



**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**Amcom's strong growth earnings and free cash flow continues**

12 February 2013

Australian Securities Exchange Limited

**Highlights**

- Revenue \$80.1m up 43%
- EBITDA\* \$19.2m up 16%
- EBIT\* \$14.5m up 18%
- Operating cash flow \$17.0m – up 20%
- Free cash flow \$7.0m – up 66%<sup>1</sup>
- NPAT before significant items \* \$10.0m – up 20%
- Earnings per share (NPAT before significant items)\* 4.1 cents – up 17%
- Interim dividend per share 2 cents fully franked
- Guidance maintained of circa 20% underlying earnings growth in FY13

Amcom Telecommunications Limited (“Amcom”) (ASX: AMM), a leading telecom and convergent IT solutions provider, today announced its financial results for the six months ended 31 December 2012 with reported net profit after tax of \$10.0m. Excluding significant one-off items occurring in the previous corresponding period<sup>2</sup> the net profit after tax\* increased 20% to \$10.0m. Earnings per share before significant items increased 17% to 4.1 cents per share.

The uplift in earnings was due to strong organic sales growth from Amcom's core data networks (fibre) and expanded hosted and cloud services offerings. The recurring revenue base for the annuity streams of the business now exceeds \$97m as at 31 December 2012 up from \$90m at June 2012.

Revenue increased 43% to \$80m which included a full six month contribution from Amcom L7 Solutions which was acquired in November 2011 giving Amcom a broader IT offering. Notwithstanding the significant investment made in new operating capabilities, EBITDA increased 16% to \$19.2m and EBIT was up 18% to \$14.5m.

Operating cash flow grew in proportion with underlying earnings and was up 20% to \$17.0m. Free cash flow<sup>1</sup> jumped 66% to \$7.0m reflecting increasing scale benefits as Amcom leverages its existing and new capabilities.

The Board has declared an interim dividend of 2 cents per share fully franked, up from 1.8 cents in the previous corresponding period. The higher dividend reflects increasing free cash flow generation and the low gearing levels of the company. The interim dividend is payable on 28 March 2013 to shareholders registered on 8 March 2013.

Commenting on the result, Amcom's CEO Mr Clive Stein said “The company has delivered another strong performance which I believe further demonstrates our capability to execute on the strategic priorities we previously enunciated to the market. Our industry is constantly evolving and we like to be ahead of the curve to take advantage of the many opportunities to drive this company forward and keep generating growth in shareholder value.”

Amcom's Chairman Mr Tony Grist added “Investors have recognised Amcom is strategically well placed to capitalise on the convergence between telecommunications and IT services. We have a quality management team who continue to deliver consistently strong results and we are mindful of investors' expectations to continue building on our track record of success. I am very confident in the company's future.”

<sup>1</sup> Operating cash flow less payments for property, plant and equipment.

<sup>2</sup> Significant items one-off items occurring in 1 H 12 included \$16.6m profit arising on the in specie distribution of iinet.

\*non IFRS financial information is reconciled to IFRS financial information at Annexure 1

## Outlook

Amcom's outlook remains favourable. With a broadened and fully integrated product offering, strong customer relationships and a committed team of Amcom people the company is well placed to take advantage of the convergence between telecommunications and IT solutions. The company's financial position is strong with ample balance sheet capacity to fund future growth initiatives.

One of these initiatives is a recently signed agreement with leading network infrastructure provider Cisco Systems to upgrade Amcom's existing national data network with the latest technology and the deployment of Cisco's Hosted Collaboration Service (HCS), an enterprise grade unified communications platform. HCS provides businesses with all the benefits of unified communications and promotes the transition from on-premise to a hosted or cloud delivery model. Amcom's investment in the network upgrade and deployment of HCS comprises an initial \$8m. Further investments will be made as services are sold and upgraded. The investment will be funded by a long term vendor finance facility provided by Cisco.

