borrowings	(4,313)		(4,313)
	3,898	(14,331)	(10,433)
Consideration *			3,636
Goodwill on Acquisition			14,069

* Consideration was settled by issue of 603,529,130 shares in Eftel Limited

25. Financial Instruments

a. Capital risk management

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated profit as disclosed in notes 17 and 18 respectively.

The consolidated entity operates its capital in a manner such that surplus cash is used to reduce debts to lower costs and increase profit, or the acquisition of competitor businesses, to increase revenue and profit.

Operating cash flows are used to maintain and expand the consolidated entity's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

The consolidated entity's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities assessed as appropriate at the time of the raising, to meet anticipated funding requirements.

None of the consolidated entity's entities are subject to externally imposed capital requirements.

Gearing ratio

The consolidated entity's Audit Committee and Board of Directors reviews the capital structure numerous times throughout the year. As a part of this review the committee's consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

	2012 $'000	2011 $'000
Financial assets		
Debt[i]	400	4,313
Cash and cash equivalents	(3,549)	(1,156)
Net debt	(3,149)	3,157
Equity[ii]	12,146	6,476
Net debt to equity ratio	-25.9%	48.7%

[i] Debt is defined as long-term and short-term borrowings, as detailed in note 14.

[ii] Equity includes all capital and retained earnings.

b. Categories of financial instruments

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	3,549	1,156
Loans and receivables	6,067	2,955
	9,616	4,111
Financial liabilities		
Trade Payables	13,406	10,257
Financial Leases	-	80
Borrowings	400	4,233
	13,806	14,570

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables. The carrying amount reflected above represents the company's and the consolidated entity's maximum exposure to credit risk for such loan and receivables.

25. Financial Instruments (Con't)

c. Foreign currency risk management

The consolidated entity is exposed to foreign exchange fluctuations in relation to the purchase of network equipment (US Dollars) and the payment of customer support call centre staff in Malaysia (Malaysian Ringgit), and the payment of contracted support call centre in Philippines (Philippines Peso). Exchange rate exposures are managed within approved policy parameters.

Judgements of reasonably possible movements:

2012		Foreign Exchange Movement			
		+10%		-10%	
	Maximum Exposure	Profit	Equity	Profit	Equity
	A$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Borrowings	-	-	-	-	-
Net Effect		-	-	-	-
Net Effect after Tax (rate of 30%)		-	-	-	-

2011		Foreign Exchange Movement			
		+10%		-10%	
	Maximum Exposure	Profit	Equity	Profit	Equity
	A$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Borrowings	277	25	25	(30)	(30)
Net Effect		(25)	(25)	30	30
Net Effect after Tax (rate of 30%)		(18)	(18)	21	21

d. Interest rate risk management

The consolidated entity is exposed to minimal interest rate risk as it borrows funds at both fixed and variable interest rates. The risk is managed by the consolidated entity by maintaining an appropriate mix between fixed and variable interest bearing liabilities. The Directors believe that as all interest bearing liabilities are not at risk of varying interest rates.

At 30 June 2012, the consolidated entity has $400k (2011: $562k) of financial liabilities at risk to variable interest rate movements. This loan was repaid in full on 4 September 2012

At 30 June 2012, the consolidated entity has $3.549 million (2011: $562k) of financial assets at risk to variable interest rate movements.

e. Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or consolidated entity of debtors under financial instruments entered into by the consolidated entity.

The consolidated entity's funds are deposited at reputable financial institutions.

f. Fair values

The carrying amount of cash, cash equivalents and short-term investments approximates fair value because of their short term to maturity. The carrying amount of trade receivables and trade payables approximate fair value.

The fair values of other loans and amounts due are recorded at the face value as the loans are subject to interest charges and agreed repayment schedules.

For other assets and other liabilities the fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets.

Refer to note 1(g) for the financial assets policies.

25. Financial Instruments (Con't)

g. Liquidity risk management

The board of directors have ultimate responsibility for the management of liquidity risk. The consolidated entity manages the risk by maintaining adequate cash reserves and continuously monitoring cash flows and through the implementation of cash flow forecasts which are reviewed by the Board of Directors.

