APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**Vocus Communications Limited**
ABN:	96 084 115 499
Reporting period:	**Year ended 30 June 2013**
Previous corresponding period:	Year ended 30 June 2012

2. Results for announcement to the market

Revenues from ordinary activities	up	47.8%	to	$ 66,909,962
Underlying EBITDA *	up	35.7%	to	$ 22,630,126
Profit from ordinary activities after tax attributable to the owners of Vocus Communications Limited	down	34.4%	to	$ 5,098,269
Profit for the period attributable to the owners of Vocus Communications Limited	down	34.4%	to	$ 5,098,269
Underlying NPAT **	up	3.5%	to	$ 8,737,524

	2013 Cents	**2012 Cents**
Underlying basic earnings per share ***	11.74	13.86
Basic earnings per share	6.85	12.76
Diluted earnings per share	6.57	12.23
Underlying diluted earnings per share ***	11.26	13.28

Dividends
On 26 February 2013, the directors declared an interim dividend for the year ended 30 June 2013 of 0.4 cents per ordinary share. The interim dividend was paid on 26 March 2013 to shareholders registered on 12 March 2013. The dividend was fully franked.

On 27 August 2013, the directors declared a final dividend for the year ended 30 June 2013 of 0.6 cents per ordinary share. The final dividend is to be paid on 24 September 2013 to shareholders registered on 10 September 2013. The dividend will be fully franked.

Comments
The profit for the Consolidated Entity after providing for income tax amounted to $5,098,269 (30 June 2012: $7,775,082). Whilst underlying business growth remains strong, non-cash foreign exchange losses, unrealised and arising on longer dated unhedged IRU liabilities, reduced profit for the financial year ended 30 June 2013.

Further details of the results for the full year can be found in the 'review of operations' section of the Directors' report in the attached Annual Report.

** Underlying earnings before interest expense, tax, depreciation and amortisation ('Underlying EBITDA')*

	2013 $	2012 $
Profit after income tax expense for the year	5,098,269	7,775,082
Add back: Income tax expense	2,022,334	2,032,521
Add back: Finance costs	1,445,155	706,835
Add back: Depreciation and amortisation	8,865,432	5,207,294
	17,431,190	15,721,732
Other (gains) and losses associated with foreign currency exchange	5,198,936	951,489
Underlying EBITDA	22,630,126	16,673,221

*** Underlying net profit after tax ('NPAT')*

	2013 $	2012 $
Profit after income tax expense for the year	5,098,269	7,775,082
Other (gains) and losses associated with foreign currency exchange	5,198,936	951,489
Tax effect on other gains and losses at 30%	(1,559,681)	(285,447)
Underlying NPAT	8,737,524	8,441,124

**** Underlying basic and diluted earnings per share is calculated by excluding the after tax effect of the other gains/(losses) associated with foreign currency exchange.*

3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	(21.79) cents	(14.52) cents

To operate and sell access to its global network, the Consolidated Entity has invested in capacity on revenue generating indefeasible rights to use intercontinental submarine fibre optic cables with an expected useful life to November 2025. The cost of this asset has been capitalised as an intangible for the right to access and is amortised on a straight-line basis over its expected economic life. Under these arrangements the intangible asset life is maintained until November 2025 whereas repayment occurs through to August 2018. In capitalising the rights above, the Consolidated Entity also capitalised the contractual payment obligations.

Whilst revenue generating, the right to access is treated as an intangible asset and is excluded from net tangible assets. If it were included, asset backing would be 67.22 cents and 49.54 cents for the current and prior reporting periods respectively.

4. Control gained over entities

Name of entities (or group of entities)	Ipera Communications Pty Limited	
Date control gained	18 January 2013	
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		$ -
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)		$ -

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts have been audited and an unqualified opinion has been issued.

6. Attachments

Details of attachments (if any):

The Annual Report of Vocus Communications Limited for the year ended 30 June 2013 is attached.

7. Signed

Signed: ______________________ Date: 29 August 2013

James Spenceley
Director
Sydney

Vocus Communications Limited

ABN 96 084 115 499

Annual Report - 30 June 2013

Vocus Communications Limited
Corporate directory
30 June 2013

Directors	David Spence - Chairman James Spenceley - Chief Executive Officer Jonathan ('Jon') Brett John Murphy Nicholas McNaughton
Company secretary	Mark Simpson
Registered office	Vocus House Level 1 189 Miller Street North Sydney NSW 2060 Telephone: (02) 8999 8999
Principal place of business	Vocus House Level 1 189 Miller Street North Sydney NSW 2060
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Thomsons Lawyers Level 25 1 O'Connell Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Suite 2 Level 19 111 Pacific Highway North Sydney NSW 2060
Stock exchange listing	Vocus Communications Limited shares are listed on the Australian Securities Exchange (ASX code: VOC)
Website	www.vocus.com.au

Vocus Communications Limited
Directors' report
30 June 2013

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the year ended 30 June 2013.

Directors
The following persons were directors of Vocus Communications Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Spence - Chairman

James Spenceley - Chief Executive Officer

Jon Brett

John Murphy

Nicholas McNaughton

Stephen Baxter (resigned on 28 February 2013)

Mark de Kock (resigned on 28 May 2013)

Principal activities
Vocus Communications Limited is an ASX listed leading telecommunications provider of Data Centres, Dark Fibre and International Internet connectivity across Australia, New Zealand, Hong Kong, Singapore and the USA. The Company provides high performance, high availability, and highly scalable communications solutions, which allow enterprises and service providers to quickly and easily deploy services for their own use and for their own customer base.

Dividends
Dividends paid during the financial year were as follows:

	2013 **$**	**2012** **$**
Interim dividend for the year ended 30 June 2013 of 0.4 cents per ordinary share paid on 26 March 2013.	311,938	-

On 27 August 2013, the directors declared a final dividend for the year ended 30 June 2013 of 0.6 cents per ordinary share. The final dividend is to be paid on 24 September 2013 to shareholders registered on 10 September 2013. The dividend will be fully franked.

Review of operations
The profit for the Consolidated Entity after providing for income tax amounted to $5,098,269 (30 June 2012: $7,775,082).

Whilst underlying business growth remains strong, non-cash foreign exchange losses, unrealised and arising on longer dated unhedged IRU liabilities, reduced profit for the financial year ended 30 June 2013.

Total revenue for the Consolidated Entity for the financial year ended 30 June 2013 was $66,909,962 (2012: $45,285,072).

Basic earnings per share for the Consolidated Entity for the financial year ended 30 June 2013 was 6.85 cents (2012: 12.76 cents). Underlying basic earnings per share excluding other gains and losses associated with foreign exchange, after adjustment for tax, for the financial year ended 30 June 2013 was 11.74 cents (2012: 13.86 cents). Basic earnings per share reflects strong growth in the Company's business offset by unrealised non-cash foreign exchange losses and the effect of the equity issues, disclosed below.

Underlying earnings before interest expense, tax, depreciation and amortisation ('Underlying EBITDA') and excluding other gains and losses associated with foreign currency exchange for the Consolidated Entity for the financial year ended 30 June 2013 was $22,630,126 (2012: $16,673,221). This is calculated as follows:

	2013 $	2012 $
Profit for the year	5,098,269	7,775,082
Add back: Income tax expense	2,022,334	2,032,521
Add back: Finance costs	1,445,155	706,835
Add back: Depreciation and amortisation	8,865,432	5,207,294
	17,431,190	15,721,732
Other (gains) and losses associated with foreign currency exchange	5,198,936	951,489
Underlying EBITDA	22,630,126	16,673,221

At the reporting date 30 June 2013, the consolidated cash holdings stood at $14,169,121 (2012: $2,387,244).

During the year, the Consolidated Entity invested in and deployed dark fibre and ethernet services to meet strong customer demand, invested in expanded data centre capacity and acquired Ipera Communications Pty Limited, a data centre, cloud and fibre network service provider.

The Company raised approximately $21.7 million before expenses to fund the Company's growth strategy and provide working capital through the placement and issue of 13,331,717 new Company shares in July and August 2012. Equity issues have been disclosed in note 27.

In September 2012, the Company quadrupled its Indefeasible Right to Use ('IRU') capacity with Southern Cross Cables Limited under a single new agreement. This has increased the monthly payments by 24%, with repayment in 6 years compared to the asset’s remaining life of 12 years. The IRU asset and corresponding vendor finance liability (which has been financed at equivalent terms to existing arrangements) is $67.8 million and $55.9 million respectively at 30 June 2013.

The IRU vendor finance liability is denominated in US dollars and to the extent not hedged, gives rise to non-cash unrealised foreign exchange gains and losses until settled. The net foreign exchange loss for the year ended 30 June 2013 was $5.2 million (2012: $1.0 million). Refer to note 31 for information on foreign currency risk.

In November 2012, shares were issued to Vocus Blue Pty Limited, a wholly–owned subsidiary of Vocus Communications Limited as part of the Consolidated Entity’s Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its participants). The participants are required to meet service requirements before being entitled to access these shares and are required to repay the loan to the Consolidated Entity in order to acquire the shares.

The Company entered into a binding agreement to acquire Ipera Communications Pty Limited, a Newcastle based fibre and data centre operator in December 2012 for expected consideration of $10.8 million. Detailed information on this acquisition can be found in note 38. This acquisition was completed in January 2013, with initial consideration paid of $4.3 million, paid 75% cash and 25% in Vocus shares. Deferred consideration is payable in the 2014 financial year.

The Company has entered into bank facilities with its bank for $21.8 million in financing facilities inclusive of previous used facilities of $6.8 million. The facilities include capacity to draw down in relation to acquisitions and contain a multi-option facility for working capital.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year
On 19 August 2013, the Consolidated Entity agreed the deferred consideration payable on its acquisition of Ipera Communications Pty Limited. The Consolidated Entity will pay deferred consideration of $6,492,690 by cash payment of $2,500,000 on 28 February 2014 and by payment of $3,882,690 through issue of 1,863,565 ordinary shares in Vocus Communications Limited. Ordinary shares included in this issue and subject to escrow for 12 months total 834,390.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations
Continued demand for data and data services and trends to outsource information technology requirements should underpin the Consolidated Entity's delivery of communication and data centre services in financial year 2014.