The broadening of the company's product range will drive continued earnings growth going forward. Amcom's operating momentum from the first half of this financial year has continued into the second half whilst maintaining a disciplined approach to winning new annuity style business.

In line with previous guidance, Amcom expects an increase in underlying net profit after tax of circa 20% in FY 2013 over FY 2012.

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## About Amcom

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. For further information, visit: [www.amcom.com.au](http://www.amcom.com.au)

**Amcom Telecommunications Limited**  
**Results six months ending 31 December 2012**

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**1. Profit Summary**

The reported net profit after tax for the period ended 31 December 2012 was \$10.0m (2011: \$26.5m). After excluding significant items the company recorded a 20% increase in net profit after tax before significant items to \$10.0m. A summary of the result is shown below.

\$ 000	Dec 12	Dec 11	% Change
Revenue	80,069	55,878	43%
EBITDA*	19,230	16,555	16%
EBIT*	14,548	12,293	18%
Interest expense (net)	(769)	(311)	
Profit before tax*	13,779	11,981	15%
Tax	(3,731)	(3,597)	
<b>Net profit after tax before significant items *</b>	<b>10,048</b>	<b>8,385</b>	<b>20%</b>
<b>Significant items:</b>			
Acquisition activity expenses and other* (tax: \$nil)	(94)	(518)	
Profit on in specie distribution of iiNet ( tax: nil)	-	18,626	
<b>Net profit after tax as reported</b>	<b>9,954</b>	<b>26,493</b>	<b>(62%)</b>
EPS basic – NPAT before significant items*	4.1c	3.5c	17%
EPS basic – NPAT as reported	4.1c	11.0c	(62%)

\*non IFRS financial information is reconciled to IFRS financial information at Annexure 1

**Amcom Telecommunications Limited**  
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**2. Cash flow**

Amcom recorded a 20% increase in operating cash flow to \$17.0m for the period to 31 December 2012. Free cash flow increased 66% to \$7.0m for the period as shown in the table below.

\$ 000	Operating and Investing Cash flow		
	1 H 13	1 H 12	Δ %
<b>Operating cash flow</b>	<b>16,974</b>	<b>14,147</b>	20%
Growth capex - customer connections	( 6,019)	( 5,347)	
Growth capex - cloud	( 335)	( 2,824)	
Stay in business	( 3,600)	( 1,746)	
<b>Total Capital Expenditure</b>	<b>( 9,954)</b>	<b>( 9,917)</b>	
<b>Free cash flow</b>	<b>7,020</b>	<b>4,230</b>	66%
<b>Free Cash Flow per share</b>	<b>2.9 c</b>	<b>1.8 c</b>	64%

Dividends paid during the period ended 31 December 2012 were \$7.8m (2011:\$7.2m).

**3. Review of operations**

The company's business operations are reported under three operating segments based upon product or service groupings.

\$ 000	Revenue			EBITDA		
	1 H 13	1 H 12	Δ %	1 H 13	1 H 12	Δ %
Data networks - core	35,928	29,359	22%	17,321	14,559	19%
Data networks - projects	-	2,412		-	382	
Amnet - consumer	4,997	5,325		816	823	
<b>Telecommunications</b>	<b>40,925</b>	<b>37,096</b>	10%	<b>18,137</b>	<b>15,764</b>	15%
EBITDA / Rev margin %	44%	42%				
<b>Hosted and Cloud Services</b>	<b>11,908</b>	<b>12,123</b>	-2%	<b>2,392</b>	<b>1,864</b>	28%
<b>IT Services</b>	<b>27,080</b>	<b>6,264</b>	332%	<b>1,010</b>	<b>204</b>	395%
<b>Corporate</b>	<b>156</b>	<b>395</b>		<b>(2,309)</b>	<b>(1,277)</b>	
<b>Totals</b>	<b>80,069</b>	<b>55,878</b>	43%	<b>19,230</b>	<b>16,555</b>	16%
EBITDA / Rev margin %	24%	30%				

Revenue from Telecommunications increased 10% to \$40.9m and EBITDA grew by 15% to \$18.1m. The Telecommunications segment includes Data networks (formerly fibre) and the Amnet consumer division.

