2012

AMCOM TELECOMMUNICATIONS LTD.
ANNUAL REPORT

amcom

Contents

CHAIRMAN'S REPORT

Anthony J Grist
Chairman

Dear Shareholder,

It is with great pleasure that I present Amcom Telecommunications Limited's annual report for 2012. It has been another very successful year for your company as we evolve to take advantage of the paradigm shift occurring in the rapidly changing telecommunications and information technology (IT) industries.

Reported net profit after tax rose 10% to a record $28.4m. This included one-off items such as an accounting profit associated with the distribution of our iiNet investment to our shareholders earlier in the year and the write down of the carrying value of some assets, including goodwill and obsolete equipment.

Excluding one-off items, underlying net profit rose 22% from the previous year to $16.8m. This marks the tenth consecutive year of underlying profit growth in excess of 20% per annum. This is an enviable track record for any listed company through a decade punctuated by economic volatility and a global financial crisis. Amcom's growth shows no sign of abating going forward and it demonstrates the strength and stability of our business model in these uncertain economic times.

The board declared dividends totalling 5 cents per share for the year, up from 4.8 cents on a like-for-like basis from the previous year. The increased dividend was despite the company not benefitting from equity accounted earnings or dividends from iiNet in FY 12.

Amcom's ability to leverage both its human and hard assets was demonstrated by a 30% improvement in operating cashflow to $32.3m (normalising the iiNet dividend of $3.9m in FY11) while free cashflow jumped 82% to $13.4m. The free cashflow performance is after capital expenditure commitments, the bulk of which are to connect new customers to our network, which demonstrates our ability to fund the ongoing organic growth of the business without requiring external debt or equity financing. Therefore external financing is usually only required to facilitate other significant growth initiatives, such as the strategic acquisition of L7 Solutions completed in November, which will drive further growth in shareholder value.

I am very excited by the acquisition of IT services company L7 which has since been re-named Amcom L7 Solutions. This acquisition is a key part of our strategy to take advantage of the convergence between telecommunications and information technology. Cloud services (hosted IT services) is a new dynamic growth phase for our industry as our corporate and government customers seek ways to manage their telecommunications and IT requirements better, faster and more efficiently. To fully capitalise on the emerging Cloud opportunity participants require both fully integrated IT service capabilities and access to first class telco network infrastructure. Amcom has both.

Another way we add value for our shareholders is through strategic capital management initiatives such as the in-specie distribution of our 20.4% investment in iiNet to our shareholders. While both Amcom and iiNet are quality businesses they serve different segments of the telecommunications market and the board decided both companies would benefit from being completely independent of each other going forward. In excess of $50m of value was created for Amcom shareholders over the life of the investment and the distribution of our iiNet shares for nil consideration was akin to a generous capital return. Since the distribution back in August 2011 the combined market capitalisation of both companies has risen by approximately 60%.

As we move forward I remain very confident of the longer-term outlook for your company. With low gearing levels, strongly growing cash flow generation and the ability of our senior management team to position Amcom 'ahead of the curve' in our industry, the company has ample capacity to fund new growth initiatives while maintaining ongoing attractive returns to our shareholders. However, success cannot be achieved without the ongoing contribution of everyone at Amcom, of whom I am proud, and the ongoing support of our customers and shareholders. To all stakeholders in Amcom's future I would like to offer my thanks for their ongoing contribution and support. I look forward to reporting back to you at the conclusion of what should be another successful year ahead.

Anthony J Grist

Chairman
24 September 2012

“Leadership is about creating an environment that empowers everyone in the business.”

Clive Stein
Chief Executive Officer

MANAGING DIRECTOR'S REPORT

Clive Stein
Managing Director
& CEO

Dear Shareholder,

I am very pleased to report that the year ended 30 June 2012 was another successful one for Amcom. Your company continues its enviable track record of performance and ongoing growth in shareholder value. For the year underlying net profit after tax increased by 22% to $16.8m. This excludes several one-off items which added net $11.5m to reported earnings. The underlying profitability of your company is a more consistent gauge of performance and I'm pleased to say this year marked the tenth consecutive year where underlying profit increased by at least 20% per annum.

I was particularly pleased with our cash flow performance as free cash flow after capital expenditure increased 82% to $13.4m, while return on shareholder's equity rose from 13% to 15% in FY12. Combined with our strong balance sheet and low gearing levels these metrics demonstrate the attractive returns the company generates from its operations.

FY 12 has been a defining year in Amcom's ongoing evolution to become a leading convergent telecommunications and IT solutions provider.

In August 2011 we distributed our iiNet shareholding to shareholders and in November we announced the strategic acquisition of L7 Solutions, a leading Perth based information technology company. With a broadened and fully integrated product offering, strong customer relationships and a committed team of Amcom people we are well placed to take advantage of the convergence between telecommunications and IT services that is occurring globally.

The physical assets of the company are only part of our story. At Amcom, we have built a sales culture and commitment to serving our corporate and government customers which in my view is second to none in our industry. We see this as a key competitive advantage against our larger competitors and I am very focussed on driving an open, collaborative and customer centric culture within the company.

OPERATIONAL REVIEW

Data Networks

Our data networks (fibre) business was the largest contributor to the company's earnings growth over the year. Our data networks business provides a comprehensive range of high-speed communication products to blue chip corporates, government agencies and other telecommunication providers. Data network sales for FY2012 were over 40% higher than the previous year. Fast and reliable data carriage is an essential requirement for business today, regardless of overall economic conditions. Our current and potential client base are always looking to manage their communication requirements better, faster and cheaper because of the productivity benefits this affords their organisations. In this regard, Amcom's offerings are 'built for business.' We continue to invest in the development of our services to maintain a leading position in the market place.

As you are aware, we own our own network footprints in Perth, Adelaide and Darwin. However with the judicious use of other providers networks on an 'as needs' basis, we can address customers across Australia, outside of our network footprint and avoid the large capital outlay of further fibre roll-out. While ownership of physical network infrastructure is a key advantage we enjoy, it is not necessarily the only determinant in the customer's purchase decision. Hence our strong focus on the overall customer experience – service, flexibility, value for money and reliability.

Going forward as we add new service capabilities to the organisation, particularly in the IT services space, we will drive further volume across our fibre network. Given the capital cost of laying the network has already been borne and the cost to us of incremental volume carriage is low, I expect the profitability of the data networks business to continue to grow strongly.

Amcom L7 Solutions

In November 2011, we acquired Perth-based information technology company L7 Solutions for $15m and have subsequently re-branded it Amcom. L7 is an information technology company, specialising in the provision of IT integration solutions, managed services, advisory and related services. L7 generated revenue of $56m for the whole of FY12. The acquisition is an excellent strategic fit for Amcom as it provides complementary product offerings and importantly, leverages our existing fibre network assets and opens opportunities to provide new innovative IT services into our existing customer base.

Both the IT services and telecommunications industries are converging. Taking advantage of this trend is an important part of Amcom's growth strategy going forward. The term 'Cloud Services' refers to customers acquiring computing resources (servers,storage, backup, software, applications) delivered as a service across a providers network such as Amcom's. The customer is charged for the cloud services on a consumption or usage basis, allowing the customer to scale their computing requirements according to business needs. The cloud model allows customers to effectively convert the capital expenditure related to acquiring expensive hardware into an operating expense.

Our first major Cloud Services deal was with the University of Western Australia, which we signed in July 2011. Taking advantage of the growth in Cloud Services through both our existing capabilities and those introduced to the organisation from the acquisition of L7 will drive the next phase of growth in shareholder value.

I am pleased to say the acquisition of L7 is proceeding to our plan. We share a similar set of values and vision of where we want to take the combined group going forward. On a full year basis (FY13) I expect the performance of L7 to meet its original target of $4m EBITDA as we capture both cost and revenue synergies previously identified.

Business Services

The Business Services division houses our service offerings such as Cloud Services, L7 Solutions, and IP telephony. I have already touched on Cloud and L7 above. On IP telephony, we have the capability to offer fully converged voice, video and data solutions to customers across the country. Combined with our other offerings we are able to capture a greater share of our customer's telco and IT spend than previously. Growing our organisation is not just about winning new customers, but also deepening our existing client relationships through cross selling new innovative services.

Amnet

Our DSL internet service provider Amnet has a residential and small business customer base. However, intense competition in the residential broadband market resulted in an 8% decline in Amnet's revenue and a 10% reduction in EBITDA. Amnet continues to rate highly in industry surveys of customer satisfaction against industry peers.

Outlook

I am pleased to say Amcom has commenced the new financial year in a strong financial position, with over $90m of annuity revenue and considerable operating momentum. The existing data networks (fibre) business continues to grow, as does the pipeline of opportunities in the Cloud (hosted IT) services market.

The company maintains a disciplined approach to winning new annuity style business and generating shareholder value. With low gearing levels and strongly growing cash flow generation the company has ample capacity to fund growth initiatives while delivering ongoing attractive returns to our shareholders.

The broadening of the product base and the positioning of the company to add annuity based IT services capability will drive earnings growth going forward. The business is on track to achieve similar underlying earnings growth in FY 13 as delivered in FY 12.

The Amcom team are both hard-working and dedicated to the success of the company. I would like to take this opportunity to thank all of our people for their essential contribution to another outstanding year. We look forward to continued success in the future.

Clive Stein

Managing Director and
Chief Executive Officer
24 September 2012

This page has been left intentionally blank.

"Great contributions come from individuals, but ultimately success lies in the strength of the team."

Michael Knee
Chief Operating Officer

Board of Directors

The Board of Directors of Amcom Telecommunications Limited is responsible for establishing the corporate governance framework having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGC's recommendations.

	Recommendation	Comply
Principle 1 – Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
Principle 2 – Structure the board to add value		
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
Principle 3 – Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• The practices necessary to maintain confidence in the company's integrity.	Yes
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Yes
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes

	Recommendation	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executives positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes
Principle 4 – Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• Consists only of non-executive directors	Yes
	• Consists of a majority of independent directors	Yes
	• Is chaired by an independent chair, who is not chair of the board	Yes
	• Has at least three members	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 – Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
Principle 6 – Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes
Principle 7 – Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes

“We continue to invest in our Channel partner program because their success is our success.”

Ian Satie
Sales Manager - WA Channel


amcom

	Recommendation	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes
Principle 8 – Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it:	
	• Consists of a majority of independent directors	Yes
	• Is chaired by an independent chair	Yes
	• Has at least three members	Yes
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes

Amcom Telecommunication Limited's corporate governance practices were in place throughout the year ended 30 June 2012.

For further information on corporate governance policies adopted by Amcom Telecommunications Ltd, refer to our website: www.amcom.com.au

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Risk
- Remuneration and Nomination

The roles and responsibilities of these committees are discussed in this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and

- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure and independence of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Amcom Telecommunications Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

Mr Grist has a shareholding of 3.76% in the Company, he receives additional fees to his Chairman's fees (as disclosed at note 33 of the financial statements) and had a former executive role. The Board is of the opinion that Mr Grist is an independent director and is the most appropriate person to lead the Board and that he is able to discharge his duties with independent judgement and that the Company benefits from his long standing experience in the industry. Mr Grist does not sit on any of the Board's committees.

Mr Coleman is a Director of Wyllie Group Pty Ltd, which has a 6.5% shareholding in the Company. Notwithstanding this relationship, Mr Coleman is considered independent as he has no financial interest in Wyllie Group Pty Ltd and holds his position as a Director of the Company personally.

Mr Warner is a Director of Cape Bouvard Investments Pty Ltd, a Company that is under common control with Osson Pty Ltd, a Company that has an 8.0% shareholding in the Company. Notwithstanding this relationship, Mr Warner is considered independent as he has no financial interest in Cape Bouvard Investments Pty Ltd or its related companies, and that he holds his position as Director of the Company personally which pre-dates Osson Pty Ltd as a shareholder of the Company.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Amcom Telecommunications Ltd are considered to be independent:

Anthony Grist
Peter Clifton
Craig Coleman
Anthony Davies
Ian Warner

There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice at the Company's expense in order to fulfil their duties as Directors.

The term in office held by each director in office at the date of this report is as follows:

Name	Date Appointed
Ian Warner	March 1994
Anthony Grist	October 1997
Peter Clifton	September 1999
Clive Stein	April 2000
Anthony Davies	October 2003
Craig Coleman	October 2008

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the performance of Board members was evaluated against qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company.

Trading Policy

The Company's security trading policy imposes basic trading restrictions on all employees of the Company and its related Companies with "inside information", and additional trading restrictions on the directors and executives of the Company.