Environmental regulation
The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	David Spence
Title:	Non-Executive Chairman
Qualifications:	B.Com, CA (SA)
Experience and expertise:	David has been involved in over 20 internet businesses, as Chairman, Chief Executive Officer ('CEO'), director, shareholder or advisor. Until February 2010, David held the role of CEO at Unwired Ltd. From 1995 until 2000, David held various positions with OzEmail, including Managing Director and CEO. He grew the business to become Australia’s second largest ISP. David is a past Chairman of the Board of the Internet Industry Association.
Other current directorships:	AWA Limited, Hills Holdings Limited and PayPal Australia Pty Limited (non-listed)
Former directorships (in the last 3 years):	Unwired Limited
Special responsibilities:	Member of Nomination and Remuneration Committee
Interests in shares:	471,218 ordinary shares
Interests in options:	None

Name:	James Spenceley
Title:	Chief Executive Officer
Experience and expertise:	James is the founder and Chief Executive Officer of Vocus Communications Limited. He has been involved with the Internet and telecommunications industry for more than 13 years. During this time James was the network architect and infrastructure manager of the $300 million COMindico network (acquired by Soul Pattinson Telecom, now TPG Telecom), which was widely regarded as the single largest and first converged voice and data network in Australia. Additionally, James was a member of the team responsible for buying and connecting COMindico to the USA via the Southern Cross Cable at COMindico and created the Company's wholesale IP transit product.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	6,000,000 ordinary shares
Interests in options:	None

Name:	Jon Brett
Title:	Non-Executive Director
Qualifications:	B.Acc, B.Com, MCom, CA (SA)
Experience and expertise:	Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as managing director of a number of publicly listed companies and was also formerly the non-executive deputy president of the National Roads and Motoring Association. Jon is currently on the board of several unlisted companies and is a director of Investec Wentworth Private Equity Limited.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairman of Audit and Risk Committee
Interests in shares:	1,364,695 ordinary shares
Interests in options:	None

Name:	John Murphy
Title:	Non-Executive Director
Qualifications:	B.Com, M.Com, FASCPA
Experience and expertise:	John has extensive experience in the areas of corporate recovery, corporate finance and mergers and acquisitions. John is the former Managing Director of Investec Wentworth Private Equity Limited ('IWPE'), a private equity investment company and a non-executive director of Investec Bank (Australia) Limited ('IBAL') where he is a member of the Audit, Risk and Investment Committees. Prior to establishing the IWPE Funds, John spent 26 years with an international accounting firm where he held national and regional responsibilities.
Other current directorships:	Ariadne Australia Limited and Gale Pacific Limited
Former directorships (in the last 3 years):	Speciality Fashion Group Limited (resigned 28 October 2010) and Clearview Wealth Limited (resigned 22 October 2012)
Special responsibilities:	Member of Nomination and Remuneration Committee and Member of Audit and Risk Committee
Interests in shares:	675,313 ordinary shares
Interests in options:	None

Name:	Nicholas McNaughton
Title:	Non-Executive Director
Qualifications:	B.A. (Hons), MBA, GAICD
Experience and expertise:	Nicholas has an MBA from the International Graduate School of Business from the University of South Australia, is a member of the Australian Institute of Company Directors, Deputy Chairman of Capital Angels and a founding member of Sydney Angels. In 2007, with backing from Japan, Nicholas established Blue Cove Ventures, a venture capital company committed to supporting gifted entrepreneurs in building prosperous technology companies. In addition, Nicholas is currently an Investment Director at ANU Connect Ventures Pty Limited. During his career he has been an integral member of the start-up teams of globally successful software companies including Allaire (listed on NASDAQ in 1998 and sold to Macromedia in 2001); Soulmates Technology (sold to NASDAQ: IACI in 2002) and Wily Technology (sold to NYSE: Computer Associates in 2006).
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairman of Nomination and Remuneration Committee, and Member of Audit and Risk Committee
Interests in shares:	627,598 ordinary shares
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Mark Simpson is the Company Secretary and General Counsel. Mark has been with the Consolidated Entity since it listed in 2010 and is responsible for the legal and regulatory functions, as well as human resources management. Before joining the Consolidated Entity, Mark worked as a corporate lawyer, with 18 years experience to director/partner level with major law firms in the UK and Australia. Specialising in mergers and acquisitions, Mark has broad experience in all aspects of corporate advisory and compliance work.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
D Spence	14	16	-	-	-	-
J Spenceley	16	16	-	-	-	-
J Brett	16	16	2	2	-	-
J Murphy	16	16	-	-	2	2
N McNaughton	15	16	2	2	2	2
S Baxter	5	8	-	2	-	2
M de Kock	12	14	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report outlines the director and executive remuneration arrangements for the Consolidated Entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's and Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive, and complementary to the reward strategy of the Consolidated Entity and Company and:
- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Non-executive directors remuneration
ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. At the Annual General Meeting of the Company held on 26 October 2010, shareholders voted in favour of a $250,000 pool of annual directors' remuneration be made available to non-executive directors.

Non-executive directors remuneration does not include any share-based compensation.

Executive remuneration
The Consolidated Entity and Company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Consolidated entity performance and link to remuneration
The directors' remuneration levels are not directly dependent upon the Consolidated Entity or Company's performance or any other performance conditions. Certain executive remuneration, namely option share-based payments, are linked to the Company's share performance based on certain price hurdles, amongst other performance conditions including service. However, practically, whether shareholders vote for or against an increase in the aggregate director remuneration will depend upon, amongst other things, how the Consolidated Entity and Company have performed.

The Nomination and Remuneration Committee is of the opinion that the results can be attributed in part to the adoption of performance based compensation and is satisfied that this will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants
During the financial year ended 30 June 2013 the Consolidated Entity has not engaged remuneration consultants.

Voting and comments made at the Consolidated Entity's 2012 Annual General Meeting ('AGM')
At the last AGM 98% of the shareholders who voted, in person or by proxy, voted to adopt the remuneration report for the year ended 30 June 2012. The Consolidated Entity did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and other key management personnel are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity.

The key management personnel of the Consolidated Entity consisted of the directors of Vocus Communications Limited and the following persons:

- Richard Correll - Chief Financial Officer
- Mark Simpson - General Counsel and Company Secretary

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled ** $	Total $
Non-Executive Directors:							
D Spence	105,505	-	-	9,495	-	5,148	120,148
J Brett ***	38,333	-	-	-	-	-	38,333
J Murphy	30,856	-	-	2,477	-	-	33,333
N McNaughton	43,333	-	-	-	-	-	43,333
S Baxter *	20,000	-	-	-	-	-	20,000
Executive Directors:							
J Spenceley	266,930	70,000	-	16,470	-	58,776	412,176
M de Kock *	189,207	-	-	16,829	-	11,681	217,717
Other Key Management Personnel:							
R Correll	240,000	60,000	-	21,600	-	25,012	346,612
M Simpson	220,000	50,000	-	19,800	-	16,359	306,159
	1,154,164	180,000	-	86,671	-	116,976	1,537,811

* Remuneration disclosed is for the period to resignation date.
** Includes share-based payments accounting expense for both options and loan funded shares.
*** Directors fees for J Brett were paid or payable to Investec Wentworth Private Equity Limited.

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
D Spence	110,092	-	-	9,908	-	9,833	129,833
J Brett *	35,000	-	-	-	-	-	35,000
J Murphy *	28,142	-	-	1,858	-	-	30,000
N McNaughton	35,000	-	-	-	-	-	35,000
S Baxter	30,000	-	-	-	-	-	30,000
Executive Directors:							
J Spenceley	267,625	-	-	15,775	-	49,518	332,918
M de Kock	196,153	-	-	17,683	-	49,518	263,354
Other Key Management Personnel:							
R Correll	200,000	-	-	18,000	-	36,792	254,792
M Simpson	200,000	-	-	18,000	-	21,961	239,961
	1,102,012	-	-	81,224	-	167,622	1,350,858

* Directors fees for J Brett and J Murphy (until 30 September 2011) were paid or payable to Investec Wentworth Private Equity Limited.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2013	2012	2013	2012	2013	2012
Non-Executive Directors:						
D Spence	96%	92%	- %	- %	4%	8%
J Brett	100%	100%	- %	- %	- %	- %
J Murphy	100%	100%	- %	- %	- %	- %
N McNaughton	100%	100%	- %	- %	- %	- %
S Baxter	100%	100%	- %	- %	- %	- %
Executive Directors:						
J Spenceley	69%	85%	17%	- %	14%	15%
M de Kock	95%	81%	- %	- %	5%	19%
Other Key Management Personnel:						
R Correll	76%	86%	17%	- %	7%	14%
M Simpson	78%	91%	17%	- %	5%	9%

The LTI disclosed above refers to share-based payments.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Spenceley
Title:	Chief Executive Officer
Agreement commenced:	1 July 2010
Term of agreement:	Ongoing, 6 month termination notice by either party
Details:	Salary of $398,763 including superannuation, to be reviewed annually. Eligible to participate in Loan Funded and Share Option Plans.

Name:	Richard Correll
Title:	Chief Financial Officer
Agreement commenced:	1 July 2010
Term of agreement:	Ongoing, 3 month termination notice by either party
Details:	Salary of $305,900 including superannuation, to be reviewed annually. Eligible to participate in Loan Funded and Share Option Plans.

Name:	Mark Simpson
Title:	General Counsel and Company Secretary
Agreement commenced:	1 July 2010
Term of agreement:	Ongoing, 1 month termination notice by either party
Details:	Salary of $262,200 including superannuation, to be reviewed annually. Eligible to participate in Loan Funded and Share Option Plans.

D Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Date	No of shares	Issue price	$
J Spenceley	15 November 2012	701,754	$1.71	1,200,000
M de Kock *	15 November 2012	350,877	$1.71	600,000
R Correll	15 November 2012	233,918	$1.71	400,000
M Simpson	15 November 2012	175,439	$1.71	300,000

* These shares were forfeited under the Consolidated Entity's Loan Funded Share Plan.

Shares were issued to Vocus Blue Pty Limited, a wholly-owned subsidiary of Vocus Communications Limited as part of the Consolidated Entity's Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by the Consolidated Entity to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. Following the first year, the shares will progressively become unrestricted over a three year period, subject to continuous employment with the Consolidated Entity. The Loan Funded Share Plan is expected to replace the use of options over time as a key component of share-based compensation.

At 30 June 2013, Vocus Blue Pty Limited held 1,111,111 shares in trust under the Loan Funded Share Plan remuneration scheme in relation to key management personnel. For the year ended 30 June 2013 a share-based payment expense of $161,973, of which $77,382 pertained to key management personnel, has been recognised in relation to the Loan Funded Share Plan remuneration scheme.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
30 June 2010	30 June 2011	30 July 2011	$0.50	$0.070
30 June 2010	30 June 2012	30 July 2012	$0.50	$0.140
30 June 2010	30 June 2013	30 July 2013	$0.50	$0.160
1 October 2010	30 September 2011	30 September 2017	$0.50	$0.070
1 October 2010	30 June 2012	30 September 2017	$0.50	$0.140
1 October 2010	30 June 2013	30 September 2017	$0.50	$0.160
2 November 2010	30 July 2011	30 July 2011	$0.50	$0.070
2 November 2010	30 June 2012	30 July 2012	$0.50	$0.140
2 November 2010	30 June 2013	30 July 2013	$0.50	$0.160
1 August 2011	1 September 2012	31 July 2018	$2.50	$0.190

An employee share option plan was established by the Consolidated Entity and approved by shareholders at a general meeting, whereby the Consolidated Entity, may at the discretion of the Board, grant options over ordinary shares in the Company to employees.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2013	2012	2013	2012
D Spence	-	-	66,667	66,667
J Spenceley	-	166,666	166,667	166,666
M de Kock	-	166,666	166,667	166,666
R Correll	-	150,000	116,667	116,666
M Simpson	-	100,000	50,000	50,000

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
D Spence	-	10,667	-	4
J Spenceley	-	26,667	(31,667)	3
M de Kock	-	26,667	(31,667)	3
R Correll	-	18,667	(28,500)	5
M Simpson	-	8,000	(19,000)	2