The Hosted and Cloud services segment increased EBITDA by 28% to \$2.4m. The overall minor revenue reduction was due several low margin contracts cancellations in the IPTel business offset by a growing Cloud revenue annuity stream. IP Tel is now focussing on higher margin business which has resulted in an improved EBITDA contribution. The Hosted and Cloud services segment includes the products of Cloud, IP Telephony and data centre operations.

IT Services segment comprises the sale of IT hardware and services, licensing, maintenance and outsourced services. This segment was added by the acquisition of Amcom L7 Solutions Pty Ltd which occurred in November 2011.

Corporate represents general overheads and new product development costs and costs not allocated to a particular segment.

**Amcom Telecommunications Limited**  
**Results six months ending 31 December 2012**

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**4. Balance Sheet**

\$ 000	Dec -12	FY 12	Dec-11
Shareholders' equity	114,116	111,837	113,877
Cash	25,249	24,242	19,623
Borrowings	34,154	32,200	32,253
Net debt /(cash)	8,905	7,958	12,630
NTA	77,789	76,133	76,351
Gearing (%) #	7%	7%	10%
NTA per share (c)	31.8 c	31.5 c	31.6 c

# calculated as Net debt / (Net debt + Shareholders' equity)

The financial position of the company remains sound. Gearing levels were relatively static over the 1<sup>st</sup> half of the financial year notwithstanding the increase in dividends paid.

**Amcom Telecommunications Limited**  
**Results six months ending 31 December 2012**

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The Directors believe that the presentation of non-IFRS financial information is useful for readers of this document 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 included in the Statement of Comprehensive Income appearing in the attached financial report and Appendix 4D to the non-IFRS Profit Summary appearing above.

\$ 000	1 H 13	1 H 12
<b>Net Profit after tax</b>	<b>9,954</b>	26,493
Income tax expense	3,731	3,597
Profit on in specie distribution -iiNet	-	(18,626)
Acquisitions activity and other expenses*	94	518
Depreciation & amortisation	4,682	4,262
Interest revenue	(156)	(395)
Finance costs	925	706
<b>EBITDA *</b>	<b>19,230</b>	16,555
Depreciation & amortisation	(4,682)	(4,262)
<b>EBIT *</b>	<b>14,548</b>	12,293
Interest revenue	156	395
Finance costs	(925)	(706)
Profit before tax *	<b>13,779</b>	11,982
Income tax expense	(3,731)	(3,597)
<b>Net profit after tax before significant items *</b>	<b>10,048</b>	8,385

\* non AIFRS financial information

## Appendix 4D

### Results for announcement to the market

### Amcom Telecommunications Ltd (ACN 062 046 217)

*This half-year report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.*

This should be read in conjunction with the most recent annual financial report.

Current Reporting Period: Half - Year ending 31 December 2012

Previous Corresponding Period: Half - Year ending 31 December 2011

## Results

		Percentage Change %	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue	up	43	80,069	55,878
Net profit after tax attributable to members	down	62	9,954	26,493
Earnings per share – basic (cents)	down	63	4.08	11.0
Net tangible assets per share (cents)	steady	-	31.8	31.6

	Amount per security ¢	Franked amount per security ¢
Dividend (interim)	2.0	2.0

## Key Dates

Dividend record date	8 March 2013
Dividend payment date	28 March 2013

## Directors' Report

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The Directors of Amcom Telecommunications Limited submit herewith the financial report for the half-year ended 31 December 2012.

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

### **Name**

Anthony Grist (Non-executive Chairman)

Clive Stein (Managing Director and CEO)

Ian Warner (Non-executive Director)

Peter Clifton (Non-executive Director)

Craig Coleman (Non-executive Director)

Anthony Davies (Non-executive Director)

### **Review of Results and Operations**

The Consolidated Entity has reported a profit after tax for the period of \$9,954,000 (2011: \$26,493,000). This result was generated on an increase in revenue to \$80,069,000. Further details are included in the review of results and operations provided to the Australian Securities Exchange.