The securities trading policy can be found at www.amcom.com.au. As required by the ASX Listing Rules, the Company notifies the ASX of any securities transaction conducted by directors in the securities of the Company.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive directors.

The members of the Audit and Risk Committee during the year were:

Anthony Davies (Chairman)
Ian Warner
Peter Clifton

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Remuneration and Nomination Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and the executive team. The Board has established a Remuneration and Nomination Committee, comprising three non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

Craig Coleman (Chairman)
Peter Clifton
Ian Warner

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The Committee also considers the nomination of new directors to the Board based upon maintaining an appropriate mix of skills, experience and background. The Board has adopted a diversity policy.

There is no scheme to provide retirement benefits to non-executive Directors.

For details on the number of meetings of the Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management reports to the Audit and Risk Committee who in turn report to the Board on the company's key risks and the extent to which it believes these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and board monitoring of progress against these budgets.

As part of its oversight role the Audit and Risk Committee conduct a series of risk-based reviews as agreed with management and the committee with the objective of providing assurance on the adequacy of the risk management process.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the chief executive officer and chief financial officer have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Shareholder Communication Policy

Pursuant to Principle 6, Amcom's objective is to promote effective communication with its shareholders at all times.

Amcom Telecommunications Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Amcom Telecommunication Limited's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia.

- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Amcom Telecommunications Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on Amcom Telecommunications Limited's website: www.amcom.com.au

The Company's website www.amcom.com.au has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Diversity

The Company is committed to providing a diverse work environment in which everyone is treated fairly and with respect. Diversity at Amcom is promoted by creating a culture that empowers people to act in accordance with established Diversity policies and processes, and through the achievement of the following Measurable objectives:

Diversity Measurable Objectives	Progress
Appoint a Diversity Committee	Diversity Committee established comprising Chief Operating Officer, Chief Financial Officer, Human Resources Manager and Business Manager - Marketing.
Appoint a member of the Executive Management Group responsible for diversity	Responsibility allocated to Chief Operating Officer.
Ensure recruitment policies and procedures reflect Amcom's position on diversity	Policies and procedures reviewed and all recruitment advertising includes a statement on Diversity.
Diversity Committee to provide a semi-annual report to the Remuneration & Nomination Committee on diversity matters	Diversity Committee to adjust reporting cycle from annual to semi-annual reporting to the Remuneration & Nomination Committee, on the progress of Diversity Measurable Objectives and female representation, from FY13.
Establish programs which aim to encourage female participation in the workforce	A range of workplace programs have been initiated towards attracting and retaining female employees, including flexible working hours; 'keep in touch' initiative for women on maternity leave; allocation of a designated expressing room for women returning from maternity leave; and launch of the WiTS (Women in Technology Services) professional development and networking group.

Current representation of women in the workplace at Amcom at 30 June 2012 is as follows:

Female Representation:	Total # Females	% Females
Whole Organisation	69	20.2%
Senior Executive	1	14%
Board	0	0

"Our greatest strength and key to our success is the investment in our people."

Amanda Canterbury
Business Manager - HR

Directors

Your directors submit their report for the year ended 30 June 2012.

The names and particulars of the directors of the Company during and since the end of the financial year are:

Mr. Anthony GRIST
non-executive Chairman

Joined the Board in 1997. After managing the corporate underwriting division of a Corporate Member of the Australian Stock Exchange, Mr. Grist formed a private investment group based in Perth, Western Australia, in 1991. He is also chairman of Silverstone Resources Limited and a principal of Albion Capital Partners and was a director of iiNet Limited until 8 September 2011.

Mr. Ian WARNER
non-executive
Deputy Chairman

Joined the Board in 1994. Mr. Warner has practiced as a commercial lawyer for over 25 years including 16 years as a Senior Partner of a large Perth law firm. He was also a Director (until May 2012) of Australia Post and is a non-executive Director of Cape Bouvard Investments Pty Ltd. Mr. Warner is a member of the Audit and Risk Committee and of the Remuneration and Nomination Committee.

Mr. Clive STEIN
Managing Director
& Chief Executive Officer

Joined the Board in 2000. Mr. Stein has over 25 years international experience in the electronics, computer and communications industries. He joined Amcom as General Manager in 1999 and was subsequently appointed to Chief Operating Officer. Mr. Stein was appointed to the role of Managing Director and Chief Executive Officer on 1 July 2007. Mr. Stein's previous positions included various senior management roles in leading computer and electronic companies. His career, which commenced in the electronics industry in South Africa, has also included a number of engineering positions.

Mr. Peter CLIFTON
non-executive Director

Joined the Board in 1999. A consultant with particular expertise in the management of commercial, contractual and project delivery requirements of large projects, Mr. Clifton has more than 35 years experience in the telecommunications industry and extensive international business experience. This included 10 years establishing and managing Telstra's businesses in South East Asia, the Middle East and Europe. Mr. Clifton's clients include the Victorian Government, Asia Infrastructure Fund Advisors Ltd, Peregrine, Williams International, WorldxChange, KPMG and Leighton Visionstream. Mr. Clifton is a member of the Remuneration and Nomination Committee and of the Audit and Risk Committee.

Mr. Craig COLEMAN
non-executive Director

He is a Non-Executive Director and Senior Advisor to the Wyllie Group, a private investment company based in Perth, Western Australia. Mr. Coleman is a former Managing Director of Home Building Society Ltd and prior to joining Home Building Society, he held a number of senior executive positions and directorships with ANZ including Managing Director Banking Products, Managing Director Wealth Management and Non-Executive Director of E*Trade Australia Limited. He is currently a Non-Executive Director of Bell Financial Group Ltd, Pulse Health Group Ltd and Chairman of Rubik Financial Ltd, Amadeus Energy Limited and Private Equity fund manager Viburnum Funds. Mr. Coleman is chairman of the Remuneration and Nomination Committee.

Mr. Anthony DAVIES
non-executive Director

Joined the Board in 2003. He is a Chartered Accountant and was an executive of Elders Ltd from 1989 until 2004, as the Chief Financial Officer for 11 years. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia. Mr. Davies is Chairman of the Audit and Risk Committee.

“Placing the customer at the centre of everything helps us focus on what’s important.”

Matthew Paddick
Corporate Account Manager

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr. A Grist	Silverstone Resources Ltd	Since 18 February 2011
	iiNet Ltd	Since July 2006 to 8 September 2011
Mr. C Coleman	Bell Financial Group Ltd	Since July 2007
	Amadeus Energy Ltd	Since July 2008
	Rubik Financial Ltd	Since December 2006
	Pulse Health Group Ltd	Since January 2010

Company Secretary

Mr. David Hinton

Mr. Hinton was appointed Company Secretary in February 2007 and Chief Financial Officer in October 2008. He is a Fellow of the Institute of Chartered Accountants in Australia and member of Chartered Secretaries Australia Ltd.

Principal activities

Amcom is an award-winning, ASX listed, IT and Telecommunications company employing over 340 talented people across Australia.

Through the delivery of innovative, flexible and cost effective solutions and superior customer service, Amcom has become the provider of choice for the converging Information, Communication and Technology (ICT) needs of business and government across Australia.

Amcom's product set includes national data network access delivering business grade data and internet services, business class IP voice, cloud solutions and managed services; all supported by our extensive fibre-optic network and an extensive range of ICT advisory, integration and security solutions.

Review of Operations

Refer to the Managing Director's Report.

Reconciliation to non-IFRS information

The Directors believe that the presentation of non-IFRS financial information is useful for readers of this Annual Report to provide information of the Company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the IFRS based profit result reported with the additional inclusion of non-IFRS information.

	FY12 $'000	FY11 $'000
Net Profit after tax	**28,358**	**25,853**
Income tax expense	5,350	5,186
Profit on in specie distribution – iiNet	(18,626)	-
Profit on sale of investment in an associate – iiNet	-	(4,255)
Share of profits of associates – iiNet	-	(7,762)
Impairment of goodwill	2,814	-
Impairment of assets (tax effect $1,499k)	4,995	-
Acquisitions activity and other expenses* (tax effect $230k)	1,024	-
Depreciation & amortisation	8,887	8,562
Interest revenue	(533)	(456)
Finance costs	1,739	1,630
EBITDA*	**34,008**	**28,758**
Depreciation & amortisation	(8,887)	(8,562)
EBIT*	**25,121**	**20,196**
Interest revenue	533	456
Finance cost	(1,739)	(1,630)
Profit before tax	**23,915**	**19,022**
Income tax expense	(7,079)	(5,186)
Net profit after tax before significant items* (Wholly owned operations)	**16,836**	**13,836**

* non *AIFRS* financial information

Significant change in the state of affairs

The Company distributed its 20.4% shareholding in iiNet Ltd to shareholders by way of an in specie distribution of $71m. This realised a profit on distribution to the Company of $18.6m (tax: nil).

On 22 November 2011, 100% of Amcom L7 Solutions Pty Ltd was acquired for $15m.

Following a review of the useful life of network assets an impairment charge of $5.0m (tax: $1.5m) was taken. As a result of the discontinuance of legacy data and voice products, associated network assets were considered obsolete.

An Amnet goodwill impairment charge of $2.8m was taken due to declining revenue and margins as a result of the intense competition in the residential broadband market.

Significant events after the balance date

There were no significant events after balance date except for vesting conditions of the Tranche A Performance Rights which were achieved on 23 August 2012 which resulted in the company issuing 3,049,888 Ordinary shares to employees under the Amcom Executive Long Term Incentive Plan. These rights were issued in 2010 and the issuance of the shares represents 1.2% of the expanded number of shares on issue.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated 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.

Securities on issue

Details of shares or interests on issues at date of this report:

	Number of Shares
Ordinary fully paid shares	244,541,792
Unlisted Employee series B shares	15,309
Total shares on issue	244,557,101
Performance Rights	
-Tranche B*	480,000
-Tranche C	1,315,000
	1,795,000

* Vesting conversion ratio of 1:1.3165

Performance Rights

During the year 199,998 Tranche A Performance Rights and 1,480,000 Tranche C Performance Rights were issued and 33,333 Tranche A Performance Rights lapsed as part of the executive long term incentive plan. The terms of the Performance Rights can be found in the Remuneration Report.

Employee Share Ownership Plan

Shares issued under the plan are unlisted and subject to a 3 year holding lock. Should the employee leave the employment of the company the holding lock is removed and application is made for the shares to be listed.

Under the plan employees who were entitled to a bonus could elect to take up to $1,000 in shares.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, company secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature and limits of insurance and the amount of the premium.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 Board meetings, 4 Remuneration and Nomination Committee meetings and 8 Audit and Risk Committee meetings were held.

Directors	Board of Directors		Remuneration and Nomination Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A Grist	13	13	-	-	-	-
Mr. I Warner	13	13	4	4	8	8
Mr. C Stein	13	12	-	-	-	-
Mr. C Coleman	13	12	4	4	-	-
Mr. P Clifton	13	13	4	4	8	8
Mr. A Davies	13	13	-	-	8	8

Directors' shareholdings

The following table sets out each director's interest in shares and performance rights of the Company as at the date of this report. Further details are included in note 33 to the financial statements.

Directors	Fully paid ordinary shares	Tranche A Performance Rights	Tranche B Performance Rights	Tranche C Performance Rights
Mr. A Grist	9,100,003	-	-	-
Mr. I Warner	66,667	-	-	-
Mr. C Stein	1,000,000	-	192,000	325,000
Mr. C Coleman	1,466,668	-	-	-
Mr. P Clifton	1,600,000	-	-	-
Mr. A Davies	366,667	-	-	-

Dividends

In respect of the financial year ended 30 June 2011, as detailed in the directors' report for that financial year, a final dividend of 3.0 cents per share fully franked $7,210,000 was paid to the holders of fully paid ordinary shares on 20 October 2011.

Directors paid a fully franked interim dividend of 1.8 cents per share $4,348,000 on 30 March 2012.