The following tables detail the company's and consolidated entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the consolidated entity can be required to pay. The tables include both interest and principal cash flows:

2012	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	5+ years
	%	$'000	$'000	$'000	$'000	$'000	$'000
Non-interest bearing	-	-	13,406		-	-	-
Finance lease liabilities			-			-	-
Fixed interest rate instruments			-			-	-
Variable interest rate instruments	6.80%		400			-	-
		-	13,806	-	-	-	-

2011	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	5+ years
	%	$'000	$'000	$'000	$'000	$'000	$'000
Non-interest bearing	-	-	10,257		-	-	-
Finance lease liabilities	12.30%	9	27	44	-	-	-
Fixed interest rate instruments	13.44%	17	51	547	3,057	-	-
Variable interest rate instruments	15.40%	34	102	271	155	-	-
		60	10,437	862	3,212	-	-

26. Asset for Sale

In 2011 the Group decided to dispose of plant and equipment comprising the BoradbandNext MSAN network and anticipated that the disposal would have been completed during the first half of 2012. During the current period the Board abondoned the plan to sell the BroadbandNext MSAN and consequently the assets were reclassified to plant and equipment in accordance with AASB 5. The assets were reclassified at a carrying amount of $3,931m which included an adjustment for depreciation that would have been charged had the assets not been classified as held for sale. As at 31 December 2011 the Board and Management to the view that the carrying amount of the assets as at 31 December 2011 was imparied and as a consequence an impairment charge of $3,931m has been recorded giving the assets a nil written down value as at 30 June 2012. Should circumstances change in the future the impairment charge will be reversed.

The major classes of assets and liabilities of the business are as follows:

	2012	2011
	$'000	$'000
Property, plant and equipment		4,912
Assets held for sale (Note 24)	-	4,912
Other payables		153
Borrowings		2,567
Liabilities associated with assets held for sale	-	2,720
Net assets classified as held for sale	-	2,192
Amounts recognised directly in equity associated with assets held for sale		-

The assets for sale were acquired as part of the business combination disclosed in Note 24.

27. Related party disclosures

a. Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

b. Key management personnel

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report in the Directors' Report designated as audited.

The aggregate compensation of the Directors and key management personnel of the consolidated entity and company is set out below:

	2012 $	2011 $
Short-term employee benefits	1,703,900	339,191
Post-employment benefits	133,194	31,725
Share-based payment	-	-
Total	1,837,094	370,916

c. Loan disclosures

Eftel Limited did not provide any loan facilities to directors or executives during the year.

d. Other transactions with directors and key management personnel:

The profit from operations includes the following items of revenue and expense that resulted from transactions with key management personnel or their related entities:

	2012 $	2011 $
Consolidated profit including the following expenses arising from transactions with key management personnel of the Group or their related parties:		
Other telecommunication expenses		
Acquire Asia Pacific Pty Ltd[3]	117,209	52,871
Acquire Asia Pacific Manila Inc.[4]	3,531,177	1,527,967
Dodo Wholesale Pty Ltd[1]	18,055,207	14,169,589
Infinite Rewards Pty Ltd[2]	5,500	25,843
	21,709,093	15,776,270

27. Related party disclosures (Con't)

	2012	2011
	$	$
Total liabilities arising from transactions other than compensation with key management personnel or their related parties:		
Trade & other payables		
Acquire Asia Pacific Pty Ltd[3]	21,310	-
Acquire Asia Pacific Manila Inc.[4]	897,032	136,053
Dodo Wholesale Pty Ltd[1]	6,705,761	1,999,828
Infinite Rewards Pty Ltd[2]	5,500	25,843
	7,629,603	2,161,724
Borrowings		
The Carnarvon Trust[6]	-	500,000
The Carnarvon Trust[7 8]	-	426,623
Dodo Wholesale Pty Ltd[5]	-	2,250,000
Jenesta Pty Ltd ATF Aurora Property Trust[10]	-	562,220
John Raftis[11]	-	56,893
Mr Scott Stavretis[9]	-	-
	-	3,795,736

[1] Dodo Wholesale Pty Ltd is a division of Dodo Australia Pty Ltd. Mr Larry Kestelman and Mr Michael Slepoy are directors of these companies. Dodo Wholesale Pty Ltd provides Internet and telecommunication services to ClubTelco Pty Ltd. Payment terms are 30 days. Dodo Australia Pty Ltd has provided extended terms to ensure the consolidated entity has sufficient cash resources.