Value of options granted during the year represents the value at the grant date.
Value of options exercised during the year represents the value at the exercise date.
Value of options lapsed during the year represents the value lapsed at the date of lapse.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Vocus Communications Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 October 2010	30 September 2017	$0.50	563,336
13 May 2011	13 May 2018	$2.00	53,332
1 August 2011	31 July 2018	$2.50	46,668
15 August 2011	31 July 2018	$2.00	50,000
11 May 2012	10 May 2019	$2.00	362,500
			1,075,836

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

Shares issued on the exercise of options
The following ordinary shares of Vocus Communications Limited were issued during the year ended 30 June 2013 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
30 June 2010	$0.50	333,334
1 October 2010	$0.50	378,332
2 November 2010	$0.50	66,666
		778,332

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors, the Company secretary and all executive officers of the Company and any related body corporate, against a liability incurred as 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 of liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial 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.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor’s independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu
There are no officers of the Company who are former audit partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

James Spenceley
Director

29 August 2013
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Sydney NSW 2000
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Sydney NSW 1220 Australia

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The Board of Directors
Vocus Communications Limited
Vocus House
Level 1, 189 Miller Street
North Sydney NSW 2060

29 August 2013

Dear Board Members

Re: Vocus Communications Limited

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

As lead audit partner for the audit of the financial statements of Vocus Communications Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Deloitte Touche Tohmatsu

Vocus Communications Limited
Corporate Governance Statement
30 June 2013

The Board of Directors ('the Board') of Vocus Communications Limited is responsible for the corporate governance of the Company and Consolidated Entity. 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 ASX Corporate Governance Council's Revised Principles and Recommendations, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		**Compliance**	**Comply**
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations Authority that sets limits of authority for senior executives. On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	A summary of the processes for performance evaluation of key executives, directors and the Board is available on the Company's website. The Chief Executive Officer ('CEO') reviews the performance of the senior executives. The Board reviews the CEO's performance. These reviews occur annually.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	A Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
		A performance evaluation process is included in the Board Charter, which has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
		The Board conducted a performance evaluation for the CEO in the financial year in accordance with the process above.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The majority of the Board's directors are independent of the Company. David Spence is an independent Non-Executive Director. Nicholas McNaughton is an independent Non-Executive Director. John Murphy is an independent Non-Executive Director. Stephen Baxter (resigned on 28 February 2013) was an independent Non-Executive Director. Jon Brett is a Non-Executive Director but not independent due to being associated with a substantial shareholder. James Spenceley is an Executive Director. Mark de Kock (resigned on 28 May 2013) was an Executive Director.	Complies.
2.2	The chair should be an independent director.	David Spence is the Chairman and is an independent Non-Executive Director.	Complies.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	David Spence is the Chairman and James Spenceley the Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee.	The Company has established a Nomination and Remuneration Committee. The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company. The Board supports the nomination and re-election of the directors at the Company's forthcoming Annual General Meeting.	Complies.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the Company's website.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	This information has been disclosed (where applicable) in the Directors' report attached to this Corporate Governance Statement. David Spence, John Murphy and Nicholas McNaughton are independent directors of the Company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the Company. The director has been in office for the following periods: Jon Brett 15 years * John Murphy 10 years * David Spence 3 years James Spenceley 3 years Nicholas McNaughton 3 years * Previous directors of First Opportunity Fund prior to being acquired by Vocus under the Group Reorganisation The Company has established a Nomination and Remuneration Committee. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the Company has disclosed full details of its directors in the Director's report attached to this Corporate Governance Statement. Other disclosure material on the structure of the Board has been made available on the Company's website.	Complies. The Nomination and Remuneration Committee operates under a separate Nomination Committee Charter.
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a Code of Conduct. The Code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The Code is available on the Company's website.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
3.2	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.	The Board has adopted a Diversity Policy that outlines objectives to ensure the company has as diverse a workforce as practicable. In particular the policy considers the benefits of diversity, ways to promote a diverse culture, factors to be taken into consideration in the selection process of candidates for the Board and senior management positions in the company and reporting on the outcomes of the policy. The board determined that given the company's size and structure, it is not appropriate or possible to mandate a fixed number of women at any given level within the organisation, so no measurable objectives are included.	Partially complies.
3.3	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.	Due to the size and structure of the Company no measurable objectives have been set.	Does not comply.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	As a measurement of gender diversity, the proportion of women employees in the Consolidated Entity as at 30 June 2013 are as follows: Women on the board - nil% Women in senior executive positions - nil% Women in the organisation – 19%	Complies
3.5	Provide the information indicated in *Guide to reporting on Principle 3.*	The Code of Conduct and Diversity Policy have been disclosed in the Company's website and is summarised in this Corporate Governance Statement. Responsibility for diversity has been included in the Board Charter and the Remuneration Charter. The measurable objectives for achieving diversity and the proportion of women in the Consolidated Entity are disclosed, where applicable, in this Corporate Governance Statement.	Complies

Principles and Recommendations		**Compliance**	**Comply**
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an Audit and Risk Committee which operates under an Audit and Risk Committee Charter to focus on issues relevant to the integrity of the Company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the Audit and Risk Committee are Jon Brett (Chair), Nicholas McNaughton and John Murphy since Stephen Baxter resignation on 28 May 2013. Jon Brett is a Non-Executive Director and is not chair of the Board. The committee consists of three non-executive directors. The Audit and Risk Committee did not comply with Recommendation 4.2 in that the committee: ▪ was not chaired by an independent chair.	Does not comply due to the composition of the Board. However, the Board considers the directors to be the most appropriate members to constitute the Audit and Risk Committee given their technical, finance and accounting expertise and broad knowledge of the industry in which the Company operates.
4.3	The audit committee should have a formal charter.	The Board has adopted an Audit and Risk Charter. This charter is available on the Company's website.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	In accordance with the information suggested in *Guide to Reporting on Principle 4,* this has been disclosed in the Directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the Audit and Risk Committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The Audit and Risk Committee held two meetings during the period to the date of the directors' report and meets at least twice per annum. The Audit and Risk Charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the Audit and Risk Committee), is available on the Company's website.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the Company's website.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website, half year and annual reports, market announcements and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the Company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The Company's shareholder communications policy is available on the Company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The Company has adopted a risk management statement within the Audit and Risk Committee Charter. The Audit and Risk Committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The Audit and Risk Charter is available on the Company's website and is summarised in this Corporate Governance Statement.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
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.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3	The Board should disclose whether it has received assurance from the chief executive officer and 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 efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	The Board has adopted an Audit and Risk Charter which includes a statement of the Company's risk policies. This charter is available on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a Nomination and Remuneration Committee and has adopted a Remuneration Charter. Members of the Nomination and Remuneration Committee are Nicholas McNaughton (Chair), John Murphy and David Spence. The committee consists of three non-executive directors.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	The Nomination and Remuneration Committee: ▪ consists of a majority of independent directors; ▪ is chaired by an independent director; and ▪ has three members.	Complies.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.4	Provide the information indicated in *the Guide to reporting on Principle 8.*	The Board has adopted a Nomination and Remuneration Committee charter. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies.

Vocus Communications Limited's corporate governance practices were in place for the financial year ended 30 June 2013 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Vocus Communications Limited, refer to the Company's website: www.vocus.com.au

Board functions

The role of the Board is as follows:

- Representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes overviewing the financial and human resources the Company has in place to meet its objectives and the review of management performance;
- Protecting and optimising company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- Responsible for the overall Corporate Governance of the Company and its controlled entities, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals;
- Setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards); and
- Ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the chief executive officer ('CEO');
- reviewing procedures in place for appointment of senior management and monitoring of their performance, and for succession planning. This includes ratifying the appointment and the removal of the chief financial officer and the company secretary;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act 2001.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board
The Company's constitution governs the regulation of meetings and proceedings of the Board. The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the chair should be an independent non-executive director. The Board regularly reviews the independence of each director in light of the interests disclosed to the Board.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Vocus Communications Limited are considered to be independent:

Name	**Position**
David Spence	Non-Executive Director, Chairman
Nicholas McNaughton	Non-Executive Director
John Murphy	Non-Executive Director

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

The appointment date of each director in office at the date of this report is as follows:

Name	**Position**	**Appointment Date**
David Spence	Non-Executive Director, Chairman	Appointed 16 June 2010
James Spenceley	Executive Director, Chief Executive Officer	Appointed 30 June 2010
Jon Brett	Non-Executive Director	Appointed 29 August 1998 *
John Murphy	Non-Executive Director	Appointed 7 March 2003 *
Nicholas McNaughton	Non-Executive Director	Appointed 30 June 2010

* Previous directors of First Opportunity Fund prior to being acquired by Vocus under the Group Reorganisation.

Further details on each director can be found in the Directors' report attached to this Corporate Governance Statement.

Securities trading policy

Under the Company's Guidelines for Dealing in Securities Policy, directors, officers and employees of the Company should not trade in the Company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

All staff are restricted from dealing in the Company's securities in the thirty day period immediately preceding the release of price sensitive information to the ASX, being the 30 days prior to the release of full and half year accounts, and the Annual General Meeting ('AGM').

In addition, directors, officers and employees can only deal in the Company's securities after having first obtained clearance from the Company in accordance with the policy, and must notify the company secretary when a trade has occurred.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company within five days of the transaction taking place.

The Securities Trading Policy has been issued to the ASX and can be found on the Company's website

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 Company. 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. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards 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.

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

- Jon Brett (Non-Executive Director) (Chair)
- Nicholas McNaughton (Non-Executive Director)
- John Murphy (Non-Executive Director)
- Stephen Baxter (Non-Executive Director) – resigned on 28 February 2013

Whilst operating as a separate committee, the Audit and Risk Committee provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

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.

Risk

The responsibility of overseeing risk falls within the charter of the Audit and Risk Committee. The Company identifies areas of risk within the Company and management and the Board continuously undertake a risk assessment of the Company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive process by employees of the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

Diversity policy

The Company is committed to providing an inclusive workplace and recognises the value individuals with diverse skills, values, backgrounds and experiences will bring to the Company. At the core of the Company's Diversity Policy is a commitment to equality and respect. Diversity is recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. People differ not just on the basis of race and gender, but also other dimensions such as lifestyle, education, physical ability, age and family responsibility.

CEO and CFO certification

The chief executive officer and chief financial officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- 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 Company's financial statements and notes thereto comply with the accounting standards; and
- the Company's financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.

Performance

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

Directors provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria.

- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The chief executive officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Remuneration

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 key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of Vocus Communications Limited.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the remuneration report, which is contained within the Directors' report.

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

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team.

Corporate social responsibility

The Company has embraced responsibility for the Company's actions and encourages a positive impact through its activities on the environment, employees, communities and stakeholders.

Contents

General information

The financial report covers Vocus Communications Limited as a Consolidated Entity consisting of Vocus Communications Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Vocus Communications Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Vocus Communications Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Vocus House
Level 1
189 Miller Street
North Sydney NSW 2060

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 29 August 2013. The directors have the power to amend and reissue the financial report.