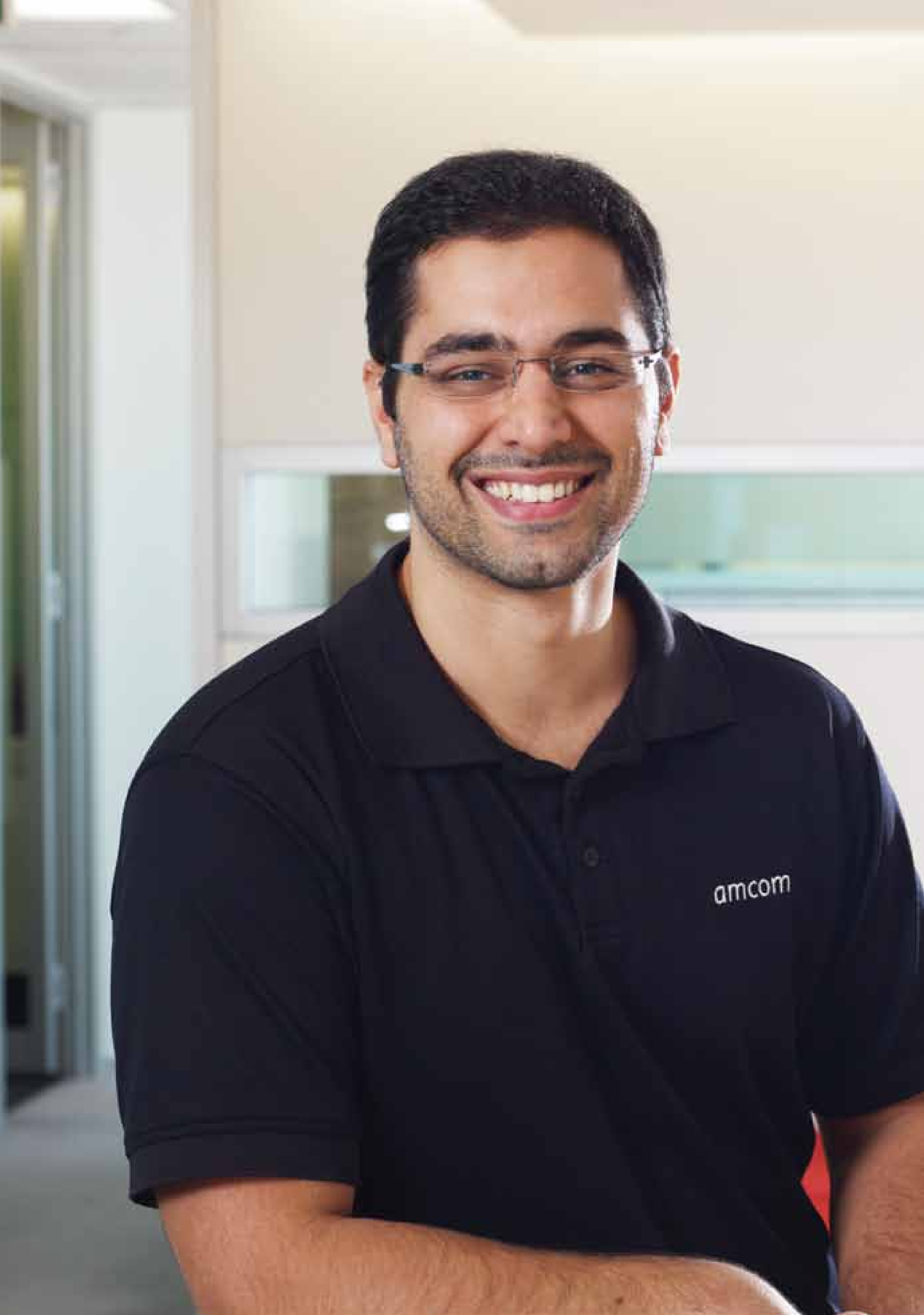
Subsequent to year end, the directors have declared a final dividend of 3.2 cents per share fully franked $7,826,000 paid on 21 September 2012.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are disclosed in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included in the annual report after the Directors Report and forms part of the Directors' Report.


amcom

“There is nothing more fulfilling than leaving customers with a great service experience.”

Saba Afshar
Project Manager
Unified Communications

REMUNERATION REPORT (audited)

Message from the Chairman of the Remuneration and Nomination Committee

As highlighted in the Chairman's Report, Amcom Telecommunications has had another successful year in which reported net profit after tax rose 10% to a record $28.4 million and (excluding one-off items) underlying net profit rose 22% from the previous year to $16.8 million. This is the tenth consecutive financial year in which underlying profit grew in excess of 20% per annum. We believe this sustained period of profitable growth is a significant achievement by the Company and the executive team.

The establishment of appropriate remuneration and incentive structures has played an important role in motivating, rewarding and retaining key management in order to execute and deliver these sustained returns.

The incentive structures that the Board has implemented can be summarised in two parts; a Short Term Incentive, focusing on annual performance and a Long Term Incentive plan.

The Short Term Incentive plan (STI) has two components. The first component provides an incentive for employees to achieve individual key performance indicators (KPI's) that relate individual performance to the execution of the over-arching strategy of the group. These KPI's also include non-financial targets. The second component provides for an STI when the EBIT (earnings before interest and tax) target is achieved. The EBIT target is established at the commencement of the financial year and is influenced by the equity markets expectations of the year on year growth in earnings of the company for the ensuing financial year. The STI is broadly based and is applicable to all full time employees who have completed a qualification period. Sales executives who receive sales commission and non-executive directors do not participate in the STI.

The Long Term Incentive (LTI) plan is designed to provide an incentive and reward structure aligned with longer term shareholder value creation and to aid the retention of key employees. In 2010, the Board implemented an equity plan based upon the issuance of Performance Rights. Performance Rights have been issued in tranches in each year since 2010 and have a vesting period of three years. The vesting conditions are based upon the company achieving a Total Shareholder Return (TSR) commensurate or better than the broad market index namely the S&P ASX 300 Accumulation Index. TSR takes into consideration the dividends paid by the company and the share price movement over the term of the vesting period. There is also a management retention component of the vesting conditions. The executives of the company are participants in the LTI, non-executive directors are not eligible to participate.

The Committee and Board undertake an annual review of remuneration structures including comparison to market. Further details on the executive remuneration arrangements and the remuneration outcomes for 2012 are set out in this Remuneration Report.

Craig Coleman
Chairman – Remuneration and Nomination Committee

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, and secretary of the parent and the consolidated entity.

1. Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

2. Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. To this end, the company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate structures and performance hurdles for variable executive remuneration.

3. Remuneration structure

In accordance with good practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

3.1. Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the Annual General Meeting held in November 2010 when shareholders approved a maximum aggregate remuneration pool of up to $750,000 per year. The aggregate amount of remuneration paid to non-executive directors was $522,000.

The fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The payment of additional fees for representation on Board Committees was discontinued on 1 July 2010.

The remuneration of non-executive directors is detailed in this report.

3.2. Executive remuneration

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities so as to:

- reward executives for Group, business unit and individual performance against targets set by aligning the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive compensation, the Remuneration and Nomination Committee obtains independent advice from time to time.

Fixed Remuneration

Objective

Fixed compensation is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of company wide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice is obtained. The Committee has access to external advice independent of management.

Structure

In the 2012 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration – comprising base salary, superannuation and non-monetary benefits.
- Variable remuneration – comprising short and long term incentive plans.

Variable Remuneration – Short Term Incentive Plan

The Short Term Incentive Plan (STI) operates on an annual basis. The objective of the STI Plan is to link the achievement of the company's targets with the annual compensation received by the senior executives and general staff charged with meeting those financial and operational targets. The total potential STI available is set at a level so as to provide sufficient incentive to achieve profit and operational targets such that the cost to the company is reasonable in the circumstances. The profit target is set at the start of the year and is aligned to the shareholders anticipated profit growth of the company.

The amount of KMP STI paid or payable in respect of FY12 was $572,151. Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met.
The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and individual measures of performance.

The incentive plan consists of two components:

- Meeting key performance indicators (KPI)
- Outperforming budgeted earnings before interest and tax (EBIT)

Should the target EBIT be achieved then the surplus forms the STI pool with higher levels of achievement being retained by the company.

These performance measures were chosen as they represent the key driver to achieve short and longer term shareholder wealth creation.

On an annual basis, after consideration of performance against KPI's, the board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate. A share of profit based short term incentive plan was conducted by newly acquired L7 Solutions Pty Ltd. This plan was discontinued after year end.

Variable Remuneration – Long Term Incentive Plan (LTI)

LTI awards are made annually to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key executives who have an impact on the Group's performance.

Structure

LTI awards are delivered in the form of performance rights. These rights have different conditions as detailed below.

Performance measure to determine vesting

The Company uses relative total shareholder return (TSR) as the performance measure for Tranche B and Tranche C of the performance rights issued and an absolute share price target for Tranche A.

Relative TSR was selected as the LTI performance measure for the following reasons:

- TSR ensures an alignment between comparative shareholder return and reward for executives
- The relative measure minimizes the effect of short term market cycles

The peer group chosen for the comparison is the S&P ASX 300 Accumulation index. This index is considered the most appropriate. Tranche B and C also contain a retention element which is considered important for the retention of executives.

Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds $1.14 (Share price target) at any time between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply. Upon vesting the conversion ratio to ordinary shares is 1:1.3165 (conversion ratio of 1:1 adjusted for the effect of the iiNet in-specie distribution) ordinary shares. The fair value of the rights granted during the year was 50.4 cents per right. Subsequent to year-end the Share price target was achieved and the performance rights vested.

Tranche B

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. Half of the performance rights will vest on 30 June 2013 with a further 25% vesting if the Amcom Total Shareholder Return (TSR) is equal to but less than 110% of the S&P ASX300 Accumulation Index (Index) and a further 25% if the TSR is 110% of the Index. Unvested Performance Rights will lapse on 30 June 2013 or if employment is terminated. Change of control provisions also apply. Upon vesting the conversion ratio to ordinary shares is 1:1.3165 (conversion ratio of 1:1 adjusted for the effect of the iiNet in-specie distribution) ordinary shares.

Tranche C

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. A third of the performance rights will vest at 30 June 2014; a further 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR is 110% of the S&P ASX 300 Accumulation Index. Unvested Performance Rights will lapse on 30 June 2014 or if employment is terminated. Change of control provisions also apply. The fair value of the rights granted during the year was in the range of 51.9 cents – 61.5 cents per right.

The number of shares that can be issued has been capped at 5% of the Company's issued share capital.

	Tranche A	Tranche B	Tranche C	Total
Opening Balance	2,183,330	480,000	-	2,663,330
Lapsed	(33,333)	-	-	(33,333)
Issued in financial year	199,998	-	1,480,000	1,679,998
Closing Balance	2,349,995	480,000	1,480,000	4,309,995

The non-cash salary cost of the Long Term Incentive Plan for 2012 is $830,000, which has been taken into account in the financial results for the year ended 30 June 2012.

The total fair value of the performance rights issued during the year was $900,000 and the fair value of the performance rights lapsed during the year was $17,300.

Performance rights awarded to KMP in the financial year

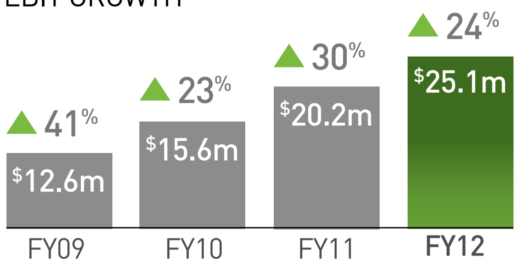
Tranche C	Awarded number	Grant date	Fair value at award date (per right) cents	Expiry date	Vested in Year
C Stein	325,000	Jan 2012	61.5	30 Jun 2014	-
D Hinton	165,000	Nov 2011	51.9	30 Jun 2014	-
M Knee	165,000	Nov 2011	51.9	30 Jun 2014	-
R Whiting	165,000	Nov 2011	51.9	30 Jun 2014	-
M Sullivan	165,000	Dec 2011	51.9	30 Jun 2014	-
	985,000				

"Incentive plans have been designed to align management to achieve sustained shareholder value" said Craig Coleman, Chairman Remuneration and Nomination Committee.

Company performance and its link to short term incentives (STI)

The key financial performance measure driving STI payment outcomes is EBIT (Earnings before interest and tax). The following table outlines EBIT over the past four years.

EBIT GROWTH



Company performance and its link to long term incentives

The key performance measure which drives LTI vesting of the Performance Rights is the Company's Total Shareholder Return (TSR) compared to the S&P / ASX 300 Accumulation Index.

The Amcom TSR for the financial year ended 30 June 2012 was 30.4% which compares favourably with the Index which decreased by 7.0% over that period. The TSR of the company measured over a 2 year period to 30 June 2012 was 55.2% and also compares favourably to the Index which increased 4.1% over that two year time frame.

AMCOM CLOSING SHARE PRICE

"The Amcom brand is not just about great design, its about telling our story."