[2] Infinite Rewards Pty Ltd is a company of which Mr Larry Kestelman and Mr Michael Slepoy are directors. Infinite Rewards Pty Ltd provides the Membership Rewards Programme to ClubTelco Pty Ltd. Payment terms are 30 days.

[3] Acquire Asia Pacific Pty Ltd is a company of which Mr Larry Kestelman And Mr Scott Stavretis are directors. Acquire Asia Pacific Pty Ltd provides professional services to ClubTelco Pty Ltd. Payment terms are 7 days.

[4] Acquire Asia Pacific Manila Inc. is a company of which Mr Larry Kestelman and Mr Scott Stavretis are directors. Acquire Asia Pacific Manila Inc provides call centre services to ClubTelco Pty Ltd. Payment terms are 30 days.

[5] Dodo Wholesale Pty Ltd is a company of which Mr Larry Kestelman and Mr Michael Slepoy are directors. Dodo Wholesale Pty Ltd had provided a loan of $2,250,000 to Eftel Ltd at an interest rate of 11.5%. The loan was repaid in full on 10 May 2012. During the 2012 financial year $269,947 in interest was paid by Eftel Ltd.

[6] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld are Trustees for the Carnarvon Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. The loan has a fixed interest rate of 19.2% and was repaid in full on 22 May 2012. During the 2011 financial year interest and fees of $87,701 (2011: $98,400) were paid by Eftel Ltd.

[7] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld are Trustees for the Carnarvon Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. The loan has a fixed interest rate of 19.2% and was repaid in full on 22 May 2012. During the year interest and fees of $59,255 (2011: $18,700) were paid by Eftel Ltd.

[8] Mr Simon Ehrenfeld and Mrs Samantha Ehrenfeld have provided assets as security for the loan of Jenesta Pty Ltd ATF the Aurora Property Trust. Mrs Samantha Ehrenfeld is the spouse of Mr Simon Ehrenfeld. This facility carries a fixed interest rate of 11.5%. During the 2012 financial year interest and fees of $64,838 (2011: $69,375) were paid by Eftel Ltd.

[9] A loan from Mr Scott Stavretis was provided on 16 May 2011 as part of a convertible loan agreement with a fixed interest rate of 19.2% and repayable in full by August 2011. The loan was settled in full on 30 June 2011 by the issue of 40,225,261 shares in Eftel Ltd as per the resolution passed by shareholders at General Meeting. During the 2011 financial year interest of $7,101 was accrued by Eftel Ltd.

[10] A secured loan from Jenesta Pty Ltd (ATF Aurora Property Trust), of which Mr Jurgen Steinert is a director provided at an average of 15.23% per annum. Mr Paul Rolfe is an investor in the Trust. This loan was reapid in full on 29 June 2012. During the 2011 financial year interest and fees of $57,759 (2011: $110,817) were paid by Eftel Ltd.

[11] A loan from Mr John Raftis was provided on 23 April 2009 with a fixed interest rate of 19.2% and was repaid in full on 22 May 2012. During the 2012 financial year interest and fees of $8,326 (2011: $11,723) were paid by Eftel Ltd

27. Related party disclosures (Con't)

(e) Key management personnel equity holdings

Number of shares in which Directors and other key management personnel have a direct or indirect interest:

	Balance 01/07/2011	Change in recognition of director/ executive holdings due to appointment, retirement or resignation	Consolidation of 1 for 20 shares completed on 15 December 2011	Net Change Other*	Balance 30/06/2012
Directors					
Stephe Wilks	-	-	-	40,000	40,000
Scott Stavretis	-	40,225,261	(38,213,997)	-	2,011,264
Simon Ehrenfeld[1]	47,397,388	-	(45,027,516)	-	2,369,872
Ilario Faenza	-	-	-	-	-
Larry Kestelman	-	716,763,588	(680,925,407)	29,167,288	65,005,469
Paul Stevenage	150,000	-	(142,500)	-	7,500
Other key management personnel					
Scott Stavretis[2]	40,225,261	(40,225,261)	-	-	-
Larry Kestelman	716,763,588	(716,763,588)	-	-	-
John Raftis	7,045,320	-	(6,693,054)	37,085	389,351
Pauline Sabin	-	-	-	-	-
Richard Swancott	612,792	-	(582,152)	-	30,640
Paul Rolfe	4,069,066	-	(3,865,612)	-	203,454
Kathryn Marshall	-	120,000	(114,000)	219,350	225,350

* Net change other refers to shares purchased or sold during the financial year.

[1] Mr Simon Ehrenfeld is a director of Paradox Investments Pty Ltd and Northlink Holdings Pty Ltd, companies that held 26,162,786 and 5,161,892 shares in Eftel respectively.

[2] Mr Stavretis was a key executive of ClubTelco Pty Ltd throughout the 2011 year and of Eftel Ltd from 14 April 2011. The issue of shares to Mr Stavretis in year ended 30 June 2011 was approved by shareholders on 29 June 2011. The loan of $500,000 was converted into shares on 30 June 2011.

Number of Options in which Directors and other key management personnel have either a direct or indirect interest:

There was no Options issued or held by the Directors and the key management personnel.

f. Parent entity and controlling party

The immediate parent and ultimate controlling party respectively of the Group are ClubTelco Australia Pty Ltd and Capri Holdings Number 6 Pty Ltd as Trustree for the Kestelman Family Trust No.6.

28. Reserves

Foreign Currency Translation Reserve

	2012 $'000	2011 $'000
Balance at 1 July 2011	-	-
Deficit/(Surpus) from the translation of financial statements of foreign operations	16	-
Balance at 30 June 2012	16	-

Exchange differences relating to foreign currency denominated monetary items forming part of the net investment in foreign operations and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 2(q) of the Preliminary Final Report.

29. Parent entity (Eftel Limited) disclosures

	2012	2011
	$'000	$'000
Financial Position		
Assets		
Current assets	1,963	10,569
Non-current assets	24,238	16,986
Total assets	26,201	27,555
Liabilities		
Current liabilities	8,336	14,268
Non-current liabilities	79	962
Total liabilities	8,415	15,230
Net assets	17,786	12,325
Equity		
Issued capital	57,772	50,004
Accumulated profit/ (loss)	(39,986)	(37,679)
Total equity	17,786	12,325
Financial performance		
Profit for the year	(2,307)	(10,451)
Other comprehensive income		
Total comprehensive income	(2,307)	(10,451)
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	-	-
Contingent liabilities of the parent entity		
	-	-
Commitments for the acquisition of property, plant and equipment by the parent entity		
Plant and equipment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

30. Subsequent events

a. On 25 June 2012, Eftel Ltd announced that it had signed an agreement to acquire the assets of telecommunications service provider, West Australian Networks. The purchase price includes approximately 1,500 business and residential customers and all intellectual property including the domain name westnet.net.au.
The consideration paid for the combinations effectively included amounts in relation to the benefit from synergies, revenue growth, and future market development. In the case of the West Australian Networks acquisition, these benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

b. On 7 August Eftel Ltd completed the underwritten rights issue announced by the company on 5 April 2012 by the placement of shares and the balance of the rights issue being taken up by the underwriters:

	No of shares	Amount subscribed $'000
Ryan O'Hare	5,714,286	1,000
Cannes Management Pty Ltd	1,910,063	334
MIS Investments Pty Ltd	940,778	165
Total	8,565,127	1,499

c. On 6 August 2012, Eftel Ltd announced the acquisition of Visage Telecom Pty Ltd, an Australian voice product service provider to small and medium businesses. The consideration of $450k will be paid by way of cash instalments totalling $225,000 and the issue of 1,285,715 Eftel Ltd shares (at an issue price of 17.5 cents per share) valued at $225,000. There will also be a cash adjustment for net tangible asets acquired which is anticipated to be less than 10% of the purchase price.