### **Auditor's Independence Declaration**

The auditor's independence declaration is attached.

### **Rounding off of Amounts**

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

Signed in accordance with a resolution of Directors made pursuant to s.306 of the Corporations Act 2001.

On behalf of the Directors

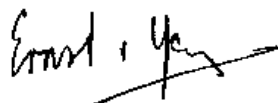


Anthony Grist  
Chairman  
Perth, Western Australia  
11 February 2013



## Auditor's Independence Declaration to the Directors of Amcom Telecommunications Pty Ltd

In relation to our review of the financial report of Amcom Telecommunications Limited for the half-year ended 31 December 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



T G Dachs  
Partner  
Perth  
11 February 2013

## Directors' Declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of the consolidated entity for the half-year ended 31 December 2012 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 31 December 2012 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Anthony Grist  
Chairman  
Perth, Western Australia  
11 February 2013

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Note	Consolidated	
		Half-year ended 31 Dec 2012 \$'000	Half-year ended 31 Dec 2011 \$'000
<b>Continuing Operations</b>			
Revenue	2	80,069	55,878
Profit on in specie distribution	7	-	18,626
Network costs and cost of hardware sold		(32,759)	(19,992)
Accommodation expense		(2,247)	(1,748)
Depreciation and amortisation expenses		(4,682)	(4,262)
Employee benefits expense		(20,315)	(13,370)
Finance costs		(925)	(706)
Marketing related expenses		(807)	(801)
Repairs and maintenance expenses		(551)	(452)
Other expenses		(4,098)	(3,209)
<b>Profit from continuing operations before income tax expense</b>		<b>13,685</b>	<b>29,964</b>
Income tax expense		(3,731)	(3,471)
<b>Net Profit attributable to members of Amcom Telecommunications Ltd</b>		<b>9,954</b>	<b>26,493</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedge – (loss)/gain taken to equity, net of tax		(158)	55
<b>Total comprehensive income attributable to members of Amcom Telecommunications Ltd, net of tax</b>		<b>9,796</b>	<b>26,548</b>
<b>Earnings per share from continuing operations</b>			
Basic (cents per share)	5	4.08	11.01
Diluted (cents per share)	5	4.04	10.79

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**

	<u>Note</u>	<b>Consolidated</b>	
		<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		25,249	24,242
Trade and other receivables		15,323	15,439
Inventories		2,983	1,791
Other		3,548	2,147
<b>Total current assets</b>		<b>47,103</b>	<b>43,619</b>
<b>Non-current assets</b>			
Property, plant and equipment		114,210	108,849
Goodwill		34,472	34,472
Other intangible assets		1,855	1,232
<b>Total non-current assets</b>		<b>150,537</b>	<b>144,553</b>
<b>Total assets</b>		<b>197,640</b>	<b>188,172</b>
<b>Current liabilities</b>			
Trade and other payables		27,100	23,030
Deferred revenue		10,605	11,308
Borrowings		106	100
Income tax payable		1,577	1,046
Derivative financial liability		53	-
Provisions		2,626	2,449
<b>Total current liabilities</b>		<b>42,067</b>	<b>37,933</b>
<b>Non-current liabilities</b>			
Borrowings		34,048	32,100
Provisions		976	733
Deferred revenue		801	882
Deferred financial liability		105	-
Deferred tax liabilities		5,527	4,687
<b>Total non-current liabilities</b>		<b>41,457</b>	<b>38,402</b>
<b>Total liabilities</b>		<b>83,524</b>	<b>76,335</b>
<b>Net assets</b>		<b>114,116</b>	<b>111,837</b>
<b>Equity</b>			
Contributed equity	4	107,840	107,787
Reserves		(1,313)	(1,410)
Retained profits		7,589	5,460
<b>Total equity</b>		<b>114,116</b>	<b>111,837</b>