Claire Dewing
Graphic Designer

4. Employment contracts

Chief Executive Officer

Mr. Stein is on a renewed three year employment contract, which commenced September 2011.

Either party can terminate the contract with three months written notice. Should the Company provide such notice then Mr Stein will become entitled to nine months annual remuneration as a termination payment in addition to any accrued benefits. There is no termination payment payable should Mr Stein provide notice of termination or be terminated for serious misconduct. The contract also contains non-compete clauses.

Other Executives

The executives are employed under permanent contracts with a one month notice period, except Mr. Knee and Mr. Sullivan with a three month notice period.

There are no termination provisions in respect of the above employment contracts.

Director and executive details

Details of Key Management Personnel of the Group are set out below.

Directors

Mr. A Grist	Chairman, non-executive
Mr. I Warner	Deputy Chairman, non-executive
Mr. C Stein	Managing Director/Chief Executive Officer
Mr. P Clifton	Director, non-executive
Mr. C Coleman	Director, non-executive
Mr. A Davies	Director, non-executive

Executives

Mr. D Hinton	Chief Financial Officer and Company Secretary
Mr. M Knee	Chief Operating Officer
Mr. R Whiting	Chief Technology Officer
Mr. M Sullivan	Chief Solutions Officer

5. Key Management Personnel Compensation

The following table discloses the remuneration of the directors and executives of the Company:

2012	Short Term			Post employment		Long Term			
	Salary & fees	Cash bonus	Non-monetary benefits (i)	Superannuation	Share based payment (ii)	Long Service Leave	Totals	Performance based	Share based payment
	$	$	$	$	$	$	$	%	%
Non-executive directors									
Mr. A Grist	155,963	-	-	14,037	-	-	170,000	-	-
Mr. I Warner	36,667	-	-	51,333	-	-	88,000	-	-
Mr. P Clifton	43,000	-	-	45,000	-	-	88,000	-	-
Mr. A Davies	47,095	-	-	40,905	-	-	88,000	-	-
Mr. C Coleman	80,733	-	-	7,267	-	-	88,000	-	-
	363,458	-	-	158,542	-	-	522,000	-	-
Executive director									
Mr. C Stein	446,800	173,100	68,956	47,771	291,210	3,417	1,031,254	45%	28%
Executives									
Mr. D Hinton	283,802	115,900	13,338	22,218	97,257	8,297	540,812	39%	18%
Mr. M Knee	216,000	115,900	15,478	37,515	97,257	3,555	485,705	44%	20%
Mr. R Whiting	235,795	113,900	51,830	22,121	97,257	6,164	527,067	40%	18%
Mr. M Sullivan(iii)	150,961	53,351	7,870	17,791	17,111	9,751	256,835	27%	7%
	1,333,358	572,151	157,472	147,416	600,092	31,184	2,841,673	41%	21%
Total	1,696,816	572,151	157,472	305,958	600,092	31,184	3,363,673	35%	18%

(i) Non-monetary benefits include provision of a motor vehicle, car parking and associated fringe benefits tax.

(ii) Share based payment comprises the Performance Rights issued to balance date as described above. The amount has been determined based upon the fair value of the Performance Rights under each Tranche multiplied by the number of Performance Rights held by that individual on a pro-rata basis over the vesting period.

(iii) From 22 November 2011. The cash bonus reflects the share of profit based STI plan in place by Amcom L7 Solutions Pty Ltd. This is calculated as a percentage of the net profit of Amcom L7 Solutions Pty Ltd. This plan has been discontinued after the year-end.

5. Key Management Personnel Compensation – (cont'd)

2011	Short Term: Salary & fees	Short Term: Cash bonus	Short Term: Non-monetary benefits (i)	Post employment: Super-annuation	Share based payment (ii)	Long Term: Long Service Leave	Totals	Performance based	Share based payment
	$	$	$	$	$	$	$	%	%
Non-executive directors									
Mr. A Grist	155,963	-	-	14,037	-	-	170,000	-	-
Mr. I Warner	14,667	-	-	73,333	-	-	88,000	-	-
Mr. P Clifton	43,000	-	-	45,000	-	-	88,000	-	-
Mr. A Davies	40,367	-	-	47,633	-	-	88,000	-	-
Mr. C Coleman	80,734	-	-	7,266	-	-	88,000	-	-
	334,731	-	-	187,269	-	-	522,000	-	-
Executive director									
Mr. C Stein	465,559	10,000	59,939	17,564	256,793	31,345	841,200	32%	31%
Executives									
Mr. D Hinton	284,597	10,000	12,100	20,511	79,095	10,684	416,987	21%	19%
Mr. M Knee	150,500	10,000	16,297	41,843	79,095	-	297,735	30%	27%
Mr. R Whiting	235,787	10,000	55,434	21,221	79,095	7,136	408,673	22%	19%
Mr. A Ariti (iii)	34,998	-	756	-	-	-	35,754	0%	-
Mrs. M Fiorini	201,346	10,000	9,845	18,121	79,095	5,086	323,493	28%	24%
Mr. P Riella	199,910	-	7,973	50,000	-	-	257,883	0%	-
Mr. A Smit (iv)	128,814	-	1,634	8,868	-	-	139,316	0%	-
	1,701,511	50,000	163,978	178,128	573,173	54,251	2,721,041	23%	21%
Total	2,036,242	50,000	163,978	365,397	573,173	54,251	3,243,041	19%	18%

(i) Non-monetary benefits comprise provision of a motor vehicle, car parking and associated fringe benefits tax.

(ii) Share based payment comprises the Performance Rights issued to balance date as described above. The amount has been determined based upon the fair value of the Performance Rights under each Tranche multiplied by the number of Performance Rights held by that individual on a pro-rata basis over the vesting period.

(iii) From 4 May 2011.

(iv) To 12 August 2010.

End of Remuneration Report

Rounding off of amounts

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

Signed in accordance with a resolution of the directors.

Anthony Grist

Chairman
Perth, Western Australia

24 September 2012

"We're ready 24/7."

Richard Evans
Network Services Manager


amcom
amcom

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Amcom Telecommunications Limited

In relation to our audit of the financial report of Amcom Telecommunications Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McIver
Partner
Perth
24 September 2012

PM:MM:AMCOM:057

Liability limited by a scheme approved under Professional Standards Legislation

In accordance with a resolution of the directors of Amcom Telecommunications Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the consolidated entity 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 performance, and

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

   (b) the financial statements and the notes also comply with International Financial Reporting Standards as disclosed in Note 1;

   (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.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012.

3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Anthony Grist

Director
Perth, Western Australia

24 September 2012

Ernst & Young

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent audit report to members of Amcom Telecommunications Limited

Report on the financial report

We have audited the accompanying financial report of Amcom Telecommunications Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the 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 about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

PM:MM:AMCOM:056

Opinion

In our opinion:

a. the financial report of Amcom Telecommunications 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 of 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in 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 Amcom Telecommunications Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
24 September 2012

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
INCOME			
Revenue	3 (a)	135,967	87,188
Profit on in specie distribution	3 (b)	18,626	-
Share of profits of associate using the equity method	11	-	7,762
Profit on sale of investment in an associate		-	4,255
		154,593	99,205
EXPENSES			
Network costs and cost of hardware sold		(55,210)	(26,242)
Employee benefits expenses	3 (b)	(33,737)	(20,611)
Occupancy expenses		(3,707)	(3,068)
Marketing related expenses		(1,560)	(1,280)
Finance costs		(1,739)	(1,630)
Repairs and maintenance expenses		(1,306)	(1,268)
Depreciation & amortisation expenses	3 (b)	(8,887)	(8,562)
Impairment of network infrastructure	3 (b)	(4,995)	-
Impairment of goodwill	3 (b)	(2,814)	-
Other expenses		(6,930)	(5,505)
Profit from operations before income tax expense		33,708	31,039
Income tax expense	4 (a)	(5,350)	(5,186)
Net Profit attributable to members of Amcom Telecommunications Ltd		28,358	25,853
Other comprehensive income (net of tax)			
Cash flow hedge – gain taken to equity		55	252
Total comprehensive income attributable to members of Amcom Telecommunications Ltd		28,413	26,105
Earnings per share from continuing operations			
Basic (cents per share)	24	11.76	10.77
Diluted (cents per share)	24	11.52	10.60

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Current assets			
Cash and cash equivalents	34 (a)	24,242	22,051
Trade and other receivables	7	15,439	7,235
Inventories	8	1,791	1,759
Other	9	2,147	1,299
Investment in associate – held for distribution	10	-	52,011
Total current assets		43,619	84,355
Non-current assets			
Property, plant and equipment	12	108,849	102,878
Goodwill	13	34,472	23,126
Other intangible assets	14	1,232	607
Total non-current assets		144,553	126,611
Total assets		188,172	210,966
Current liabilities			
Trade and other payables	16	23,030	12,092
Deferred revenue		11,308	7,870
Borrowings	17	100	121
Income tax payable		1,046	2,149
Derivative financial liability	18	-	55
Provisions	20	2,449	2,150
Total current liabilities		37,933	24,437
Non-current liabilities			
Borrowings	19	32,100	15,182
Provisions	20	733	425
Deferred revenue		882	362
Deferred consideration	21	-	3,000
Deferred tax liabilities	4 (b)	4,687	3,678
Total non-current liabilities		38,402	22,647
Total liabilities		76,335	47,084
Net assets		111,837	163,882
Equity			
Contributed equity	22	107,787	132,222
Reserves		(1,410)	(2,295)
Retained profits		5,460	33,955
Total equity		111,837	163,882

Statement of Changes in Equity for the Year Ended 30 June 2012

	Contributed Equity	Equity – Settled Benefits Reserve	Cash flow Hedge Reserve	Option Cancellation Reserve	Retained Profit	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
At 30 June 2010	132,142	526	(307)	(3,366)	19,638	148,633
Profit for the year	-	-	-	-	25,853	25,853
Other comprehensive income	-	-	252	-	-	252
Total comprehensive income	-	-	252	-	25,853	26,105
Repayment of shareholders loan	80	-	-	-	-	80
Share based payment	-	600	-	-	-	600
Dividends paid	-	-	-	-	(11,536)	(11,536)
At 30 June 2011	132,222	1,126	(55)	(3,366)	33,955	163,882
Profit for the year	-	-	-	-	28,358	28,358
Other comprehensive income	-	-	55	-	-	55
Total comprehensive income	-	-	55	-	28,358	28,413
Repayment of shareholders loan	80	-	-	-	-	80
Share based payment	-	830	-	-	-	830
Shares issued	985	-	-	-	-	985
Transaction costs on share issue	(7)	-	-	-	-	(7)
In specie distribution	(25,493)	-	-	-	(45,295)	(70,788)
Dividends paid	-	-	-	-	(11,558)	(11,558)
At 30 June 2012	107,787	1,956	-	(3,366)	5,460	111,837

		Consolidated	
	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		147,888	94,453
Payments to suppliers and employees		(108,769)	(65,655)
Interest received		533	452
Interest and other costs of finance paid		(1,739)	(1,629)
Income tax paid		(5,648)	(2,864)
Dividends received		-	3,910
Net cash provided by operating activities	34 (c)	32,265	28,667
Cash flows from investing activities			
Payment for property, plant and equipment		(18,848)	(17,389)
Payment for acquisition of controlled entity, net of cash acquired	29	(13,116)	-
Payment for acquisition of equity investment		-	(4,127)
Proceeds from sale of equity investment		-	11,925
Net cash (used in) investing activities		(31,964)	(9,591)
Cash flows from financing activities			
Repayment of loan		80	80
Payment of deferred consideration	21	(3,128)	-
Proceeds from borrowings		38,015	8,800
Repayment of borrowings		(21,519)	(13,887)
Dividends paid		(11,558)	(11,536)
Net cash provided by/(used in) financing activities		1,890	(16,543)
Net increase in Cash and cash equivalents		2,191	2,533
Cash and cash equivalents at the beginning of the financial year		22,051	19,518
Cash and cash equivalents at the end of the financial year	34 (a)	24,242	22,051

Corporate Information

Amcom Telecommunications Limited (the parent) is a for-profit company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. Summary of accounting policies

Statement of compliance

The financial report of Amcom Telecommunications Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of directors.

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except derivative financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Amcom Telecommunications Limited and its subsidiaries (as outlined in note 28) as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily

1. Summary of accounting policies (continued)

apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. 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 of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of judgement and estimation uncertainty at the balance sheet date, 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 entity to estimate the future cash flows expected to arise from the cash-generating unit and applying a suitable discount rate in order to calculate net present value.