	Visage Telecom		
2012		**Fair value adjustment**	**Recognised on acquisition**
Net assets acquired	**$'000**	**$'000**	**$'000**
Net assets acquired:			
Cash & cash equivalents	47	-	47
Trade and other receivables	57	-	57
Property Plant & Equipment	-	-	-
Intangible Assets - Software	-	-	-
Trade and other payables	(93)	-	(93)
	11	-	11
Consideration			450
Goodwill on Acquisition			439

The directors declare that:

a. In the Directors' opinion the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2;

c. 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

d. the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001

On behalf of the Directors

Director

Dated, 13 September 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Eftel Limited

Report on the Financial Report

We have audited the accompanying financial report of Eftel Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 55.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eftel Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Eftel Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Eftel Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 17 September 2012

Eftel Limited - Top 20 Shareholders as at 14 September 2012

Rank	Shareholder		Number of ordinary fully paid shares	% of issued ordinary capital held
1	CANNES MANAGEMENT PTY LTD	<KESTELMAN FAMILY NO.2>	36,739,075	34.17%
2	CLUBTELCO AUSTRALIA PTY LTD		30,176,457	28.07%
3	MIS INVESTMENTS PTY LTD	<SLEPOY FAMILY NO.3>	18,094,756	16.83%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD		5,714,786	5.32%
5	STAV NOMINEES PTY LTD	<STAVRETIS FAMILY>	2,011,264	1.87%
6	QUOIN (INT) LIMITED		2,002,849	1.86%
7	PARADOX INVESTMENTS PTY LTD		1,308,140	1.22%
8	JB (BLACKTOWN) PTY LTD	<JOHN BEVILLE (BLACKTOWN)>	1,285,715	1.20%
9	MR SIMON EHRENFELD		803,637	0.75%
10	JASFORCE PTY LTD		505,000	0.47%
11	NETNODE PTY LTD		470,000	0.44%
12	MR LUKE MACKINNON		338,534	0.31%
13	JENESTA PTY LTD	<THE STEINERT FAMILY A/C>	304,080	0.28%
14	PETHOL (VIC) PTY LTD	<MACDY NO 5 SUPER FUND A/C>	300,000	0.28%
15	NORTHLINK HOLDINGS PTY LTD	<PARADOX INVESTMENTS S/F A/C>	258,095	0.24%
16	MR JEREMY COUSINS		255,363	0.24%
17	MRS NORMA ROSINA EHRENFELD		233,921	0.22%
18	EQUITAS NOMINEES PTY LTD		226,490	0.21%
19	MS KATHRYN MARSHALL		225,350	0.21%
20	MR MORRIS LINDSAY HULSE		225,000	0.21%
	Total Top 20 Shareholders		**101,478,512**	**94.39%**
	Total Number of Issued Ordinary Shares		**107,506,425**	**100.00%**

Eftel Limited - Distribution of Holders of Equity Securities as at 14 September 2012

Size of Holding	Number of Shareholders	Number of Ordinary Fully Paid Shares
1 - 1,000	837	245,822
1,001 - 5,000	278	675,969
5,001 - 10,000	67	482,051
10,001 - 100,000	100	3,177,525
100,001 - 9,999,999,999	32	102,925,058
Total	**1,314**	**107,506,425**

Unmarketable Parcels

The number of shares held in shareholdings with less than marketable parcels is 657,339.

Eftel Ltd - Substantial Shareholders as at 14 September 2012

Substantial Shareholder	Number of Ordinary Fully Paid Shares at time of notification	Voting Power at time of notification	Notification
Cannes Management Pty Ltd	85,010,288	79.07%	Substantial Shareholder Notice dated 07/08/2012
ClubTelco Australia Pty Ltd	85,010,288	79.07%	Substantial Shareholder Notice dated 07/08/2012
MIS Investments Pty Ltd	85,010,288	79.07%	Substantial Shareholder Notice dated 07/08/2012
Mr Ryan O'Hare	5,714,286	5.32%	Substantial Shareholder Notice dated 10/08/2012

* Cannes Management Pty Ltd(36,739,075 shares), ClubTelco Australia Pty Ltd (30,176,457 shares) and MIS Investments Pty Ltd (18,094,756 shares) are associated parties.