Vocus Communications Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue	4	66,909,962	45,285,072
Other gains and losses	5	(4,432,592)	(451,489)
Expenses			
Network and service delivery		(26,462,852)	(17,817,883)
Employee benefits expense	6	(13,438,011)	(7,752,933)
Depreciation and amortisation expense	6	(8,865,432)	(5,207,294)
Administration and other expenses		(5,145,317)	(3,541,035)
Finance costs	6	(1,445,155)	(706,835)
Profit before income tax expense		7,120,603	9,807,603
Income tax expense	7	(2,022,334)	(2,032,521)
Profit after income tax expense for the year attributable to the owners of Vocus Communications Limited	29	5,098,269	7,775,082
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		355,177	9,892
Net movement on hedging transactions, net of tax		44,568	(219,861)
Other comprehensive income for the year, net of tax		399,745	(209,969)
Total comprehensive income for the year attributable to the owners of Vocus Communications Limited		5,498,014	7,565,113

	Note	Cents	Cents
Basic earnings per share	44	6.85	12.76
Diluted earnings per share	44	6.57	12.23

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of financial position
As at 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Assets			
Current assets			
Cash and cash equivalents	8	14,169,121	2,387,244
Trade and other receivables	9	9,989,265	7,731,737
Derivative financial instruments	10	327,922	-
Other	11	929,650	1,158,249
Total current assets		25,415,958	11,277,230
Non-current assets			
Property, plant and equipment	12	50,776,973	29,051,004
Intangibles	13	87,677,199	50,864,476
Deferred tax	14	2,763,187	1,280,767
Other	15	1,069,505	155,552
Total non-current assets		142,286,864	81,351,799
Total assets		167,702,822	92,629,029
Liabilities			
Current liabilities			
Trade and other payables	16	12,896,918	8,667,569
Borrowings	17	13,846,454	10,485,970
Derivative financial instruments	18	-	408,597
Income tax	19	1,295,519	1,453,295
Provisions	20	7,742,859	1,396,630
Other	21	431,991	120,950
Total current liabilities		36,213,741	22,533,011
Non-current liabilities			
Borrowings	22	56,986,389	25,038,021
Derivative financial instruments	23	77,305	450,177
Deferred tax	24	2,147,783	1,877,165
Provisions	25	816,378	675,030
Other	26	392,326	54,406
Total non-current liabilities		60,420,181	28,094,799
Total liabilities		96,633,922	50,627,810
Net assets		71,068,900	42,001,219
Equity			
Contributed equity	27	46,068,659	22,588,928
Reserves	28	904,880	103,261
Retained profits	29	24,095,361	19,309,030
Total equity		71,068,900	42,001,219

The above statement of financial position should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of changes in equity
For the year ended 30 June 2013

	Contributed equity $	Contributed capital $	Reserves $	Retained profits $	Total equity $
Consolidated					
Balance at 1 July 2011	22,197,753	62,008	(42,132)	11,533,948	33,751,577
Profit after income tax expense for the year		-	-	7,775,082	7,775,082
Other comprehensive income for the year, net of tax	-	-	(209,969)	-	(209,969)
Total comprehensive income for the year	-	-	(209,969)	7,775,082	7,565,113
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 27)	329,167	-	-	-	329,167
Share-based payments (note 45)	-	-	355,362	-	355,362
Transfers	62,008	(62,008)	-	-	-
Balance at 30 June 2012	22,588,928	-	103,261	19,309,030	42,001,219

	Contributed equity $	Contributed capital $	Reserves $	Retained profits $	Total equity $
Consolidated					
Balance at 1 July 2012	22,588,928	-	103,261	19,309,030	42,001,219
Profit after income tax expense for the year	-	-	-	5,098,269	5,098,269
Other comprehensive income for the year, net of tax	-	-	399,745	-	399,745
Total comprehensive income for the year	-	-	399,745	5,098,269	5,498,014
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 27)	23,479,731	-	-	-	23,479,731
Share-based payments (note 45)	-	-	401,874	-	401,874
Dividends paid (note 30)	-	-	-	(311,938)	(311,938)
Balance at 30 June 2013	46,068,659	-	904,880	24,095,361	71,068,900

The above statement of changes in equity should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of cash flows
For the year ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Cash flows from operating activities			
Receipts from customers		71,854,390	47,546,155
Payments to suppliers and employees		(53,243,662)	(31,331,421)
		18,610,728	16,214,734
Interest received		397,978	206,853
Other revenue		381,175	552,578
Interest and other finance costs paid		(152,109)	(706,835)
Income taxes paid		(3,966,300)	(3,846,676)
Net cash from operating activities	42	15,271,472	12,420,654
Cash flows from investing activities			
Payments for purchase of businesses, net of cash acquired		(2,902,695)	(5,340,308)
Payments for property, plant and equipment		(16,690,217)	(11,799,769)
Proceeds from sale of business and assets		786,301	51,685
Net cash used in investing activities		(18,806,611)	(17,088,392)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		22,289,355	329,167
Proceeds from borrowings		5,531,329	7,400,000
Repayment of borrowings		(12,353,408)	(8,073,368)
Proceeds from/(repayment of) leases		161,678	(234,232)
Dividends paid	30	(311,938)	-
Net cash from/(used in) financing activities		15,317,016	(578,433)
Net increase/(decrease) in cash and cash equivalents		11,781,877	(5,246,171)
Cash and cash equivalents at the beginning of the financial year		2,387,244	7,633,415
Cash and cash equivalents at the end of the financial year	8	14,169,121	2,387,244

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standard is most relevant to the Consolidated Entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The Consolidated Entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in note 37.

Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vocus Communications Limited ('Company' or 'Parent Entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Vocus Communications Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial report is presented in Australian dollars, which is Vocus Communications Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rate, which approximate the rate at the date of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services
Revenue from the provision of telecommunication services is recognised once the service has been rendered.

Note 1. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges
Cash flow hedges are used to cover the Consolidated Entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Consolidated Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets
The Consolidated Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-8 years
Network equipment	5-30 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Indefeasible Right to Use ('IRU')
Indefeasible right to use capacity are brought to account as intangible assets at cost being the present value of the future cash flows payable for the right. Costs associated with IRU's are deferred and amortised on a straight-line basis over the period of their expected benefit.

Software
Costs associated with software are amortised on a straight-line basis over the period of their expected benefit, being its finite life of between 3 to 5 years.

Customer contracts and relationships
Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of between 1 to 14 years.

Other intangibles
Other intangibles are amortised on a straight-line basis over the period of their expected benefit.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 1. Significant accounting policies (continued)

Working capital management
At 30 June 2013, the consolidated statement of financial position reflected an excess of current liabilities over current assets of $10,797,783 (2012: $11,255,781). The working capital deficit is primarily caused by the classification of $10,309,816 (2012: $8,415,874) of IRU commitments within current liabilities (refer note 18) whilst the intangible asset is capitalised within non-current assets (refer note 14) and the inclusion of $7,165,675 (2012: $1,008,530) of deferred consideration (refer note 20) where $3,992,690 will be settled in shares. The IRU commitments relate to a contractual obligation to make monthly payments for the right to access submarine fibre optic cable capacity.

The directors are satisfied that the Consolidated Entity is able to meet its working capital liabilities through the normal cyclical nature of receipts and payments. Also, refer to note 31.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings
- interest on finance leases

Provisions
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and 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 current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Commission costs incurred in securing long term customer contracts are amortised over the weighted length duration of closed contracts during each period.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (continued)

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Binomial option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 1. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Vocus Communications Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2013. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The Consolidated Entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the Consolidated Entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses. The adoption of this standard from 1 July 2013 will not have a material impact on the Consolidated Entity.

Note 1. Significant accounting policies (continued)

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the Consolidated Entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Consolidated Entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the Consolidated Entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability and increase disclosures of the Consolidated Entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors report for annual reporting periods beginning 1 July 2013.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Consolidated Entity.

Note 1. Significant accounting policies (continued)

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the Consolidated Entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Consolidated Entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 ‘Income Taxes’; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the Consolidated Entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the Consolidated Entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity’s previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the Consolidated Entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 ‘Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 may increase the disclosures by the Consolidated Entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets
The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Long service leave provision
As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred consideration
The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Vocus Communications Limited is operating under one segment, however, the breakdown of revenue has been disclosed geographically and by product set.

Major customers
During the year ended 30 June 2013 approximately 12.2% (2012: 16.6%) of the Consolidated Entity's external revenue was derived from sales to one customer (2012: one customer).

Revenue by product set

	Consolidated	
	2013	**2012**
	$	**$**
Internet	27,075,069	20,488,553
Data Centre	15,601,841	9,356,080
Fibre and Ethernet	15,088,670	5,391,667
Voice	8,734,235	9,841,919
	66,499,815	45,078,219

Note 3. Operating segments (continued)

Revenue by geographical area

	Consolidated 2013 $	Consolidated 2012 $
Australia	42,526,166	31,147,487
New Zealand	23,371,382	12,567,294
United States	602,267	1,363,438
	66,499,815	45,078,219

Note 4. Revenue

	Consolidated 2013 $	Consolidated 2012 $
Sales revenue		
Rendering of services	66,499,815	45,078,219
Other revenue		
Interest	410,147	206,853
Revenue	66,909,962	45,285,072

Note 5. Other gains and losses

	Consolidated 2013 $	Consolidated 2012 $
Net foreign currency losses	(5,198,936)	(951,489)
Net gain on disposal of business	385,169	-
Other gains	381,175	500,000
Other gains and losses	(4,432,592)	(451,489)

Note 6. Expenses

	Consolidated	
	2013	**2012**
	$	**$**
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	209,006	263,020
Network equipment	3,549,154	1,646,836
Total depreciation	3,758,160	1,909,856
Amortisation		
IRU capacity	4,509,331	2,780,072
Software	105,452	2,484
Customer contracts	436,374	514,882
Other intangibles	56,115	-
Total amortisation	5,107,272	3,297,438
Total depreciation and amortisation	8,865,432	5,207,294
Finance costs		
Interest and finance charges paid/payable	1,445,155	706,835
Rental expense relating to operating leases		
Minimum lease payments	2,242,649	1,085,847
Employee benefits expense		
Defined contribution superannuation expense	557,348	430,192
Share-based payment expense	401,874	355,362
Other employee benefits expense	12,478,789	6,967,379
Total employee benefits expense	13,438,011	7,752,933

Note 7. Income tax expense

	Consolidated	
	2013	**2012**
	$	**$**
Income tax expense		
Current tax	3,879,330	2,083,479
Deferred tax - origination and reversal of temporary differences	(1,649,802)	50,379
Adjustment recognised for prior periods	(207,194)	(101,337)
Aggregate income tax expense	2,022,334	2,032,521
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 14)	(1,482,420)	(197,533)
Increase/(decrease) in deferred tax liabilities (note 24)	(167,382)	247,912
Deferred tax - origination and reversal of temporary differences	(1,649,802)	50,379
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	7,120,603	9,807,603
Tax at the statutory tax rate of 30%	2,136,181	2,942,281
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	195,194	233,773
Entertainment expenses	54,070	34,859
Share-based payments	120,562	106,609
Rights to Future Income (on Customer Contracts)	(336,768)	(631,440)
Reduction in acquisition purchase price	(119,560)	(150,000)
Donations	-	681
Amounts associated with disposal of business	(146,629)	-
Sundry items	9,569	-
	1,912,619	2,536,763
Adjustment recognised for prior periods	(207,194)	(101,337)
Difference in overseas tax rates	(43,785)	-
Tax losses deducted	-	(65,824)
Movement in timing differences	360,694	(337,081)
Income tax expense	2,022,334	2,032,521