The carrying amount of goodwill at the balance sheet date was $34,472,000 (2011: $23,126,000), refer to note 13.

Useful lives of network infrastructure

As described in note 1(p), the Group reviews the estimated useful lives of property, plant and equipment including network infrastructure at the end of each annual reporting period. The directors are of the opinion that the useful economic life of network infrastructure ranges between 5 and 35 years depending on the nature of the component parts. Should the actual lives of these component parts be significantly different this would impact the depreciation charge arising. The useful economic life is management's best estimate based on historical experience and industry knowledge.

Share based payments

The company had on issue at 30 June 2012 4,309,995 performance rights. The expense recorded in the Statement of Comprehensive Income of $830,000 in 2012 has been based on an external valuation using Geometric Brownian Motion Modelling and applying Monte Carlo simulation in order to determine fair value (note 31).

Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that are readily convertible to cash with no significant risk of change in value.

(b) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. Summary of accounting policies (continued)

(c) Derivative financial instruments

The Group uses derivative financial instruments (including interest rate swaps) to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

The Group tests the designated cash flow hedges for prospective effectiveness on a bi-annual basis using a sensitivity analysis on the cumulative ratio dollar offset method. If the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

Retrospective hedge effectiveness is assessed using the cumulative ratio dollar offset method. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the income statement.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(d) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled inclusive of on-costs.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments and on-costs to be made in respect of services provided by employees up to the reporting date. Consideration is given to the experience of employee departures and periods of service. Expected future payments are discounted using weighted average cost of capital.

(e) 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

1. Summary of accounting policies (continued)

measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is identified as uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited to profits. An allowance for impairment provision is recognised when there is objective evidence that the amount will not be collected. Financial difficulties of the debtor or past due debtors are considered objective evidence 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 through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(f) Investments in associates – refer note 10, 11.

The Group's investment in associates is accounted for using the equity method of accounting. The associate is an entity over which the group has significant influence and that is neither a subsidiary nor joint venture. This investment was distributed in specie to shareholders in November 2011.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines

1. Summary of accounting policies (continued)

whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of an associate's profits or losses is recognised in the statement of comprehensive income, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment or loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of associate" in the income statement.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(g) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

1. Summary of accounting policies (continued)

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except: 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 for receivables and payables which are recognised inclusive of GST.

The 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 statement of cash flows 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.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash-Generating Units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(j) Intangible assets

Intangible assets acquired in a business combination

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

Brand name and customer base

Brand names and customer base are recorded at cost less accumulated amortisation and impairment or at fair value as part of business combination. Amortisation is charged on a straight line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(k) Impairment of non-financial assets other than goodwill

At each reporting date, the consolidated entity conducts a review of asset values to determine whether there is any indication that those assets have suffered an impairment loss. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the

1. Summary of accounting policies (continued)

asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

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.

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.

(l) Income tax

Current tax

Current tax assets and liabilities are measured at 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 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.

1. Summary of accounting policies (continued)

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 are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which these can be utilised.

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

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Amcom Telecommunications Ltd 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 initially 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).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, 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 4 to the financial statements.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value on the first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(n) 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.

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.

1. Summary of accounting policies (continued)

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.

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.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental 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.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Property, plant and equipment

Plant and equipment, network infrastructure, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment.

Cost includes expenditure that is attributable to the acquisition and installation of the item, including labour costs. 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 network infrastructure. Depreciation is calculated on a straight line basis or reducing balance basis so as to write off the cost or other revalued amount net of estimated residual value of each asset over its expected useful life. 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 are reviewed at the end of each annual reporting period.

The following estimated annual depreciation rates are used in the calculation of depreciation:

Network Infrastructure	3 – 20%
Leasehold Improvements	10 – 20%
Plant and Equipment	10 – 25%
Furniture and Fittings	7 – 25%
Motor Vehicles	14%

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

1. Summary of accounting policies (continued)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue is recognised based on the period of the contract and, where deferred to a subsequent period, recognised as deferred revenue in the balance sheet. Fees charged for the establishment of fibre services are brought to account as revenue over a two year period, unless the amount is below $500 when it is brought to account as revenue when billed.

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.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis when the Group's right to receive the payment is established.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(s) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (key management personnel and senior management) in the form of share-based payments, whereby employees render services in exchange for performance rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Geometric Brownian Motion model and a Monte Carlo simulation. Taking into account the terms and conditions upon which the rights were granted, to fair value the performance rights, further details of which are given in note 31.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of shares of Amcom Telecommunications Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the

1. Summary of accounting policies (continued)

vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of diluted earnings per share (see note 24).

(t) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(u) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

1. Summary of accounting policies (continued)

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and for other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares on issue and dilutive potential ordinary shares, adjusted for any bonus element.

(w) AASB accounting standards issued but not yet effective

Standards and Interpretations in issue not yet effective

As at 30 June 2012, a number of Standards and Interpretations including those Standards and Interpretations issued by the IASB / IFRIC where an Australian equivalent has not been made by the AASB, were in issue but not yet effective.

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	No impact	1 July 2012
AASB 2011-3	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049. Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	1 July 2012	No impact	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	No impact	1 July 2012

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 Jan 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 11	A Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 Jan 2013	No impact	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	Not assessed	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 Jan 2013	Not assessed	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 Jan 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 Jan 2013	No Impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting Interim financial reporting and segment information for total assets and liabilities	1 Jan 2013	Not assessed	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	No impact	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments cont...	1 July 2013	No Impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 1053 continued	Application of Tiers of Australian Accounting Standards	The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	No Impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 Jan 2013	Not assessed	1 July 2013
AASB 2012-4	Amendments to Australian Accounting Standards – Government Loans	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards.	1 Jan 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 Jan 2013	Not assessed	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	Not assessed	1 July 2015

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. cont...	1 Jan 2015***	Not assessed	1 July 2015

1. Summary of accounting policies (continued)

(w) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 9 continued	Financial Instruments	(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2015***	Not assessed	1 July 2015

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** Only applicable to not-for-profit/public sector entities.

*** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 from annual periods beginning 1 January 2013 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

**** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

2. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash, short-term deposits and derivative financial instruments.

The Group manages its exposure to key financial risks, including credit risk, liquidity risk, interest rate risk and currency risk in accordance with the Group's risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst managing risk.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and entering into derivative transactions such as interest rate swaps. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with management. The Audit and Risk Committee has an oversight role under the authority of the Board. The Board reviews and agrees policies for managing each of these risks as summarised overleaf.

2. Financial risk management objectives and policies (continued)

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations and cash at bank.

At balance sheet date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	24,242	22,051
Financial liabilities		
Borrowings	32,200	303
Net exposure	(7,958)	21,748

The Group constantly analyses its interest rate exposure with the objective of minimising the financial impact of interest rate fluctuations. The group has no material exposure to fixed interest rate instruments.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)	
	2012 $'000	2011 $'000
Consolidated		
+ .5% (50 basis points)	(28)	76
- .5% (50 basis points)	28	(76)

The company used 50 basis points as best indication of expected interest rate movements.

Credit risk

Credit risk arises from the financial assets of the Group, which include cash at bank, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The company's bank's financial position and credit rating are reviewed on an annual basis. Bank deposits are mainly with one financial institution which has an AA-rating from Standard & Poor. The Group does not hold any credit

2. Financial risk management objectives and policies (continued)

derivatives to offset its credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Receivables comprise amounts due from various corporate entities and individuals who are not rated. There are no significant concentrations of credit risk within the Group.

Foreign exchange risk

The Group has minimal foreign exchange risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available lines. At 30 June 2012, 1% of the Group's debt will mature in less than one year (2011: 1%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as of 30 June 2012. The gross undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012.

The remaining contractual maturities of the Group's financial liabilities are:

Year ended 30 June 2012	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated financial liabilities					
Trade & other payables	23,030	-	-	-	23,030
Borrowings	50	50	33,865	-	33,965
Gross callable amount under financial guarantee	-	1,711	-	-	1,711
	23,080	1,761	33,865	-	58,706

Year ended 30 June 2011	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated financial liabilities					
Trade & other payables	11,762	330	-	-	12,092
Borrowings	61	60	15,182	-	15,303
Derivative financial liability	55	-	-	-	55
	11,878	390	15,182	-	27,450

2. Financial risk management objectives and policies (continued)

Maturity analysis of financial assets and liability based on management's expectation

Year ended 30 June 2012	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated financial assets					
Cash & cash equivalents	24,242	-	-	-	24,242
Trade & other receivables	15,439	-	-	-	15,439
	39,681	-	-	-	39,681
Consolidated financial liabilities					
Trade & other payables	23,030	-	-	-	23,030
Borrowings	50	50	33,865	-	33,965
Gross callable amount under financial guarantee	-	1,711	-	-	1,711
	23,080	1,761	33,865	-	58,706
Net maturity	16,601	(1,761)	(33,865)	-	(19,025)

Year ended 30 June 2011	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated financial assets					
Cash & cash equivalents	22,051	-	-	-	22,051
Trade & other receivables	7,235	-	-	-	7,235
	29,286	-	-	-	29,286
Consolidated financial liabilities					
Trade & other payables	11,762	330	-	-	12,092
Borrowings	15,061	60	182	-	15,303
Derivative financial liability	55	-	-	-	55
	26,878	390	182	-	27,450
Net maturity	2,408	(390)	(182)	-	1,836

3. Profit from operations

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Revenue from continuing operations		
Rendering of services	111,969	82,867
Sale of hardware	19,372	1,473
Project revenue	4,093	2,392
Interest income – bank deposits	533	456
	135,967	87,188

	Consolidated 2012 $'000	Consolidated 2011 $'000
(b) Profit before income tax		
Depreciation of non current assets	(8,652)	(8,404)
Amortisation of non current assets	(235)	(158)
Total depreciation and amortisation	(8,887)	(8,562)
Employee benefit expenses:		
Defined contribution plans	(2,184)	(1,601)
Salary and wages and on-costs	(35,702)	(22,732)
Share-based payments expense	(830)	(600)
	(38,716)	(24,933)
Capitalised to property, plant and equipment	4,979	4,322
	(33,737)	(20,611)
Impairment of network infrastructure (i)	(4,995)	-
Impairment of goodwill (ii)	(2,814)	-
Profit on in specie distribution (iii)	18,626	-

(i) Following a review of the useful life of network assets an impairment charge of $5.0m (tax benefit: $1.5m) was taken. As a result of the discontinuance of legacy data and voice products, associated network assets were considered obsolete.

(ii) An Amnet goodwill impairment charge of $2.8m was taken due to declining revenue and margins as a result of the intense competition in the residential broadband market.

(iii) On 18 August 2011 the company distributed its iiNet Limited shareholding to its shareholders as an in specie distribution. The profit arising on the in specie distribution was $18,626,000 (tax: nil) which reflects the fair value on the date of distribution less the equity accounted carrying value.
The distribution was debited to contributed equity and retained profits.

4. Income Tax

	Consolidated 2012 $'000	Consolidated 2011 $'000
The major components of income tax expense are:		
(a) Income tax recognised in profit or loss		
Current income tax:		
Current income tax expense	3,855	4,149
Adjustment in respect of current income tax of previous year	(16)	(640)
Deferred income tax:		
Relating to origination and reversal of temporary differences	1,485	1,359
Deferred income tax of previous years	26	318
Income tax expense reported in the income statement	5,350	5,186
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting profit before income tax from continuing operations	33,708	31,039
At the Group's statutory income tax rate of 30% (2011: 30%)	10,112	9,312
Adjustment in respect of current income tax of previous years	10	(590)
Share-based payments	249	180
Expenditure not allowable for income tax purposes	(277)	(110)
Equity accounted earnings	-	(2,329)
Profit on sale of investment (recoup of capital losses)	-	(1,277)
Profit on in specie distribution	(5,588)	-
Impairment of goodwill	844	-
	5,350	5,186

4. Income Tax (continued)

	Balance sheet		Income statement	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(b) Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Depreciable assets	(7,061)	(6,051)	(1,010)	(2,228)
	7,061)	(6,051)		
Deferred tax assets				
Accruals	339	257	(154)	257
Provisions	1,091	970	(145)	417
Expenses tax deductible over time	258	665	(407)	(554)
Unearned revenue	686	481	205	431
Gross deferred tax assets	2,374	2,373		
Net deferred tax (liabilities)	(4,687)	(3,678)		
Deferred tax expense			(1,511)	(1,677)

Tax consolidation system

The Company and its wholly owned Australian resident entities have formed a tax – consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date with subsequently acquired entities included from the date of acquisition. The head entity and its entities within the tax consolidated entity are identified in note 28.

Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Amcom Telecommunications Ltd and each of the entities in the tax consolidated group has agreed 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.

Tax losses

The consolidated entity has capital tax losses for which no deferred tax asset is recognised in the statement of financial position of $1,776,137 (2011: $1,776,137) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant income tax legislation.

5. Share Options

In-substance share option

Interest free loans were granted to Mr. A. Grist and Mr. C. Stein on 15 October 2003. The loans were granted to fund the shares issued as part of an executive incentive scheme approved by the shareholders in 2003. As a condition of these loans the directors must satisfy two year service contracts, which they have completed. There are no performance criteria attached.

The loans are repayable as a first charge on any funds received by the specified director from dividends and proceeds of sale of the Amcom shares (the subject of the loan). In the event of cessation of employment the loan must be repaid in full.

The loans have been treated as in-substance share options following the adoption of AASB 2 Share based payments. All actual shares related to this scheme are included within the directors' holdings as disclosed in note 33(b). No additional in-substance options were granted within either the current or prior year.

Shareholders' loans	Opening Balance $	Repayment $	Closing Balance $
2012			
Mr A. Grist	303,000	64,000	239,000
Mr C. Stein	76,250	16,000	60,250
	379,250	80,000	299,250
2011			
Mr A. Grist	367,000	64,000	303,000
Mr C. Stein	92,250	16,000	76,250
	459,250	80,000	379,250

6. Remuneration of Auditors

	Consolidated	
	2012	2011
Auditor of the parent entity – Ernst & Young		
Audit or review of the financial reports	174,600	110,955
Other non-audit services		
- Tax services	74,714	59,705
- Accounting advice	-	7,800
- Corporate services – pre acquisition due diligence	141,110	-
	390,424	178,460

7. Trade and other receivables

	Consolidated 2012 $'000	2011 $'000
Trade and other receivables	15,596	7,692
Allowance for impairment loss	(157)	(457)
	15,439	7,235

Trade receivables are non-interest bearing and are generally on 30 day terms.

Allowance for impairment loss

Movements in the allowance for impairment loss:

Opening balance	457	346
Provision aquired	18	-
Charge for the year	172	170
Amounts written off	(490)	(59)
Closing Balance	157	457

At 30 June, the ageing analysis of trade and other receivables is as follows:

Ageing analysis of trade and other receivables ($'000):

	Total	0-30 days	31-60 days PDNI *	31-60 days CI #	61-90 days PDNI *	61-90 days CI #	+91 days PDNI *	+ 91 days CI #
2012	15,596	12,413	2,591	-	228	-	207	157
2011	7,692	5,712	1,523	-	-	55	-	402

*Past due not impaired ('PDNI')
#Considered impaired ('CI')

Past due not impaired receivables

The Company has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the carrying value of receivables. No collateral is held as security.

8. Inventories

	Consolidated 2012 $'000	Consolidated 2011 $'000
Spares and consumables - at cost	1,791	1,759

9. Other

	Consolidated 2012 $'000	Consolidated 2011 $'000
Prepayments	1,661	1,136
Deposits	33	30
Other	453	133
	2,147	1,299

10. Investment in Associates

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current - held for distribution	-	52,011

Name of entity	Principal activity	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %	Published market value 2012 $'000	Published market value 2011 $'000
Associate-listed						
iiNet Ltd	Internet Service Provider	Australia	-	20.4	-	81,033

On 9 August 2011 shareholders approved and the Directors resolved to distribute by way of an in specie distribution the remaining 31 million iiNet Limited shares held at the previous balance date with a carrying value of $52.0m. The in specie distribution occurred on 18 August 2011 and gave rise to a reduction in the net assets and total equity of $52.0m and realised a profit on distribution of $18.6m (tax effect: NIL).

11. Investment accounted for using the equity method

	Consolidated	
	2012 $'000	2011 $'000
Summarised financial information in respect of the Group's associate is set out below:		
Financial position:		
Total assets	-	456,477
Total liabilities	-	213,971
Net assets	-	242,506
Group's share of associate's net assets	-	49,471
Financial performance:		
Total revenue	-	699,086
Total profit for the year	-	33,374
Group's share of associate's profit	-	7,762
Commitments for expenditure		
Group's share of associate's capital expenditure commitments	-	1,650
Group's share of associate's lease commitments		
(i) Finance leases (minimum lease payments)	-	280
(ii) Non cancellable operating leases	-	16,941
Group's share of associate's other expenditure commitments	-	7,783

Dividends received from associate

During the year, the Group received no dividends (2011: $3,910,000) from iiNet Ltd.

12. Property, Plant and Equipment

	Consolidated					
	Network Infra - structure	Leasehold Improve - ments	Plant and equipment	Furniture and fittings	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Amount						
Balance at 30 June 2010	124,306	1,711	2,736	6,418	154	135,325
Additions	16,271	436	181	1,169	-	18,057
Disposals	(47)	-	(3)	(156)	(123)	(329)
Balance at 30 June 2011	140,530	2,147	2,914	7,431	31	153,053
Additions	17,466	623	208	1,188	2	19,487
Disposals	(486)	-	(3)	(74)	(6)	(569)
Acquisition of subsidiary	-	563	-	886	-	1,449
Asset impairment	(7,335)	(190)	(683)	(360)	-	(8,568)
Balance at 30 June 2012	150,175	3,143	2,436	9,071	27	164,852
Accumulated Depreciation						
Balance at 30 June 2010	34,157	1,184	2,107	4,417	125	41,990
Additions	7,151	214	216	748	7	8,336
Disposals	(35)	-	(3)	(6)	(107)	(151)
Balance at 30 June 2011	41,273	1,398	2,320	5,159	25	50,175
Additions	7,389	221	227	1,056	2	8,895
Disposals	(216)	-	(2)	(20)	(5)	(243)
Acquisition of subsidiary	-	82	-	809	-	891
Asset impairment	(2,666)	(148)	(594)	(307)	-	(3,715)
Balance at 30 June 2012	45,780	1,553	1,951	6,697	22	56,003
Net Carrying Amount						
As at 30 June 2011	99,257	749	594	2,272	6	102,878
As at 30 June 2012	104,395	1,590	485	2,374	5	108,849

13. Goodwill

	Consolidated 2012 $'000	Consolidated 2011 $'000
Net Carrying Amount		
Opening Balance	23,126	23,126
Impairment–Amnet	(2,814)	-
Acquisition of subsidary (note 29)	14,160	-
Closing Balance	34,472	23,126

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to three individual cash-generating units as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Data Networks	11,285	11,285
Amnet DSL	-	2,814
Business Services	23,187	9,027
	34,472	23,126

The recoverable amounts of Data networks, Amnet DSL and Business Services cash-generating units are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the board covering a two-year period and a risk adjusted pre-tax discount rate of 18.6% (2011:18.6%). For the Fibre and Business services cash-generating units growth rates beyond the two year period are extrapolated over the following eight years using the assumptions outlined below. The period used reflects the minimum period of expected sustainable growth of the business unit.

Impairment testing of goodwill

The key assumptions used in the value in use calculations for the various significant cash-generating units are as follows:

	2012			2011		
Key assumptions (i)	**Data Networks**	**Amnet**	**Business Services**	**Data Networks**	**Amnet**	**Business Services**
Revenue growth	9%	-4%	10%	7%	-8%	10%
Expense growth	6%	5%	4%	5.2%	-8%	5%

(i) Assumptions have been based on historical observed trends and expected future events.

The goodwill allocated to Business Services includes that arising on the acquisition of Amcom IP Tel Pty Ltd during 2010, Amcom L7 Solutions Pty Ltd during 2011 and reflects the fair value paid on acquisition. Management believe that there have been no significant events that have led to the impairment of this goodwill since the acquisition date and the year end.

An Amnet goodwill impairment charge of $2.8m was taken due to declining revenue and margins as a result of the intense competition in the residential broadband market.

14. Other Intangible assets

	Consolidated			
	Brand name	Customer base	Licenses	Total
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at 1 July 2010	62	717	-	779
Additions	-	-	250	250
Balance at 30 June 2011	62	717	250	1,029
Additions	-	-	797	797
Balance at 30 June 2012	62	717	1,047	1,826
Accumulated amortisation				
Balance at 1 July 2010	20	274	-	294
Amortisation expense	42	41	45	128
Balance at 30 June 2011	62	315	45	422
Amortisation expense	-	71	101	172
Balance at 30 June 2012	62	386	146	594
Net carrying amount				
As at 30 June 2011	-	402	205	607
As at 30 June 2012	-	331	901	1,232

15. Assets pledged as security

In accordance with the security arrangements of bank borrowings, as disclosed in notes 17 and 19 to the financial statements, a fixed and floating charge has been registered over all the assets and undertakings of the consolidated entity, excluding Amcom IP Tel Pty Ltd, although the investment in Amcom IP Tel Pty Ltd is the subject of the charges. These charges are supported by a cross deed of guarantee and indemnity provided by all entities in the consolidated entity (except Amcom IP Tel Pty Ltd) in favour of the bank.

The consolidated entity does not hold title to the equipment under finance leases pledged as security.

16. Trade and other payables

	Consolidated	
	2012 $'000	2011 $'000
Trade payables (i)	16,531	9,230
Accruals	5,536	2,532
Others	963	330
	23,030	12,092

(i) Trade payables are interest free for up to 30 days. Thereafter interest may be charged at commercial rates. The consolidated entity has financial cash management policies in place to ensure that all payables are paid within the credit framework.

Fair value

The carrying amounts of trade payables approximate their fair value as these are short term in nature.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 2.

17. Borrowings - current

	Consolidated	
	2012 $'000	2011 $'000
Secured:		
Finance lease liabilities (i) (note 26)	100	121

(i) Secured by assets under lease.

18. Derivative Financial Liability

	Consolidated	
	2012 $'000	2011 $'000
Current liability		
Interest rate swap contract-cash flow hedge	-	55

Derivative financial instruments are used by the Group in order to hedge exposure to fluctuation in interest rates.

19. Borrowings - non current

	Consolidated 2012 $'000	2011 $'000
Secured:		
Bank Debt (i)	32,015	15,000
Finance lease liabilities (ii) (note 26)	85	182
	32,100	15,182

(i) The consolidated entity has a facility to 31 December 2014, secured by a fixed and floating charge over all assets and undertakings, with cross guarantees provided by all group companies, excluding Amcom IP Tel Pty Ltd. The current weighted average effective interest rate on the bank loan is 5.55%.

(ii) Secured by the assets under lease.

Fair value

The carrying amounts of the Group's borrowings approximate their fair values as these carry interest at market rates.

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 2.

20. Employee Benefits

	Consolidated 2012 $'000	2011 $'000
Annual Leave	1,959	1,549
Long service leave	1,223	1,026
	3,182	2,575
Current	2,449	2,150
Non-current	733	425
	3,182	2,575

	2012 No.	2011 No.
Number of full time equivalent employees at the end of financial year	317	188

21. Deferred Consideration

During the year Amcom Telecommunications Ltd made a payment of $3,000,000 to the vendors of IP Systems Pty Ltd being the final balance of the minimum contractual consideration payable for the acquisition which was previously included in the balance sheet. The payment is made in full and final settlement of any potential litigation which was previously disclosed.

22. Contributed Equity

	Consolidated 2012 $'000	Consolidated 2011 $'000
Balance at beginning of financial year	132,222	132,142
Partial repayment of share based loan to directors	80	80
Issue of shares	985	-
Cost on issue of shares	(7)	-
In specie distribution of iiNet shares	(25,493)	-
Balance at end of financial year	107,787	132,222

Fully Paid Ordinary Shares	Consolidated 2012 No.	Consolidated 2011 No.
Balance at beginning of financial year	240,341,533	240,341,533
Issue of shares	1,165,680	-
Balance at end of financial year	241,507,213	240,341,533

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

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

On 9 August 2011, shareholders approved the consolidation of the company's share capital through the conversion of 3 ordinary shares into 1 ordinary share. The share consolidation had no impact on each shareholders percentage ownership of the company.

The gearing ratios based on continuing operations at 30 June 2012 and 2011 were as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Total borrowings	32,200	15,303
Less cash and cash equivalents	24,242	22,051
Net debt/(cash)	7,958	(6,748)
Total equity	111,837	163,882
Total capital	119,795	157,134
Gearing ratio	7%	-

23. Reserves

Nature and purpose of reserves

Equity-settled benefits reserve

The equity-settled benefits reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 31 for further details of these plans.