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

		<b>Consolidated</b>	
		<b>Half-year ended 31 Dec 2012</b>	<b>Half-year ended 31 Dec 2011</b>
<b>Note</b>		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers	85,470	62,887
	Payments to suppliers and employees	(65,366)	(45,147)
	Interest and other costs of finance paid	(769)	(313)
	Income tax paid	(2,361)	(3,280)
	Net cash provided by operating activities	<u>16,974</u>	<u>14,147</u>
<b>Cash flows from investing activities</b>			
	Payment for property, plant and equipment	(9,954)	(9,917)
	Acquisition activity expenses	(194)	-
	Payment for acquisition of subsidiary (net of cash acquired)	-	(12,911)
6	Net cash used in investing activities	<u>(10,148)</u>	<u>(22,828)</u>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	9,000	25,015
	Repayment of loans	53	50
	Payment of deferred consideration	-	(3,128)
	Repayment of borrowings	(7,046)	(8,474)
	Dividends paid	(7,826)	(7,210)
	Net cash (used in)/provided by financing activities	<u>(5,819)</u>	<u>6,253</u>
	Net increase/(decrease) in Cash and Cash Equivalents	1,007	(2,428)
	Cash and Cash Equivalents at the beginning of the Period	<u>24,242</u>	<u>22,051</u>
	Cash and Cash Equivalents at the end of the Period	<u>25,249</u>	<u>19,623</u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

<b>Consolidated</b>	<b>Contributed Equity \$'000</b>	<b>Employee Equity – Settled Benefits Reserve \$'000</b>	<b>Cash Flow Hedge Reserve \$'000</b>	<b>Option Cancellation Reserve \$'000</b>	<b>Retained Profits \$'000</b>	<b>Total Equity \$'000</b>
<b>At 30 June 2011</b>	132,222	1,126	(55)	(3,366)	33,955	163,882
Profit for the period	-	-	-	-	26,493	26,493
Other comprehensive income	-	-	55	-	-	55
<b>Total comprehensive income</b>	-	-	55	-	26,493	26,458
Shares issued	985	-	-	-	-	985
Transaction costs on share issue	(7)	-	-	-	-	(7)
In specie distribution (Note 7)	(25,493)	-	-	-	(45,294)	(70,787)
Repayment of loans	50	-	-	-	-	50
Share based payment	-	416	-	-	-	416
Dividends paid	-	-	-	-	(7,210)	(7,210)
<b>At 31 December 2011</b>	<b>107,757</b>	<b>1,542</b>	<b>-</b>	<b>(3,366)</b>	<b>7,944</b>	<b>113,877</b>
<b>At 30 June 2012</b>	107,787	1,956	-	(3,366)	5,460	111,837
Profit for the period	-	-	-	-	9,954	9,954
Other comprehensive income	-	-	(158)	-	-	(158)
<b>Total comprehensive income</b>	-	-	(158)	-	9,954	9,796
Repayment of loans	53	-	-	-	-	53
Share based payment	-	255	-	-	-	255
Dividends paid	-	-	-	-	(7,826)	(7,826)
<b>At 31 December 2012</b>	<b>107,840</b>	<b>2,211</b>	<b>(158)</b>	<b>(3,366)</b>	<b>7,589</b>	<b>114,116</b>

## 1. Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Amcom Telecommunications Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated financial report of 30 June 2012.

### Changes in Accounting Policy

The Group has adopted all accounting standards and interpretations applicable from 1 July 2012. The adoption of the new standards and interpretations has had no material impact on the recognition, measurement and disclosure of any assets, liabilities or the income statement for the period

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

## 2. Revenue

	<b>Half-year ended 31 Dec 2012 \$'000</b>	<b>Half-year ended 31 Dec 2011 \$'000</b>
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Rendering of services	66,201	51,110
Sale of hardware	13,712	4,373
Interest income	156	395
	<u>80,069</u>	<u>55,878</u>