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2013	**2012**
	$	**$**
Cash at bank	2,491,854	1,343,737
Cash on deposit	11,677,267	1,043,507
	14,169,121	2,387,244

Note 9. Current assets - trade and other receivables

	Consolidated 2013 $	Consolidated 2012 $
Trade receivables	9,153,927	7,755,457
Less: Provision for impairment of receivables	(463,928)	(582,274)
	8,689,999	7,173,183
Other receivables	731,454	145,168
Accrued revenue	555,643	413,386
Interest receivable	12,169	-
	9,989,265	7,731,737

Impairment of receivables
The Consolidated Entity has recognised a loss of $476,041 (2012: $335,892) in profit or loss in respect of impairment of receivables for the year ended 30 June 2013.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2013 $	Consolidated 2012 $
1 to 3 months overdue	225,977	349,066
3 to 6 months overdue	237,951	233,208
	463,928	582,274

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2013 $	Consolidated 2012 $
Opening balance	582,274	399,736
Additional provisions recognised	505,887	4,564
Additions through business combinations (note 38)	1,678	177,974
Receivables written off during the year as uncollectable	(625,911)	-
Closing balance	463,928	582,274

Note 9. Current assets - trade and other receivables (continued)

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $218,368 as at 30 June 2013 ($444,209 as at 30 June 2012).

The Consolidated Entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2013	**2012**
	$	**$**
1 to 3 months overdue	218,368	264,799
Over 3 months overdue	-	179,410
	218,368	444,209

Note 10. Current assets - derivative financial instruments

	Consolidated	
	2013	**2012**
	$	**$**
Forward foreign exchange contracts - cash flow hedges	327,922	-

Note 11. Current assets - other

	Consolidated	
	2013	**2012**
	$	**$**
Prepayments	929,650	686,048
Term deposits	-	472,201
	929,650	1,158,249

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2013	**2012**
	$	**$**
Plant and equipment - at cost	1,677,041	3,103,324
Less: Accumulated depreciation	(541,874)	(436,358)
	1,135,167	2,666,966
Network equipment - at cost	56,107,207	29,054,482
Less: Accumulated depreciation	(6,465,401)	(2,670,444)
	49,641,806	26,384,038
	50,776,973	29,051,004

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Network equipment $	Total $
Consolidated			
Balance at 1 July 2011	833,997	13,145,909	13,979,906
Additions	-	11,799,769	11,799,769
Additions through business combinations (note 38)	2,145,409	3,085,196	5,230,605
Disposals	(49,420)	-	(49,420)
Depreciation expense	(263,020)	(1,646,836)	(1,909,856)
Balance at 30 June 2012	2,666,966	26,384,038	29,051,004
Additions	282,682	18,982,879	19,265,561
Additions through business combinations (note 38)	88,228	5,940,506	6,028,734
Disposals	(11,753)	(284,427)	(296,180)
Exchange differences	15,354	455,480	470,834
Transfers in/(out)	(1,697,304)	1,712,484	15,180
Depreciation expense	(209,006)	(3,549,154)	(3,758,160)
Balance at 30 June 2013	1,135,167	49,641,806	50,776,973

Property, plant and equipment secured under finance leases
Refer to note 36 for further information on property, plant and equipment secured under finance leases.

No impairment indicators are present relating to the carrying value of plant and equipment and network equipment.

Note 13. Non-current assets - intangibles

	Consolidated 2013 $	Consolidated 2012 $
Goodwill - at cost	16,454,622	10,507,153
	16,454,622	10,507,153
IRU capacity - at cost	78,824,736	45,570,402
Less: Accumulated amortisation	(10,981,771)	(6,472,440)
	67,842,965	39,097,962
Software - at cost	1,451,787	472,466
Less: Accumulated amortisation	(110,907)	(2,484)
	1,340,880	469,982
Customer contracts - at cost	2,704,470	1,207,204
Less: Accumulated amortisation	(1,032,546)	(579,792)
	1,671,924	627,412
Other intangibles - at cost	423,020	161,967
Less: Accumulated amortisation	(56,212)	-
	366,808	161,967
	87,677,199	50,864,476

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $	IRU capacity $	Software $	Customer contracts $	Other intangibles $	Total $
Consolidated						
Balance at 1 July 2011	8,227,651	31,139,873	-	617,570	-	39,985,094
Additions	-	10,738,161	364,697	-	156,637	11,259,495
Additions through business combinations (note 38)	2,279,502	-	110,034	524,724	5,330	2,919,590
Disposals	-	-	(2,265)	-	-	(2,265)
Amortisation expense	-	(2,780,072)	(2,484)	(514,882)	-	(3,297,438)
Balance at 30 June 2012	10,507,153	39,097,962	469,982	627,412	161,967	50,864,476
Additions	-	33,254,334	967,319	-	311,600	34,533,253
Additions through business combinations (note 38)	6,038,390	-	-	1,460,000	-	7,498,390
Disposals	(90,949)	-	-	-	-	(90,949)
Exchange differences	-	-	9,031	23,846	(9,747)	23,130
Transfers in/(out)	28	-	-	(2,960)	(40,897)	(43,829)
Amortisation expense	-	(4,509,331)	(105,452)	(436,374)	(56,115)	(5,107,272)
Balance at 30 June 2013	16,454,622	67,842,965	1,340,880	1,671,924	366,808	87,677,199

Note 13. Non-current assets - intangibles (continued)

IRU Capacity
Vocus Connect Pty Limited entered into a Capacity Use Agreement, whereby capacity is supplied to the Consolidated Entity over a defined usage period in return for a non-refundable amount being paid over a defined payment term. The indefeasible right to use the asset has been recorded as an intangible asset. The intangible asset is being amortised over the usage period on a straight line basis to November 2025.

Impairment testing

Goodwill impairment testing
Vocus utilises a common infrastructure to manage, procure, sell, provision and operate its delivery of telecommunication products including internet, voice, data centre and fibre and ethernet based products. On this basis it examines goodwill on a consolidated basis.

An impairment loss, if any, is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is determined on a Fair Value Less Cost to Sell ('FVLCS') methodology, whereby impairment is assessed on the implied enterprise value / earnings before interest expense, taxes, depreciation and amortisation ('EV/EBTIDA') multiple of the Consolidated Entity. Any impairment is recognised as an expense in profit or loss in the reporting period in which the write-down occurs. In applying its FVLCS approach, the Consolidated Entity will allow for a 5% cost of disposal as an underlying assumption when deriving its enterprise value.

Testing has indicated that its implied multiple on this basis is comparable or below other valuations in the marketplace for similar companies, therefore no impairment issue on goodwill has been identified.

Note 14. Non-current assets - deferred tax

	Consolidated	
	2013	**2012**
	$	**$**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	36,648	37,719
Impairment of receivables	137,486	170,019
Property, plant and equipment	-	153,824
Accrued expenses	881,375	275,605
Unrealised foreign exchange loss	1,104,560	6,912
Blackhole expenditure	369,355	299,920
Rights to future income	-	336,768
Other	233,763	-
Deferred tax asset	2,763,187	1,280,767
Movements:		
Opening balance	1,280,767	1,083,234
Credited to profit or loss (note 7)	1,482,420	197,533
Closing balance	2,763,187	1,280,767

Note 15. Non-current assets - other

	Consolidated 2013 $	Consolidated 2012 $
Deposits	296,546	155,552
Prepayments	772,959	-
	1,069,505	155,552

Note 16. Current liabilities - trade and other payables

	Consolidated 2013 $	Consolidated 2012 $
Trade payables	6,026,799	6,664,603
Accruals	4,846,287	1,029,936
Goods and services tax payable	389,957	81,701
Other payables	1,633,875	891,329
	12,896,918	8,667,569

Refer to note 31 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated 2013 $	Consolidated 2012 $
Bank loans	2,540,000	1,204,772
IRU liability	10,309,816	8,415,874
Lease liability	996,638	865,324
	13,846,454	10,485,970

Refer to note 22 for further information on assets pledged as security and financing arrangements and note 31 for further information on financial instruments.

Note 18. Current liabilities - derivative financial instruments

	Consolidated 2013 $	Consolidated 2012 $
Forward foreign exchange contracts - cash flow hedges	-	408,597

Refer to note 31 for further information on financial instruments.

Note 19. Current liabilities - income tax

	Consolidated 2013 $	Consolidated 2012 $
Provision for income tax	1,295,519	1,453,295

Note 20. Current liabilities - provisions

	Consolidated 2013 $	Consolidated 2012 $
Employee benefits	577,184	388,100
Deferred consideration	7,165,675	1,008,530
	7,742,859	1,396,630

Deferred consideration
The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Movements in provisions
Movement in deferred consideration during the current financial year is set out below:

	$
Consolidated - 2013	
Carrying amount at the start of the year	1,008,530
Additional provisions recognised	6,157,145
Carrying amount at the end of the year	7,165,675

Note 21. Current liabilities - other

	Consolidated 2013 $	Consolidated 2012 $
Deposits held	119,055	120,950
Revenue received in advance	312,936	-
	431,991	120,950

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2013	**2012**
	$	**$**
Bank loans	10,260,000	6,063,899
IRU liability	45,614,457	18,040,912
Lease liability	1,111,932	933,210
	56,986,389	25,038,021

Refer to note 31 for further information on financial instruments.

Refer to note 36 for further details on IRU commitments relating to the IRU liability.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Bank loans	12,800,000	7,268,671
Lease liability	2,108,570	1,798,534
	14,908,570	9,067,205

Assets pledged as security
The bank loans are secured by first mortgages over the Consolidated Entity's assets and undertakings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements
Access was available at the reporting date to the following lines of credit:

	Consolidated	
	2013	**2012**
	$	**$**
Total facilities		
Bank loans	19,800,000	9,797,223
Multi-option facility	2,000,000	-
	21,800,000	9,797,223
Used at the reporting date		
Bank loans	12,800,000	7,268,671
Multi-option facility	833,234	-
	13,633,234	7,268,671
Unused at the reporting date		
Bank loans	7,000,000	2,528,552
Multi-option facility	1,166,766	-
	8,166,766	2,528,552

Note 22. Non-current liabilities - borrowings (continued)

The bank loans and multi-option facility mature in May 2016 and attract an interest rate of BBSY + 2.90% when utilised. The bank loans are amortising while the multi-option facility is a revolving line of credit.

Note 23. Non-current liabilities - derivative financial instruments

	Consolidated	
	2013	**2012**
	$	**$**
Forward foreign exchange contracts - cash flow hedges	77,305	450,177

Refer to note 31 for further information on financial instruments.