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Option cancellation reserve

The option cancellation reserve contains consideration of the cancellation of 81,175,585 options at 4c per option cancelled during 2010

24. Earnings per Share (EPS)

	Consolidated	
	2012 Cents per Share	2011 Cents per Share
Basic earnings per share	11.76	10.77
Diluted earnings per share	11.52	10.60

The comparative EPS has been restated to adjust for the 1 for 3 share consolidation.

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

	Consolidated	
	2012 $'000	2011 $'000
Net Profit after tax and used in calculation of basic and diluted EPS.	28,358	25,853

	Consolidated	
	2012 $'000	2011 $'000
Weighted average number of ordinary shares used in calculation of basic EPS	241,044,135	240,341,533
Potential ordinary shares underling the performance rights	5,205,689	3,506,278
Weighted average number of ordinary shares used in calculation of diluted EPS	246,249,824	243,847,811

25. Dividends

	2012		2011	
	Cents per Shares	Total $'000	Cents per Shares	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	3.0	7,210	3.0	7,210
Interim dividend	1.8	4,348	1.8	4,326
		11,558		11,536
Fully franked to 30% (prior year: 30%)				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend payable 21 September 2012	3.2	7,826	3.0	7,210
Fully franked to 30% (prior year: 30%)				

	2012 $'000	2011 $'000
Franking account balance as at 30 June	4,310	3,396
Impact on franking account balance of dividends not recognised	(3,354)	(3,090)
Impact on franking account balance of income tax payable at 30 June	1,046	2,149
Adjusted franking account balance	2,002	2,455

26. Commitments

Finance lease commitments

(i) Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of between 1 to 5 years. The consolidated entity has options to purchase the equipment at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
No later than 1 year	115	147	100	121
Later than 1 year and not later than 5 years	88	200	85	182
Minimum lease payments	203	347	185	303
Less future finance charges	(18)	(44)	-	-
Present value of minimum lease payments	185	303	185	303
Included in the financial statements as:				
Current interest-borrowings (note 17)	-	-	100	121
Non-current interest-borrowings (note 19)	-	-	85	182
	-	-	185	303

26. Commitments (continued)

Operating lease arrangements

Operating leases relate to premises and equipment with varying lease terms. The majority of the operating leases contain market and fixed rent review clauses. The consolidated entity does not have an option to purchase the leased assets at the expiry of the leased period.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Operating lease commitments		
Non-cancellable operating leases		
Not longer than 1 year	6,465	5,416
Longer than 1 year and not longer than 5 years	19,739	16,572
Longer than 5 years	1,542	4,658
	27,746	26,646

Sub-leases

For non cancellable sub-leases, the total of future minimum lease payments expected to be received is Nil (2010: $ Nil).

27. Contingent liabilities

(a) Financial Guarantees

The reporting entity has issued bank guarantees in favour of third parties to the value of $1,711,015.

In addition, the parent entity has provided guarantees to third parties guaranteeing the debts and the performance of contracts entered into by controlled entities with third parties. No amounts have been recognised in the financial statements in respect of these guarantees based on Director's assessment of the fair value at 30 June 2012.

(b) ASIC Class Order 98/1418

The Closed Group consists of all the entities listed in note 28, except for Amcom IP Tel Pty Ltd, Amcom L7 Solutions Pty Ltd, L7 ERP Pty Ltd, L7 Recruitment Pty Ltd and L7 Training Pty Ltd.

Pursuant to Class Order 98/1418, the Company and each of its controlled entities except for Amcom IP Tel Pty Ltd, Amcom L7 Solutions Pty Ltd, L7 ERP Pty Ltd, L7 Recruitment Pty Ltd and L7 Training Pty Ltd have entered into a Deed of Cross Guarantee such that the Company guarantees to pay any deficiency in the event of a winding up of a controlled entity and each controlled entity has also given a similar guarantee in the event of the winding up of the Company.

27. Contingent liabilities (continued)

The consolidated statement of comprehensive income and statement of financial position of the entities that are members of the Closed Group are as follows:

Statement of Financial Position	2012 $'000	2011 $'000
Current Assets		
Cash and cash equivalents	21,350	21,288
Trade and other receivables	6,035	5,825
Inventories	1,641	1,759
Other	1,384	1,145
Investment in associate – held for distribution	-	52,011
Total current assets	30,410	82,028
Non-current assets		
Investment in subsidiaries	25,944	11,439
Property, plant and equipment	108,254	101,001
Goodwill	11,784	14,615
Other intangible assets	485	11
Total non-current assets	146,467	127,066
Total assets	176,877	209,094
Current liabilities		
Trade and other payables	12,271	10,408
Deferred revenue	10,417	7,265
Borrowings	-	15
Income tax payable	1,369	2,356
Derivative financial liability	-	55
Provisions	1,859	1,719
Total current liabilities	25,916	21,818
Non-current liabilities		
Borrowings	32,015	15,000
Provisions	480	303
Deferred revenue	882	362
Other financial liabilities	1,189	1,063
Deferred consideration	-	3,000
Deferred tax liabilities	5,090	3,758
Total non-current liabilities	39,655	23,486
Total liabilities	65,572	45,304
Net assets	111,305	163,790
Equity		
Contributed equity	107,787	132,222
Reserves	(1,410)	(2,295)
Retained profits	4,928	33,863
Total Equity	111,305	163,790

27. Contingent liabilities (continued)

Statement of Comprehensive Income	2012 $'000	2011 $'000
Profit from continuing operations before income tax	33,086	30,920
Income tax expense	(5,168)	(5,140)
Net profit	27,918	25,780
Retained earnings at the beginning of the period	33,863	19,619
In specie distribution	(45,295)	-
Dividends paid	(11,558)	(11,536)
Retained earnings at the end of the period	4,928	33,863

28. Subsidaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2012 %	2011 %
Parent Entity			
Amcom Telecommunications Ltd (i)(ii)	Australia		
Controlled Entities			
Amcom Pty Ltd (ii)	Australia	100	100
Rescue Technology Group Pty Ltd (ii)	Australia	100	100
Future Proof Technologies (WA) Pty Ltd (ii)	Australia	100	100
Amnet Internet Services Pty Ltd (ii)	Australia	100	100
Amnet Broadband Pty Ltd (ii)	Australia	100	100
Amcom Data Centres Pty Ltd (ii)	Australia	100	100
Ezesoftwrite Pty Ltd (ii)	Australia	100	100
Amcom IP Tel Pty Ltd	Australia	100	100
Amcom L7 Solutions Pty Ltd (iii)	Australia	100	-
L7 ERP Pty Ltd (iv)	Australia	100	-
L7 Recruitment Pty Ltd (iv)	Australia	100	-
L7 Training Pty Ltd (iv)	Australia	100	-

(i) Amcom Telecommunications Ltd is the head entity within the Closed Group.

(ii) These companies are members of the Closed Group.

(iii) Acquired on 22 November 2011 and formerly known as L7 Solutions Pty Ltd, which is the parent entity of L7 ERP Pty Ltd, L7 Recruitment Pty Ltd and L7 Training Pty Ltd.

(iv) Acquired on 22 November 2011.

Amcom Pty Ltd is a large proprietary company and pursuant to ASIC Class Order 98/1418 is relieved from the requirement to prepare and lodge an audited financial report.

All controlled entities are small proprietary companies as described by the *Corporations Act 2001* except for Amcom Pty Ltd, Amcom L7 Solutions Pty Ltd and Amcom Telecommunications Limited.

29. Business combination

Acquisition of L7 Solutions Pty Ltd.

On 22 November 2011, Amcom Telecommunications Ltd acquired 100% of Amcom L7 Solutions Pty Ltd for a consideration of $15,000,000. The consideration comprised an issue of shares in Amcom Telecommunications Ltd of $985,000 and cash consideration of $14,015,000.

Since acquisition to 30 June 2012 Amcom L7 Solutions Pty Ltd has contributed $36,499,000 to the consolidated revenue of the group and $502,000 to operating profit after tax. The revenue and net profit after tax for 2012 were $56,641,815 and $585,840 respectively.

The revenue and net profit after tax for 2011 were $40,621,165 and $1,057,671 respectively.

The Group has provisionally recognised the fair values of the acquired identifiable assets and liabilities of Amcom L7 Solutions Pty Ltd based upon the best information available as of the reporting date with adjustments to fair values as noted below. The assessment will be finalised upon completion of the tax consolidation calculation. The provisional fair value accounting of the business combination is as follows:

	Fair Value at acquisition date $'000	Initial Fair Value & Nominal Book Value 31 Dec 2011 $'000
Cash and cash equivalents	1,158	1,158
Stock	374	424
Trade and other receivables	5,620	5,843
Plant and equipment	557	1,037
Intangibles	-	177
Deferred tax asset	359	359
	8,068	8,998
Trade payables	5,436	5,436
Provisions	800	800
Borrowings	410	410
Tax payable	504	504
Deferred revenue	78	78
	7,228	7,228
Provisional fair value of identifiable net assets	840	
Goodwill arising on acquisition	14,160	
	15,000	
Acquisition-date fair-value of consideration transferred:		
Shares issued, at fair value	985	
Cash paid	14,015	
	15,000	
The cash outflow on acquisitions is as follows:		
Net cash acquired with the subsidiary	1,158	
Transaction cost	(259)	
Cash paid	(14,015)	
Net consolidated cash outflow	(13,116)	

30. Parent Entity Information

Information relating to Amcom Telecommunications Ltd:

	2012 $'000	2011 $'000
Current assets	44	47,460
Total assets	71,177	121,870
Current liabilities	40	1,734
Total liabilities	5,924	9,773
Contributed Equity	107,787	132,222
Retained (losses)	(39,594)	(17,185)
Employee Equity-settled Benefits Reserve	426	426
Option Cancellation Reserve	(3,366)	(3,366)
Total shareholders' equity	65,253	112,096
Profit of the parent entity	34,044	5,751
Total comprehensive income of the parent entity	34,044	5,751

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The financial guarantees and the contingent liabilities of the group are the same as that of the parent. Refer to note 27 for further details.

31. Share-based payment plans

(a) Recognised share-based payment expenses

	2012 $'000	2011 $'000
Expense arising from equity-settled share-based payment transactions (Note 23)	830	600

Type of share-based payment plans

Performance Rights long term incentive plan

Performance Rights are granted to executives and senior management. The plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

The Performance Rights enable the participant to acquire ordinary shares in Amcom Telecommunications Limited. No amount is payable upon the grant or the issue of an ordinary share following the vesting of a Performance Right. These rights cannot be transferred and will be forfeited if vesting conditions are not or cannot be satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted.

31. Share-based payment plans (continued)

Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds $1.14 (Share price target) at any time between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply. Upon vesting the conversion ratio to ordinary shares is 1:1.3165 ordinary shares. The fair value of the rights granted during the year was 50.4 cents per right. Subsequent to year-end the Share price target was achieved and the performance rights vested.

Tranche B

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. Half of the performance rights will vest on 30 June 2013 with 25% vesting if the Amcom Total Shareholder Return (TSR) is equal to but less than 110% of the S&P ASX300 Accumulation Index (Index) and a further 25% if the TSR exceeds 110% of the Index. Unvested Performance Rights will lapse on 30 June 2013 or if employment is terminated. Change of control provisions also apply. Upon vesting the conversion ratio to ordinary shares is 1:1.3165 ordinary shares.

Tranche C

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. A third of the performance rights will vest at 30 June 2014; a further 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR is 110% of the S&P ASX 300 Accumulation Index. Unvested Performance Rights will lapse on 30 June 2014 or if employment is terminated. Change of control provisions also apply. The fair value of the rights granted during the year was in the range of 51.9 cents – 61.5 cents per right.

b) Summaries of Performance Rights granted

The following table illustrates the number and movements in Performance Rights issued during the year:

	Tranche A	Tranche B	Tranche C	Total
Outstanding at beginning of the year	2,183,330	480,000	-	2,663,330
Lapsed during the year	(33,333)	-	-	(33,333)
Issued during the year	199,998	-	1,480,000	1,679,998
Outstanding at the end of the year	2,349,995	480,000	1,480,000	4,309,995

31. Share-based payment plans (continued)

c) Weighted average remaining contractual life

The weighted average remaining contractual life for the Performance Rights outstanding at 30 June 2012 is 0.8 years (2011: 1.06 years).

d) Performance Rights pricing model

Equity-settled transactions

The fair value of the Performance Rights granted is estimated as at the date of grant using a Geometric Brownian Motion Model and a Monte Carlo simulation taking into account the terms and conditions upon which the rights were granted, to fair value the Performance Rights. The model takes into account the historic dividends and share price volatilities of the Company.