## 3. Dividends fully franked

	<b>Half-year ended 31 December 2012</b>		<b>Half-year ended 31 December 2011</b>	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Dividend paid on ordinary shares	3.2	7,826	3.0	7,210

#### 4. Contributed Equity

<b>Fully paid ordinary shares</b>	<b>Number of shares</b>	<b>\$'000</b>
Opening balance @ 1 July 2012	241,507,213	107,787
Issue of ordinary shares (Tranche A)	3,049,888	-
Repayment of share based loan to Directors	-	53
Closing balance @ 31 December 2012	244,557,101	107,840

#### **Securities on issue at reporting date**

Listed ordinary shares	244,557,101
Performance rights – Tranche A	-
Performance rights – Tranche B	480,000
Performance rights – Tranche C	1,315,000
Performance rights – Tranche D	1,135,000

<b>Movement in Performance Rights</b>	<b>Tranche A</b>	<b>Tranche B</b>	<b>Tranche C</b>	<b>Tranche D</b>
Opening balance @ 1 July 2012	2,349,995	480,000	1,480,000	-
Issued in period	-	-	-	1,135,000
Lapsed	(33,333)	-	(165,000)	-
Converted to ordinary shares	(2,316,662)	-	-	-
Closing balance @ 31 December 2012	-	480,000	1,315,000	1,135,000

#### **Tranche A**

During the period 1 July 2012 to 31 December 2012 the Tranche A performance rights vested as the condition of 20-day volume weighted average price of Amcom's shares traded on the ASX was met. These were converted to ordinary shares at a conversion ratio of 1:1.3165 resulting in 3,049,888 shares being issued.

#### **Tranche B**

Issued for nil consideration pursuant to 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. Conversion ratio to ordinary shares of 1:1.3165.

#### **Tranche C**

Issued for nil consideration pursuant to Amcom Executive Long Term Incentive Plan with no exercise price. Vesting conditions and performance hurdles: 33% at 30 June 2014; and 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR equals or exceeds 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.



#### Tranche D

Performance Rights were granted for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan, with no exercise price. Vesting conditions and performance hurdles for the rights: 33.3% at 30 June 2015; and 33.3% if Amcom TSR equals the S&P ASX 300 Accumulation Index; and a further 33.3% if Amcom TSR equals or exceeds the S&P ASX 300 Accumulation Index by 10%. Unvested Performance Rights will lapse on 30 June 2015 or if employment is terminated. Change of control provisions apply. The fair value of the rights granted during the period was in the range of 70.5 cents – 95.7 cents per right.

## 5. Earnings per Share

	<b>Half-year ended 31 Dec 2012 ¢ per share</b>	<b>Half-year ended 31 Dec 2011 ¢ per share</b>
Basic EPS	4.08	11.01
Basic EPS (before significant items)	4.08	3.50
Diluted EPS	4.04	10.79
	<b>2012 No. '000</b>	<b>2011 No. '000</b>
Basic EPS – Weighted average number of ordinary shares	243,690,466	240,583,587
Potential ordinary shares arising on vesting of performance rights	2,482,111	4,880,689
Diluted EPS – Weighted average number of ordinary shares	<u>246,172,577</u>	<u>245,464,276</u>

## 6. Acquisition of controlled entity

In the previous corresponding period 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.

	<b>Half-year ended 31 Dec 2011 \$'000</b>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	1,158
Transaction costs paid	(54)
Cash paid	<u>(14,015)</u>
	<u>(12,911)</u>

## 7. In specie Distribution

In the previous corresponding period, 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.

## 8. Operating segments

### **Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided.

### **Types of services**

#### **Telecommunications**

##### *Data Networks*

Provision of high-speed fibre based connectivity services. Development of high-speed technology links and supply of last mile fibre optic network connections.

##### *Amnet*

Consumer DSL services.

#### **Hosted and Cloud Services**

IP telephony voice services, cloud and data centre management.

#### **IT Services**

Sale of hardware and provision of implementation consultancy services.