Note 24. Non-current liabilities - deferred tax

	Consolidated	
	2013	**2012**
	$	**$**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	927,444	676,479
Development costs	137,690	107,221
Unbilled revenue	166,693	124,016
Unrealised foreign exchange gain	141,370	607,288
Intangibles	493,874	362,161
Other	280,712	-
Deferred tax liability	2,147,783	1,877,165
Movements:		
Opening balance	1,877,165	1,629,253
Charged/(credited) to profit or loss (note 7)	(167,382)	247,912
Recognised in goodwill	438,000	-
Closing balance	2,147,783	1,877,165

Note 25. Non-current liabilities - provisions

	Consolidated	
	2013	**2012**
	$	**$**
Employee benefits	31,952	-
Make good	784,426	675,030
	816,378	675,030

Make good
The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

Note 25. Non-current liabilities - provisions (continued)

Movements in provisions
Movement in make good during the current financial year is set out below:

	$
Consolidated - 2013	
Carrying amount at the start of the year	675,030
Additional provisions recognised	109,396
Carrying amount at the end of the year	784,426

Note 26. Non-current liabilities - other

	Consolidated	
	2013 $	2012 $
Lease incentive and rent straight lining	386,360	54,406
Other non-current liabilities	5,966	-
	392,326	54,406

Note 27. Equity - contributed equity

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	2013 $	2012 $
Ordinary shares - fully paid	76,223,420	61,027,675	46,068,659	22,588,928

Note 27. Equity - contributed equity (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2011	60,369,344		22,197,753
Issue of shares on exercise of ESOP	6 July 2011	166,666	$0.50	83,333
Issue of shares on exercise of ESOP	21 July 2011	233,333	$0.50	116,667
Issue of shares on exercise of ESOP	25 October 2011	174,999	$0.50	87,500
Issue of shares on exercise of ESOP	1 December 2011	38,333	$0.50	19,167
Issue of shares on exercise of ESOP	24 February 2012	20,000	$0.50	10,000
Issue of shares on exercise of ESOP	22 March 2012	25,000	$0.50	12,500
Transfer of contributed capital to contributed equity				62,008
Balance	30 June 2012	61,027,675		22,588,928
Issue of shares on placement	12 July 2012	9,154,151	$1.63	14,921,266
Issue of shares on share purchase plan	7 August 2012	4,177,566	$1.63	6,809,433
Issue of shares on conversion of options	25 September 2012	416,666	$0.50	208,333
Issue of shares on conversion of options	31 October 2012	116,667	$0.50	58,333
Issue of shares for loan funded share plan	15 November 2012	2,335,283	$1.71	3,993,334
Issue of shares on purchase of Ipera Communications Pty Ltd	22 January 2013	734,818	$1.66	1,219,577
Issue of shares on conversion of options	27 February 2013	21,666	$0.50	10,833
Issue of shares on conversion of options	27 March 2013	33,333	$0.50	16,666
Issue of shares on conversion of options	24 April 2013	75,000	$0.50	37,500
Issue of shares on conversion of options	28 May 2013	108,333	$0.50	54,167
Issue of shares for loan funded share plan	29 May 2013	338,732	$2.17	735,048
Issue of shares on conversion of options	27June 2013	6,667	$0.50	3,333
Less: Shares held by Vocus Blue Pty Limited *		(2,323,137)		(4,128,382)
Less: Share issue transaction costs, net of deferred tax				(459,710)
Balance	30 June 2013	76,223,420		46,068,659

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 27. Equity - contributed equity (continued)

** Shares held by Vocus Blue Pty Limited*
During the financial year ended 30 June 2013 2,674,015 shares were issued to Vocus Blue Pty Limited, a wholly–owned subsidiary of Vocus Communications Limited as part of the Consolidated Entity’s Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by the Consolidated Entity to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. Following the first year, the shares will progressively become unrestricted over a three year period, subject to continuous employment with the Consolidated Entity. The Loan Funded Share Plan is expected to replace the use of options over time as a key component of share-based compensation.

The shares held by Vocus Blue Pty Limited have been deducted from equity as the scheme is treated as an in substance option and accounted for as a share-based payment.

Capital risk management
The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Parent Entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

Note 28. Equity - reserves

	Consolidated	
	2013	**2012**
	$	**$**
Foreign currency reserve	365,069	9,892
Share-based payments reserve	1,012,380	610,506
Hedge reserve	(472,569)	(517,137)
	904,880	103,261

Note 28. Equity - reserves (continued)

	Foreign currency $	Share-based payments $	Hedge reserve $	Total $
Consolidated				
Balance at 1 July 2011	-	255,144	(297,276)	(42,132)
Foreign currency translation	9,892	-	-	9,892
Recognition of share-based payments	-	355,362	-	355,362
Net movement on hedging transactions	-	-	(219,861)	(219,861)
Balance at 30 June 2012	9,892	610,506	(517,137)	103,261
Foreign currency translation	355,177	-	-	355,177
Recognition of share-based payments	-	401,874	-	401,874
Net movement on hedging transactions	-	-	44,568	44,568
Balance at 30 June 2013	365,069	1,012,380	(472,569)	904,880

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Note 29. Equity - retained profits

	Consolidated 2013 $	Consolidated 2012 $
Retained profits at the beginning of the financial year	19,309,030	11,533,948
Profit after income tax expense for the year	5,098,269	7,775,082
Dividends paid (note 30)	(311,938)	-
Retained profits at the end of the financial year	24,095,361	19,309,030

Note 30. Equity - dividends

Dividends

	Consolidated 2013 $	Consolidated 2012 $
Interim dividend for the year ended 30 June 2013 of 0.4 cents per ordinary share paid on 26 March 2013.	311,938	-

On 27 August 2013, the directors declared a final dividend for the year ended 30 June 2013 of 0.6 cents per ordinary share. The final dividend is to be paid on 24 September 2013 to shareholders registered on 10 September 2013. The dividend will be fully franked.

Franking credits

	Consolidated 2013 $	Consolidated 2012 $
Franking credits available for subsequent financial years based on a tax rate of 30%	7,804,011	4,078,812

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 31. Financial instruments

Financial risk management objectives
The Consolidated Entity's activities expose it to a variety of financial risks: market risk including foreign currency risk, price risk and interest rate risk, credit risk and liquidity risk.

The Company has an Audit and Risk Committee that has general oversight of risk management processes at the Company inclusive of those financial risks identified here. The Consolidated Entity has a formal risk management policy and risks identified are monitored by executive management on a regular basis to minimise the potential adverse effects these risks may have on the financial performance of the Consolidated Entity.

The Consolidated Entity's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity where material. The Consolidated Entity may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures or cash flow hedges where appropriate. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The Consolidated Entity’s financial assets and liabilities comprise cash and cash equivalents, receivables, payables, IRU contractual payment obligations, bank loans and finance leases.

Note 31. Financial instruments (continued)

Market risk

Foreign currency risk
The Consolidated Entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The maturity, settlement amounts and the average contractual exchange rates of the Consolidated Entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian dollars		Average exchange rates	
	2013	2012	2013	2012
	$	$		
Buy US dollars				
Maturity:				
0 - 6 months	4,314,163	3,636,667	0.9708	0.9468
6 - 12 months	2,763,503	2,523,360	0.9423	0.9202
12 - 24 months	1,212,842	2,425,684	0.8410	0.8410
Over 24 months	-	1,212,842	-	0.8410

These figures represent the Australian dollars to be sold under foreign exchange contracts to purchase US dollars.

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2013	2012	2013	2012
	$	$	$	$
Consolidated				
US dollars	198,634	195,639	56,239,675	26,630,919
New Zealand dollars	3,869,041	1,598,479	2,443,261	2,540,706
	4,067,675	1,794,118	58,682,936	29,171,625

The Consolidated Entity has managed its exposure to the currency risk associated with the United States Dollar and New Zealand Dollar by active monitoring of the currency risk from period to period due to the volatile nature of that currency. It is prepared to enter into foreign exchange contracts and cash flow hedge accounting to protect cashflows over a defined period under its foreign exchange risk management policy.

As at 30 June 2013, future movements in the USD/AUD currency of $0.01 (2012: $0.01) will have an approximate $313,000 (2012: $163,000) increase or decrease to profit or loss and $112,000 (2012: $163,000) increase or decrease in cash flow in the financial year ending 30 June 2014.

As at 30 June 2013, future movements in the NZD/AUD currency of $0.01 (2012: $0.01) will have an approximate $135,000 (2012: $120,000) increase or decrease to profit or loss and $173,000 (2012: $120,000) increase or decrease in cash flow in the financial year ending 30 June 2014.

Price risk
Competitive pricing of products and services the group will sell may fall negatively impacting future revenue, margin and profitability. The Consolidated Entity mitigates this risk by entering into long term customer agreements typically between 12 and 60 months at fixed prices.

Note 31. Financial instruments (continued)

Interest rate risk
The Consolidated Entity's main interest rate risk arises from term deposits, cash on deposit, bank loans and long-term borrowings. Term deposits, cash on deposit and borrowings issued at variable rates expose the Consolidated Entity to interest rate risk. Term deposits, cash on deposit and borrowings issued at variable rates expose the Consolidated Entity to fair value interest rate risk.

Obligations under the IRU loan and finance leases are fixed as part of the defined repayment schedules. This mitigates interest rate risk in respect of these obligations.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

The Consolidated Entity attempts to deal with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity uses such methods as obtaining agency credit information, confirming references and setting appropriate credit limits and, where appropriate, obtains guarantees and obtains security deposits as collateral to mitigate perceived risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2013	**2012**
	$	**$**
Bank loans	7,000,000	2,528,552
Multi-option facility	1,166,766	-
	8,166,766	2,528,552

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Note 31. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2013	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	6,026,799	-	-	-	6,026,799
Other payables	2,023,832	-	-	-	2,023,832
Deposits held	119,055	-	-	-	119,055
Interest-bearing - variable					
Bank loans	3,310,614	2,873,367	8,522,509	-	14,706,490
Interest-bearing - fixed rate					
Lease liability	1,128,827	757,101	442,261	-	2,328,189
IRU liability	11,152,375	11,207,043	34,677,367	2,008,748	59,045,533
Total non-derivatives	23,761,502	14,837,511	43,642,137	2,008,748	84,249,898
Derivatives					
Forward foreign exchange contracts net settled	198,501	77,305	-	-	275,806
Total derivatives	198,501	77,305	-	-	275,806

Consolidated - 2012	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	6,664,603	-	-	-	6,664,603
Other payables	973,030	-	-	-	973,030
Deposits held	120,950	-	-	-	120,950
Interest-bearing - variable					
Bank loans	1,704,553	1,618,826	5,129,621	-	8,453,000
Interest-bearing - fixed rate					
Lease liability	901,230	988,536	-	-	1,889,766
IRU liability	8,826,607	8,038,631	10,811,845	-	27,677,083
Total non-derivatives	19,190,973	10,645,993	15,941,466	-	45,778,432
Derivatives					
Forward foreign exchange contracts net settled	408,597	315,894	134,283	-	858,774
Total derivatives	408,597	315,894	134,283	-	858,774