Valuation Inputs for Performance Rights issued in the year

	Tranche A	Tranche C	Tranche C	Tranche C
Grant date	31/03/2010	27/09/2011	23/11/2011	24/01/2012
Hurdle date	31/03/2012	30/06/2014	30/06/2014	30/06/2014
Share price at start	$0.876	$0.75	$0.85	$0.85
Dividend Yield	2.61%	5.64%	5.49%	5.49%
Volatility	48.56%	46.68%	43.22%	43.22%
Risk Free Rate	5.25%	3.66%	3.13%	3.13%

32. Segment Information

Operating segments

Segment revenue and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise cash interest bearing loans, borrowings, corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment result is earnings before interest, tax, impairments and other once-off costs.

Products and services within each business segment

For management purposes, the consolidated entity is organised into three major operating entities. These segments are the basis on which the consolidated entity reports its segment information. The principal products and services of each of these divisions are as follows:

- Data Networks — Provision of high speed fibre based connectivity services. Development of high speed technology links and the supply of last mile fibre optic network connections.
- Amnet — Consumer DSL services
- Business Services — Voice services, cloud, data centre management, managed IT and integration services and sale of hardware.

32. Segment Information (continued)

30 June 2012 $'000	Data Networks	Amnet	Business Services	Corporate Overheads	Total
Revenue from external customers	64,737	10,515	60,182	-	135,434
Total segment revenue	64,737	10,515	60,182	-	135,434
Other revenue					533
Total revenue					135,967
Earnings before interest, tax, depreciation and amortisation	30,481	1,612	4,785	(2,870)	34,008
Depreciation and amortisation	(7,060)	(793)	(1,024)	(10)	(8,887)
Segment result (EBIT)	23,421	819	3,761	(2,880)	25,121
Interest (net)					(1,206)
Profit on in specie distribution					18,626
Impairment of goodwill					(2,814)
Impairment of network infrastructure					(4,995)
Acquisition expenses and other items					(1,024)
Net profit before tax					33,708
Tax expense					(5,350)
Net profit after tax					28,358

30 June 2011 $'000	Data Networks	Amnet	Business Services	Corporate Overheads	Total
Revenue from external customers	54,898	11,397	20,437	-	86,732
Total segment revenue	54,898	11,397	20,437	-	86,732
Other revenue					456
Total revenue					87,188
Earnings before interest, tax, depreciation and amortisation	26,544	1,789	2,798	(2,373)	28,758
Depreciation and amortisation	(6,818)	(839)	(894)	(11)	(8,562)
Segment result (EBIT)	19,726	950	1,904	(2,384)	20,196
Interest (net)					(1,174)
Profit on sale of investment					4,255
Share of profit of associate					7,762
Net profit before tax					31,039
Tax expense					(5,186)
Net profit after tax					25,853

32. Segment Information (continued)

Segment assets	Assets	
	2012 $'000	2011 $'000
Data Networks	120,849	114,397
Amnet	4,300	7,710
Business Services	38,781	14,797
Total of all segments	163,930	136,904
Investment in Associate	-	52,011
Cash and cash equivalents	24,242	22,051
Statement of financial position	188,172	210,966

33. Related party disclosures

(a) Equity interests in related parties

Equity interests in controlled entities and in associate.

Details of the percentage of ordinary shares held in controlled entities and associates are disclosed in notes 10 and 28 to the financial statements.

(b) Key management personnel compensation

The aggregate compensation of key management personnel is set out below:

	Consolidated	
	2012 $'000	2011 $'000
Short-term employee benefits	2,426,439	2,250,220
Post-employment benefits	305,958	365,397
Share based payment	600,092	573,173
Long-term employee benefits	31,184	54,251
	3,363,673	3,243,041

Further details of key management personnel compensation are disclosed in the remuneration report included in the directors' report.

33. Related party disclosures (continued)

c) Key management personnel equity holdings

Fully paid ordinary shares of Amcom Telecommunications Ltd

	Balance at 1 July (*) No.	Balance at 1 July (**) No.	Net other change (***) No.	Balance at 30 June No.
2012				
Mr. A Grist	27,000,000	9,000,003	300,000	9,300,003
Mr. C Stein	2,311,000	770,334	(266,000)	504,334
Mr. A Davies	1,100,000	366,667	-	366,667
Mr. P Clifton	4,500,000	1,500,000	100,000	1,600,000
Mr. I Warner	200,000	66,667	-	66,667
Mr. C Coleman	4,400,000	1,466,668	-	1,466,668
Mr. M Knee	190,000	63,333	60,167	123,500
Mr. D Hinton	634,000	211,334	-	211,334
Mr. M Sullivan	-	-	591,716	591,716
Mr. R Whiting	200,000	66,667	-	66,667
Total	**40,535,000**	**13,511,673**	**785,883**	**14,297,556**
2011				
Mr. A Grist	26,749,575	-	250,425	27,000,000
Mr. C Stein	2,311,000	-	-	2,311,000
Mr. A Davies	1,100,000	-	-	1,100,000
Mr. P Clifton	3,750,000	-	750,000	4,500,000
Mr. I Warner	200,000	-	-	200,000
Mr. C Coleman	4,300,000	-	100,000	4,400,000
Mr. M Knee	190,000	-	-	190,000
Mr. D Hinton	550,000	-	84,000	634,000
Mr. R Whiting	200,000	-	-	200,000
Total	**39,350,575**	**-**	**1,184,425**	**40,535,000**

* pre share consolidation

** post share consolidation

*** transactions on same terms and conditions as transactions with other shareholders except for Mr. M Sullivan whereby 591,716 shares were issued to an entity controlled by Mr Sullivan as part consideration for the acquisition of Amcom L7 Solutions Pty Ltd.

33. Related party disclosures (continued)

d) Performance rights

	Balance at 1 July 2011	Issued Tranche C	Lapsed	Balance at 30 June 2012
Mr C Stein	908,667	325,000	-	1,233,667
Mr D Hinton	372,000	165,000	-	537,000
Mr R Whiting	372,000	165,000	-	537,000
Mr M Knee	372,000	165,000	-	537,000
Mr M Sullivan	-	165,000	-	165,000
Total	2,024,667	985,000	-	3,009,667

e) Other transactions with key management personnel

(i) Consultancy fee of $168,000 (2011: $168,000) paid to Albion Capital Partners Pty Ltd, a corporate advisory group of which Mr A Grist is the shareholder.

(ii) The Company provides normal commercial secretarial support and office accommodation to Mr Grist in his role as non-executive chairman.

(iii) The Company had on issue a bank guarantee of $170,000 to support borrowings taken out by Mr Stein to acquire shares in the Company in 2010 in order to fund the exercise of share options. Mr Stein paid a fee for the bank guarantee. Subsequent to year end the bank guarantee was cancelled.

(f) Transactions with other related parties

During the financial year, the following transactions occurred between the consolidated entity and its related parties:

Related party		Revenue from related parties $'000	Purchases from related parties $'000	Other transactions with related parties $'000
Associate iiNet Limited:				
Services	2012	-	-	-
	2011	730	-	-
Dividends	2012	-	-	-
	2011	-	-	3,910

All transactions with related parties are completed at an arms length on normal commercial terms.

34. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, 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 financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents- available	23,923	21,732
Cash and cash equivalents- restricted	319	319
	24,242	22,051

The restricted amount represents deposits held by bankers as security for bank guarantees provided.

(b) Bank Financing Facilities

Commercial Advance Facility *

	Consolidated	
	2012 $'000	2011 $'000
Drawn	32,015	15,000
Undrawn	3,985	12,500
	36,000	27,500
Working Capital Facility **		
Drawn	1,213	1,107
Undrawn	2,787	1,393
	4,000	2,500
	40,000	30,000

* Expiry date: December 2014

** Subject to annual review

34. Notes to the statement of cash flows (continued)

	Consolidated	
	2012	2011
	$'000	$'000
(c) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	28,358	25,853
Depreciation and amortisation of non-current assets	8,887	8,562
Share of associates' profits (net of dividend received)	-	(3,852)
Profit on sale of investment in an associate	-	(4,255)
Impairment of network infrastructure	4,995	-
Impairment of goodwill	2,814	-
Share-based payment expense	830	600
Profit on in specie distribution	(18,626)	-
Provision for doubtful debts	172	170
(Increase) / decrease in assets:		
Current receivables	(3,431)	(1,194)
Current inventories	200	(297)
Other	(885)	(198)
Increase / (decrease) in liabilities:		
Payables and provisions	5,309	515
Deferred revenue	3,881	441
Deferred and current tax	(239)	2,322
Net cash provided by operating activities	32,265	28,667

35. Events after balance sheet date

Subsequent to year-end the vesting conditions of the Tranche A Performance Rights were achieved which has resulted in the company issuing 3,049,888 Ordinary shares to employees under the Amcom Executive Long Term Incentive Plan. These rights were issued in 2010 and the issuance of the shares represents 1.2% of the expanded number of shares on issue.

36. Additional Company Information

The parent entity in the consolidated entity is Amcom Telecommunications Ltd (ABN 20 062 046 217). Amcom Telecommunications Ltd is a listed public company, incorporated and operating in Australia.

Additional Securities Exchange Information

Distribution of Holders of Equity Securities as at 28 August 2012

	Fully Paid Listed Ordinary Shares
1-1,000	900,003
1,001-5,000	5,766,492
5,001-10,000	6,063,386
10,001-100,000	32,604,155
100,001 and over	199,207,756
	244,541,792
Number of shareholders holding less than a marketable parcel	470

Substantial Shareholders

Details per notices

	Fully Paid	
Ordinary Shareholders	Number	Percentage
AJA Super IW Pty Ltd	20,886,719	8.54%
Osson Pty Ltd	19,607,844	8.12%
National Australia Bank Limited and its associated entities	15,986,576	6.62%
Wyllie Group Pty Ltd	15,813,181	6.55%
Acorn Capital Limited	15,116,642	6.26%

Twenty Largest Holders of Quoted Equity Securities AMM as at 28 August 2012

Listed Ordinary Shares

Name	Holder Balance as at 28/8/12	%	Rank
National Nominees Limited	33,845,370	13.84	1
AJA Super IW Pty Ltd	20,886,719	8.54	2
Osson Pty Ltd <Private A/C>	19,607,844	8.02	3
BNP Paribas Noms Pty Ltd <Master Cust Drp>	17,065,794	6.98	4
Wyllie Group Pty Ltd	15,813,181	6.47	5
Bell Potter Nominees Ltd <BP Nominees A/C>	11,237,575	4.60	6
JP Morgan Nominees Australia Limited	10,116,390	4.14	7
Oaktone Nominees Pty Ltd<The Grist Investment A/C>	7,866,669	3.22	8
Citicorp Nominees Pty Limited	6,493,577	2.66	9
HSBC Custody Nominees (Australia) Limited	4,987,139	2.04	10
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	4,141,948	1.69	11
RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	4,132,691	1.69	12
Newport Timber & Trading Pty Ltd	2,520,006	1.03	13
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	2,399,670	0.98	14
Mr Danny Kontos	1,916,667	0.78	15
Clifton Super (WA) Pty Ltd <The Clifton Super Fund A/C>	1,600,000	0.65	16
Equity Trustees Limited <SGH IC2E>	1,581,058	0.65	17
Fatty Holdings Pty Ltd <The Coleman Family A/C>	1,333,334	0.55	18
Mr Anthony Grist	1,333,334	0.55	19
Diversified Services Australia Pty Ltd	1,327,334	0.54	20
Top 20 Subtotal	170,206,300	69.62	

Number of shareholders at 28 August 2012	5,625

Company secretary

Mr. David Hinton

Registered office

Level 22

44 St Georges Terrace

Perth WA 6000

Principal administration office

Level 22

44 St Georges Terrace

Perth WA 6000

Share registry

Computershare Investor Services Pty Ltd

Level 2

Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Australian Securities Exchange listings

Amcom Telecommunications Ltd's ordinary shares are quoted on the Australian Securities Exchange (ASX:AMM).

76083 www.acorndesign.com.au

amcom

LEVEL 22, 44 ST GEORGES TERRACE PERTH WA 6000 | GPO BOX 2541 PERTH WA 6001
08 9244 6000 | INVESTOR@AMCOM.COM.AU | AMCOM.COM.AU | ABN 20 062 046 217