### **Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 of this financial report and in the prior period.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest expense and revenue
- Product development expense
- Corporate overheads
- Income tax expense

The following table presents revenue and profit information for reportable segments for the half years ended 31 December 2012 and 31 December 2011.

<b>31 December 2012</b> <b>\$'000</b>	<b>Telecom</b>	<b>Hosted &amp; Cloud Services</b>	<b>IT Services</b>	<b>Corporate Overhead</b>	<b>Total</b>
Revenue from external customers	40,925	11,908	27,080	-	79,913
<b>Total segment revenue</b>	<b>40,925</b>	<b>11,908</b>	<b>27,080</b>	<b>-</b>	<b>79,913</b>
Other revenue					156
<b>Total revenue per the statement of comprehensive income</b>					<b>80,069</b>
Earnings before interest, tax, depreciation and amortisation	18,137	2,392	1,010	(2,309)	19,230
Depreciation and amortisation	(3,966)	(590)	(121)	(5)	(4,682)
<b>Segment result (EBIT)</b>	<b>14,171</b>	<b>1,802</b>	<b>889</b>	<b>(2,314)</b>	<b>14,548</b>
Interest (net)					(769)
Acquisition expense & other items					(94)
<b>Net profit before tax</b>					<b>13,685</b>
Tax expense					(3,731)
<b>Net profit after tax</b>					<b>9,954</b>
<b>31 December 2011 *</b> <b>\$'000</b>	<b>Telecom</b>	<b>Hosted &amp; Cloud Services</b>	<b>IT Services</b>	<b>Corporate Overhead</b>	<b>Total</b>
Revenue from external customers	37,096	12,123	6,264	-	55,483
<b>Total segment revenue</b>	<b>37,096</b>	<b>12,123</b>	<b>6,264</b>	<b>-</b>	<b>55,483</b>
Other revenue					395
<b>Total revenue per the statement of comprehensive income</b>					<b>55,878</b>
Earnings before interest, tax, depreciation and amortisation	15,764	1,864	204	(1,277)	16,555
Depreciation and amortisation	(3,829)	(377)	(51)	(5)	(4,262)
<b>Segment result (EBIT)</b>	<b>11,935</b>	<b>1,487</b>	<b>153</b>	<b>(1,282)</b>	<b>12,293</b>
Interest (net)					(311)
Acquisition expense & other items					(644)
Profit on in specie distribution					18,626
<b>Net profit before tax</b>					<b>29,964</b>
Tax expense					(3,471)
<b>Net profit after tax</b>					<b>26,493</b>

\* The company has updated its segments as of July 1 2012 to better reflect its income streams and business going forward. As a result the comparative has been amended to reflect this change.

**Segment assets \***

	<b>Assets</b>	
	<b>Dec 2012 \$'000</b>	<b>June 2012 \$'000</b>
Telecommunications	134,542	127,070
Hosted & Cloud Services	14,403	13,900
IT Services	23,446	22,960
Total of all segments	172,391	163,930
Cash & cash equivalents	25,249	24,242
<b>Consolidated</b>	<b>197,640</b>	<b>188,172</b>

\* The company has updated its segments as of July 1 2012 to better reflect its income streams and business going forward. As a result the comparative has been amended to reflect this change.

## 9. Contingent Liabilities

There has been no material change in the contingent liabilities during the period.

## 10. Capital Commitment

On 31 December 2012, the company entered into an agreement for Capital commitments relating to network upgrades and implementation of the IP Telephony platform amounting to \$6.8m that were contracted but not provided for in the financial statements.

As at the date of this report, the company had not settled this capital commitment.

## Independent review report to members of Amcom Telecommunications Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Amcom Telecommunications Limited, which comprises statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Amcom Telecommunications Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

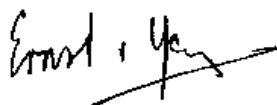
### Independence

In conducting our review, 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.

## Conclusion

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

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'T G Dachs'.

T G Dachs  
Partner  
Perth  
11 February 2013