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 31. Financial instruments (continued)

Fair value of financial instruments
The following tables detail the Consolidated Entity's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Forward foreign exchange contracts	-	327,922	-	327,922
Total assets	-	327,922	-	327,922
Liabilities				
Forward foreign exchange contracts	-	77,305	-	77,305
Total liabilities	-	77,305	-	77,305

Consolidated - 2012	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Forward foreign exchange contracts	-	858,774	-	858,774
Total liabilities	-	858,774	-	858,774

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 32. Key management personnel disclosures

Directors
The following persons were directors of Vocus Communications Limited during the financial year:

David Spence	Non-Executive Chairman
James Spenceley	Chief Executive Officer
Jon Brett	Non-Executive Director
John Murphy	Non-Executive Director
Nicholas McNaughton	Non-Executive Director
Stephen Baxter (resigned on 28 February 2013)	Former Non-Executive Director
Mark de Kock (resigned on 28 May 2013)	Former Executive Director, Strategy

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Richard Correll	Chief Financial Officer
Mark Simpson	Company Secretary and General Counsel

Note 32. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated 2013 $	Consolidated 2012 $
Short-term employee benefits	1,334,164	1,102,012
Post-employment benefits	86,671	81,224
Share-based payments	116,976	167,622
	1,537,811	1,350,858

Shareholding
The number of shares in the Parent Entity held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Spence	395,349	-	75,869	-	471,218
James Spenceley	7,950,000	701,754	166,667	(2,818,421)	6,000,000
Mark de Kock *	472,959	350,877	517,544	(1,341,380)	-
Jon Brett	2,764,695	-	-	(1,400,000)	1,364,695
John Murphy	451,386	-	223,927	-	675,313
Nicholas McNaughton	627,598	-	-	-	627,598
Stephen Baxter *	252,013	-	9,203	(261,216)	-
Richard Correll	121,555	233,918	116,667	(62,000)	410,140
Mark Simpson	72,015	175,439	50,000	-	297,454
	13,107,570	1,461,988	1,159,877	(5,883,017)	9,846,418

* No longer key management personnel, not necessarily disposal of shareholding.

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Spence	268,682	-	126,667	-	395,349
James Spenceley	7,925,000	-	166,666	(141,666)	7,950,000
Mark de Kock	269,293	-	203,666	-	472,959
Jon Brett	2,794,695	-	-	(30,000)	2,764,695
John Murphy	451,386	-	-	-	451,386
Nicholas McNaughton	627,598	-	-	-	627,598
Stephen Baxter	252,013	-	-	-	252,013
Richard Correll	37,889	-	116,666	(33,000)	121,555
Mark Simpson	22,015	-	50,000	-	72,015
	12,648,571	-	663,665	(204,666)	13,107,570

Note 32. Key management personnel disclosures (continued)

Option holding
The number of options over ordinary shares in the Parent Entity held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
David Spence	66,666	-	(66,666)	-	-
Mark de Kock	333,333	-	(166,667)	(166,666)	-
James Spenceley	333,333	-	(166,667)	(166,666)	-
Richard Correll	383,334	-	(116,667)	(150,000)	116,667
Mark Simpson	200,000	-	(50,000)	(100,000)	50,000
	1,316,666	-	(566,667)	(583,332)	166,667

2013	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
Options over ordinary shares			
Richard Correll	116,667	-	116,667
Mark Simpson	50,000	-	50,000
	166,667	-	166,667

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
David Spence	133,333	-	(66,667)	-	66,666
Mark de Kock	333,333	166,666	(166,666)	-	333,333
James Spenceley	333,333	166,666	(166,666)	-	333,333
Richard Correll	350,000	150,000	(116,666)	-	383,334
Mark Simpson	150,000	100,000	(50,000)	-	200,000
	1,299,999	583,332	(566,665)	-	1,316,666

2012	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
Options over ordinary shares			
David Spence	66,667	-	66,667
Mark de Kock	166,666	-	166,666
James Spenceley	166,666	-	166,666
Richard Correll	116,666	-	116,666
Mark Simpson	50,000	-	50,000
	566,665	-	566,665

Related party transactions
Related party transactions are set out in note 36.

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated	
	2013 $	2012 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	177,763	128,995
Other services - Deloitte Touche Tohmatsu		
Tax compliance services	32,550	12,800
Other non-audit services	167,371	250,311
	199,921	263,111
	377,684	392,106

Note 34. Contingent liabilities

The Consolidated Entity has contingent liabilities as follows:

	Consolidated	
	2013 $	2012 $
Guarantees *	833,234	50,000

* The multi-option facility was used to issue bank guarantees and replace cash cover held by Vocus for property associated with its data centres and other performance contracts (refer note 23 for details of the total facility).

Note 35. Commitments

	Consolidated 2013 $	Consolidated 2012 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,644,951	2,041,553
One to five years	7,984,846	5,459,336
More than five years	6,428,372	1,439,907
	17,058,169	8,940,796
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,128,827	901,230
One to five years	1,199,362	988,536
Total commitment	2,328,189	1,889,766
Less: Future finance charges	(219,619)	(91,232)
Net commitment recognised as liabilities	2,108,570	1,798,534
Representing:		
Lease liability - current (note 17)	996,638	865,324
Lease liability - non-current (note 22)	1,111,932	933,210
	2,108,570	1,798,534
IRU commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	11,152,375	8,826,607
One to five years	45,884,409	18,850,476
More than five years	2,008,748	-
Total commitment	59,045,532	27,677,083
Less: Future finance charges	(3,121,259)	(1,220,297)
Net commitment recognised as liabilities	55,924,273	26,456,786
Representing:		
IRU liability - current (note 17)	10,309,816	8,415,874
IRU liability - non-current (note 22)	45,614,457	18,040,912
	55,924,273	26,456,786

Note 35. Commitments (continued)

	Consolidated 2013 $	Consolidated 2012 $
Network equipment (related to finance lease commitments)		
Finance lease commitments includes contracted amounts for various network plant and equipment at the following values under finance leases expiring within one to five years. Under the terms of the leases, the Consolidated Entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.		
Network equipment - at cost	4,093,500	3,287,954
Less: Accumulated depreciation	(1,265,513)	(759,522)
Written down value	2,827,987	2,528,432
IRU capacity (related to IRU commitments)		
IRU commitments includes contracted amounts for the IRU intangible assets at the following values:		
IRU capacity - at cost	78,824,736	45,570,402
Less: Accumulated amortisation	(10,981,771)	(6,472,440)
Written down value	67,842,965	39,097,962

Note 36. Related party transactions

Parent entity
Vocus Communications Limited is the Parent Entity.

Subsidiaries
Interests in subsidiaries are set out in note 39.

Key management personnel
Disclosures relating to key management personnel are set out in note 32 and the remuneration report in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 37. Parent entity information

Set out below is the supplementary information about the Parent Entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2013	**2012**
	$	**$**
Loss after income tax	(355,448)	(219,163)
Total comprehensive income	(355,448)	(219,163)

Statement of financial position

	Parent	
	2013	**2012**
	$	**$**
Total current assets	11,081,717	1,274,789
Total assets	63,876,579	35,485,084
Total current liabilities	4,368,687	3,393,597
Total liabilities	14,634,653	9,457,496
Equity		
Contributed equity	50,142,703	26,662,852
Share-based payments reserve	895,412	493,538
Options reserve	103,359	103,359
Accumulated losses	(1,899,548)	(1,232,161)
Total equity	49,241,926	26,027,588

Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries
The Parent Entity is a party to a deed of cross guarantee (refer Note 40) under which it guarantees the debts of its subsidiaries as at 30 June 2013 and 30 June 2012.

Contingent liabilities
The Parent Entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

Capital commitments - Property, plant and equipment
The Parent Entity had no capital commitments for property, plant and equipment as at 30 June 2013 and 30 June 2012.

Significant accounting policies
The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 1.

Note 38. Business combinations

2013

Ipera Communications Pty Limited
On 18 January 2013 Vocus Communications Limited acquired Ipera Communications Pty Limited for a total expected consideration transferred of $10,777,737. It provides the Consolidated Entity with premium fibre, data centre and cloud services in Newcastle, New South Wales. The goodwill of $6,038,390 represents the residual value of the purchase price over the fair value of identifiable tangible and intangible assets shown below. The acquired business contributed revenues of $4,194,658. Due to significant integration changes in the Consolidated Entity's common service infrastructure it is not practical to provide a meaningful revenue and profit for the entire financial year. The values identified in relation to the acquisition are provisional as at the reporting date 30 June 2013.

Details of the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash and cash equivalents	162,775	162,775
Trade receivables	1,367,318	1,367,318
Other receivables	7,411	7,411
Prepayments	71,344	71,344
Make good assets	-	100,000
Plant and equipment	29,320	88,228
Network equipment	4,823,397	5,940,506
Other intangible assets	-	1,460,000
Deferred tax asset	77,263	77,263
Trade payables	(398,911)	(398,911)
Other payables	(550,408)	(550,408)
Provision for income tax	(318,309)	(318,309)
Deferred tax liability	(1,189)	(439,189)
Employee benefits	(169,227)	(169,227)
Financial liabilities	(2,559,454)	(2,559,454)
Make good liability	-	(100,000)
Net assets acquired	2,541,330	4,739,347
Goodwill		6,038,390
Acquisition-date fair value of the total consideration transferred		10,777,737
Representing:		
Cash paid or payable to vendor		3,065,470
Vocus Communications Limited shares issued to vendor		1,219,577
Contingent consideration		6,492,690
		10,777,737
Acquisition costs expensed to profit or loss		206,682

Note 38. Business combinations (continued)

	Consolidated 2013 $	2012 $
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	10,777,737	-
Less: cash and cash equivalents	(162,775)	-
Less: contingent consideration	(6,492,690)	-
Less: shares issued by Parent Entity as part of initial consideration	(1,219,577)	-
Net cash used	2,902,695	-

2012

Vocus (New Zealand) Limited, formerly known as Maxnet Limited, and its subsidiary
On 19 June 2012 Vocus (New Zealand) Holdings Limited, formerly known as Vocus (New Zealand) Limited, a subsidiary of Vocus Group Pty Limited, acquired the New Zealand based data centre operator and cloud provider Vocus (New Zealand) Limited, formerly known as Maxnet Limited, and its subsidiary Data Lock Limited for a total consideration of $6,137,220. It provides the Consolidated Entity with one of New Zealand's leading data centres but also one of the most established providers of Cloud services, marking Vocus' next step into the high growth Cloud market. The goodwill of $2,279,502 represents the residual value of the purchase price over the fair value of identifiable tangible and intangible assets shown below, and is the premium paid for synergies expected to be achieved. The acquired business did not contribute material revenue or profit for the Consolidated Entity's financial year. Due to significant integration changes in the Consolidated Entity's common service infrastructure, it is not practical to provide a meaningful revenue and profit for the entire financial year. The values identified in relation to the acquisition are final as at the reporting date 30 June 2013.

Note 38. Business combinations (continued)

Details of the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash and cash equivalents	10,992	10,992
Trade receivables	1,722,047	1,722,047
Less: provision for doubtful debts	(177,974)	(177,974)
Other receivables	179,048	179,048
Prepayments	184,525	184,525
Plant and equipment	2,449,737	2,145,409
Network equipment	1,741,220	3,085,196
Customer contracts	-	524,724
Software	87,605	110,034
Other intangible assets	403,206	5,330
Trade payables	(864,686)	(864,686)
Other payables	(267,084)	(267,084)
Provision for income tax	(39,165)	(39,165)
Deferred tax liability	(140,337)	(598,619)
Employee benefits	(213,851)	(213,851)
Accrued expenses	(525,176)	(561,940)
Revenue received in advance	(184,055)	(184,055)
Lease liability	(617,828)	(617,828)
Other liabilities	(584,385)	(584,385)
Net assets acquired	3,163,839	3,857,718
Goodwill		2,279,502
Acquisition-date fair value of the total consideration transferred		6,137,220
Representing:		
Cash paid or payable to vendor		5,351,300
Contingent consideration		785,920
		6,137,220

	Consolidated 2013 $	Consolidated 2012 $
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	6,137,220
Less: cash and cash equivalents	-	(10,992)
Less: contingent consideration	-	(785,920)
Net cash used	-	5,340,308

Note 39. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding 2013 %	Equity holding 2012 %
Vocus Group Pty Ltd	Australia	100.00	100.00
Vocus Pty Ltd	Australia	100.00	100.00
Vocus Connect Pty Ltd	Australia	100.00	100.00
Vocus Data Centres Pty Ltd	Australia	100.00	100.00
Vocus Fibre Pty Ltd	Australia	100.00	100.00
Perth International Exchange Pty. Ltd. and 100% of the units in the Perth IX Trust (trading as Perth IX)	Australia	100.00	100.00
Vocus Blue Pty Ltd	Australia	100.00	-
Ipera Communications Pty Limited	Australia	100.00	-
Vocus (New Zealand) Holdings Limited*	New Zealand	100.00	100.00
Vocus (New Zealand) Limited**	New Zealand	100.00	100.00
Data Lock Limited	New Zealand	100.00	100.00

* Formerly Vocus (New Zealand) Limited (name changed on 24 August 2012).
** Formerly Maxnet Limited (name changed on 24 August 2012).

Note 40. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Vocus Communications Limited
Vocus Group Pty Ltd
Vocus Pty Ltd
Vocus Connect Pty Ltd
Vocus Data Centres Pty Ltd
Vocus Fibre Pty Ltd
Perth International Exchange Pty Ltd and 100% of the units in the Perth IX Trust (trading as Perth IX)
Ipera Communications Pty Limited
Vocus (New Zealand) Holdings Limited (formerly known as Vocus (New Zealand) Limited)
Vocus (New Zealand) Limited (formerly known as Maxnet Limited)
Data Lock Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Vocus Communications Limited, they also represent the 'Extended Closed Group'.

Note 40. Deed of cross guarantee (continued)

The statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group' can be found in the consolidated statement of profit or loss and other comprehensive income and statement of financial position along with the note on Vocus Communications Limited as parent found in these financial statements.

Note 41. Events after the reporting period

On 19 August 2013, the Consolidated Entity agreed the deferred consideration payable on its acquisition of Ipera Communications Pty Limited. The Consolidated Entity will pay deferred consideration of $6,492,690 by cash payment of $2,500,000 on 28 February 2014 and by payment of $3,882,690 through issue of 1,863,565 ordinary shares in Vocus Communications Limited. Ordinary shares included in this issue and subject to escrow for 12 months total 834,390.

Apart from the dividend declared as disclosed in note 30, no other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 42. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2013	**2012**
	$	**$**
Profit after income tax expense for the year	5,098,269	7,775,082
Adjustments for:		
Depreciation and amortisation	8,865,432	5,207,294
Share-based payments	401,874	355,362
Non-cash other	5,925,459	1,002,603
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(740,542)	12,066
Increase in deferred tax assets	(1,405,157)	(197,533)
Decrease/(increase) in accrued revenue	(142,257)	29,731
Increase in prepayments	(514,010)	(256,008)
Increase/(decrease) in trade and other payables	(574,233)	1,891,413
Decrease in derivative liabilities	(1,064,823)	(577,709)
Decrease in provision for income tax	(476,085)	(795,603)
Decrease in deferred tax liabilities	(62,724)	(350,707)
Increase/(decrease) in employee benefits	51,809	(300)
Decrease in other provisions	(241,329)	(85,790)
Increase/(decrease) in other operating liabilities	149,789	(1,589,247)
Net cash from operating activities	15,271,472	12,420,654

Note 43. Non-cash investing and financing activities

	Consolidated 2013 $	Consolidated 2012 $
Acquisition of intangible assets by means of IRU Capacity loan	33,254,334	10,738,161

Note 44. Earnings per share

	Consolidated 2013 $	Consolidated 2012 $
Profit after income tax attributable to the owners of Vocus Communications Limited	5,098,269	7,775,082
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	74,456,787	60,910,052
Adjustments for calculation of diluted earnings per share:		
Loan Funded Share Plan	1,458,751	-
Options	1,686,615	2,662,887
Weighted average number of ordinary shares used in calculating diluted earnings per share	77,602,153	63,572,939
	Cents	**Cents**
Basic earnings per share	6.85	12.76
Diluted earnings per share	6.57	12.23

Note 45. Share-based payments

Loan Funded Share Plan

Shares were issued to Vocus Blue Pty Limited, a wholly-owned subsidiary of Vocus Communications Limited as part of the Consolidated Entity's Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by the Consolidated Entity to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. Following the first year, the shares will progressively become unrestricted over a three year period, subject to continuous employment with the Consolidated Entity. The Loan Funded Share Plan is expected to replace the use of options over time as a key component of share-based compensation.

During the year, 2,674,015 shares were issued to Vocus Blue Pty Limited. At 30 June 2013, Vocus Blue Pty Limited held 2,323,137 shares in trust under the Loan Funded Share Plan remuneration scheme after forfeitures of 350,877 shares.

Note 45. Share-based payments (continued)

Employee Share Option Plan
An employee share option plan was established by the Consolidated Entity and approved by shareholders at an general meeting, whereby the Consolidated Entity, may at the discretion of the Board, grant options over ordinary shares in the Parent Entity to employees.

Each employee share option converts into one ordinary share of the Parent Entity on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Set out below are summaries of options granted under the plan:

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/06/10	30/07/13	$0.50	333,334	-	(333,334)	-	-
01/10/10	30/09/17	$0.50	941,668	-	(378,332)	-	563,336
02/11/10	30/09/13	$0.50	66,666	-	(66,666)	-	-
13/05/11	13/05/18	$2.00	160,000	-	-	(106,668)	53,332
01/08/11	31/07/18	$2.50	923,332	-	-	(829,998)	93,334
15/08/11	14/08/18	$2.00	150,000	-	-	(100,000)	50,000
11/05/12	10/05/19	$2.00	392,500	-	-	(30,000)	362,500
			2,967,500	-	(778,332)	(1,066,666)	1,122,502

Weighted average exercise price $1.29

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/06/10	30/07/12	$0.50	333,333	-	(333,333)	-	-
30/06/10	30/07/13	$0.50	333,334	-	-	-	333,334
01/10/10	30/09/17	$0.50	1,200,000	-	(258,332)	-	941,668
02/11/10	30/09/12	$0.50	66,667	-	(66,667)	-	-
02/11/10	30/09/13	$0.50	66,666	-	-	-	66,666
13/05/11	13/05/18	$2.00	215,000	-	-	(55,000)	160,000
01/08/11	31/07/18	$2.50	-	923,332	-	-	923,332
15/08/11	14/08/18	$2.00	-	150,000	-	-	150,000
11/05/12	10/05/19	$2.00	-	392,500	-	-	392,500
			2,215,000	1,465,832	(658,332)	(55,000)	2,967,500

Weighted average exercise price $1.49

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2013 Number	2012 Number
01/10/10	30/09/17	163,331	141,662
Total exercisable		163,331	141,662

Note 45. Share-based payments (continued)

The fair value of the 1,122,502 (2012: 2,967,500) shares under option at 30 June 2013 was $424,633 (2012: $856,550).

The share prices of the options exercised during the financial year, at the date of exercise, were as follows:
- 25 September 2012, 416,666 options were exercised at a share price of $1.75.
- 31 October 2012, 116,667 options were exercised at a share price of $1.81.
- 27 February 2013, 21,666 options were exercised at a share price of $1.68.
- 27 March 2013, 33,333 options were exercised at a share price of $1.79.
- 24 April 2013, 75,000 options were exercised at a share price of $2.10.
- 28 May 2013, 108,333 options were exercised at a share price of $2.17.
- 27 June 2013, 6,667 options were exercised at a share price of $2.06.

Vocus Communications Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 described in note 40 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

James Spenceley
Director

29 August 2013
Sydney

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report
to the members of Vocus Communications Limited

Report on the Financial Report

We have audited the accompanying financial report of Vocus Communications Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 82.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Deloitte.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the directors' report for the year ended 30 June 2013. 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 Vocus Communications Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 29 August 2013

Vocus Communications Limited
Shareholder information
30 June 2013

The shareholder information set out below was applicable as at 13 August 2013.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	820
1,001 to 5,000	2,008
5,001 to 10,000	710
10,001 to 100,000	580
100,001 and over	63
	4,181
Holding less than a marketable parcel	189

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
IWPE Nominees Pty Limited <IWPE Fund 3 A/C>	6,666,667	8.50
Tameion Pty Ltd <Tameion Super Fund A/C>	3,848,231	4.91
Spenceley Management Pty Ltd <Spenceley Family A/C>	3,766,134	4.80
RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	3,721,970	4.74
National Nominees Limited	2,466,883	3.14
RBC Investor Services Australia Nominees Pty Limited <PI pooled A/C>	2,348,006	2.99
Vocus Blue Pty Ltd <Vocus Empl Share Plan A/C>	2,323,138	2.96
Investec Bank (Australia) Limited	2,000,000	2.55
Citicorp Nominees Pty Limited	1,751,078	2.23
HSBC Custody Nominees (Australia) Limited	1,733,312	2.21
Mirrabooka Investments Limited	1,378,632	1.76
IWPE Nominees Pty Limited <IWPE Fund 3A A/C>	1,333,333	1.70
Layer 10 Pty Ltd <Wiltongate A/C>	1,322,916	1.69
Tameion Pty Ltd <McConnell II Family A/C>	1,289,246	1.64
J P Morgan Nominees Australia Limited	1,255,693	1.60
BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	1,149,614	1.47
Equitas Nominees Pty Limited <2874398 A/C>	804,483	1.03
Alsumary Pty Ltd <The Alsumary Super Fund A/C>	764,696	0.97
Dalesam Pty Ltd <Jon Brett Super Fund A/C>	764,695	0.97
Mr Christopher Deere	734,818	0.94
	41,423,545	52.80

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Investec Wentworth Private Equity Limited (Investec Bank)	10,000,000	12.75
Spenceley Management Pty Ltd (J Spenceley)	6,000,000	7.65
Tameion Pty Ltd (P McConnell)	5,137,477	6.55

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.