

Appendix 4D

Results for announcement to the market

Amcom Telecommunications Ltd (ACN 062 046 217)

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

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

Current Reporting Period: Half - Year ending 31 December 2013

Previous Corresponding Period: Half - Year ending 31 December 2012

| Results | | Percentage Change % | 31 Dec 2013 \$'000 | 31 Dec 2012 \$'000 |
|--|------|---------------------------|-----------------------|-----------------------|
| Revenue from ordinary activities | up | 4% | 82,877 | 80,069 |
| Net profit after tax attributable to members | up | 11% | 11,051 | 9,954 |
| Earnings per share – basic (cents) | up | 11% | 4.52 | 4.08 |
| Net tangible assets per share (cents) | down | 7% | 29.5 | 31.8 |

| Dividend (interim) | Amount per security ¢ | Franked amount per security ¢ |
|---------------------------|-----------------------------|--|
| | 2.2 | 2.2 |

The Amcom Dividend Reinvestment Plan (DRP) will apply to this dividend. A DRP discount of 2.5% will apply.

Key Dates

| | |
|------------------------------------|---------------|
| Dividend record date | 21 March 2014 |
| Dividend payment date | 4 April 2014 |
| Last date for DRP election notices | 21 March 2014 |

Directors' Report

The Directors of Amcom Telecommunications Limited submit herewith the financial report for the half-year ended 31 December 2013.

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

Name

Anthony Grist (Non-executive Chairman)

Clive Stein (Managing Director and CEO)

Ian Warner (Non-executive Director)

Peter Clifton (Non-executive Director)

Craig Coleman (Non-executive Director)

Anthony Davies (Non-executive Director)

Paul Brandling (Non-executive Director) since 23 September 2013

Review of Results and Operations

See overleaf.

Auditor's Independence Declaration

The auditor's independence declaration is attached.

Rounding off of Amounts

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

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

On behalf of the Directors



Anthony Grist
Chairman
18 February 2014

Review of Results and Operations

1. Profit Summary

The reported net profit after tax for the period ended 31 December 2013 was \$11.1m (2012: \$10.0m). After excluding significant items, the net profit after tax was \$11.5m, a 14% increase on the prior period.

A summary of the result is shown below:

| \$ 000 | 1H 14 | 1H 13 | % Change |
|--|---------------|---------------|------------|
| Revenue | 82,877 | 80,069 | 4% |
| EBITDA* | 22,381 | 19,230 | 16% |
| EBIT* | 17,053 | 14,548 | 17% |
| Interest expense (net) | (1,029) | (769) | |
| Profit before tax* | 16,024 | 13,779 | 16% |
| Tax | (4,525) | (3,731) | |
| Net profit after tax before significant items * | 11,499 | 10,048 | 14% |
| Significant items: | | | |
| Acquisition and integration expenses* (tax: \$145) | (448) | (94) | |
| Net profit after tax as reported | 11,051 | 9,954 | 11% |
| EPS basic – NPAT before significant items* | 4.7c | 4.1c | 14% |
| EPS basic – NPAT as reported | 4.5c | 4.1c | 11% |

**non AIFRS financial information is reconciled to AIFRS financial information below*

Review of Results and Operations

2. Cash flow

Amcom recorded an operating cash flow of \$16.9m for the period to 31 December 2013, similar to the previous corresponding period.

Free cash flow increased 15% to \$8.1m for the period as shown in the table below.

| \$ 000 | Free Cash Flow | | |
|---|----------------|---------------|------------|
| | 1 H 14 | 1 H 13 | Δ % |
| Operating Cash Flow | 16,916 | 16,974 | 0% |
| Growth capex - customer connections | (6,209) | (6,019) | |
| Stay in business capex | (3,223) | (3,935) | |
| Operating Free Cash Flow | 7,484 | 7,020 | 7% |
| Network upgrade and ACC (Cisco platform) | (4,391) | - | |
| Network upgrade and ACC funded by vendor loan | 2,308 | - | |
| Proceeds on sale and leaseback of P&E | 2,673 | - | |
| Free Cash Flow | 8,074 | 7,020 | 15% |
| Free Cash Flow per share | 3.3 c | 2.9 c | 15% |

Dividends paid during the period ended 31 December 2013 were \$8.56m (2012:\$7.8m).

3. Review of operations

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

| \$ 000 | Revenue | | | EBITDA | | |
|----------------------------------|---------------|---------------|-------------|---------------|---------------|------------|
| | 1 H 14 | 1 H 13 | Δ % | 1 H 14 | 1 H 13 | Δ % |
| Data networks | 39,760 | 35,928 | 11% | 19,952 | 17,321 | 15% |
| Amnet - consumer | 5,151 | 4,997 | | 840 | 816 | |
| Telecommunications | 44,911 | 40,925 | 10% | 20,792 | 18,137 | 15% |
| EBITDA / Rev margin % | 46% | 44% | | | | |
| Hosted and Cloud Services | 15,863 | 11,908 | 33% | 3,076 | 2,392 | 29% |
| IT Services | 21,974 | 27,080 | -19% | 1,164 | 1,010 | 15% |
| Sub Total | 82,748 | 79,913 | 4% | 25,032 | 21,539 | 16% |
| Corporate | 129 | 156 | | (2,651) | (2,309) | |
| Total | 82,877 | 80,069 | 4% | 22,381 | 19,230 | 16% |
| EBITDA / Rev margin % | 27% | 24% | | | | |

The Telecommunications segment recorded a revenue increase of 10% to \$44.9m and increased EBITDA by 15% to \$20.8m. The Telecommunications segment includes Data networks (formerly Fibre) and the Amnet consumer division.

The Hosted and Cloud services segment recorded a revenue increase of 33% to \$15.9m and increased EBITDA by 29% to \$3.1m. This segment includes the products of cloud, IP Telephony and data centre operations.

Review of Results and Operations

4. Balance Sheet

The following table summarises the key balance sheet items:

| \$ 000 | Dec -13 | FY 13 | Dec -12 |
|----------------------|---------|---------|---------|
| Shareholders' equity | 123,212 | 120,646 | 114,116 |
| Cash | 25,283 | 25,310 | 25,249 |
| Borrowings | 59,381 | 37,155 | 34,154 |
| Net debt /(cash) | 34,098 | 11,845 | 8,905 |
| NTA | 72,118 | 83,712 | 77,789 |
| Gearing (%) # | 22% | 9% | 7% |
| NTA per share (c) | 29.5 c | 34.2 c | 31.8 c |

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

5. AIFRS Reconciliation (not subject to Audit review)

The Directors believe that the presentation of non-Australian International Financial Reporting Standards ("non-AIFRS") financial information is useful for readers of this report to provide information of the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the AIFRS based profit result included in the Statement of Comprehensive Income in this Appendix 4D to the non-AIFRS Profit summary appearing above.

| \$ 000 | 1 H 14 | 1 H 13 |
|--|---------------|---------------|
| Net profit after tax | 11,051 | 9,954 |
| Income tax expense | 4,380 | 3,731 |
| Acquisitions and integration expenses* | 593 | 94 |
| Depreciation & amortisation | 5,328 | 4,682 |
| Interest revenue | (129) | (156) |
| Finance costs | 1,158 | 925 |
| EBITDA * | 22,381 | 19,230 |
| Depreciation & amortisation | (5,328) | (4,682) |
| EBIT * | 17,053 | 14,548 |
| Interest revenue | 129 | 156 |
| Finance costs | (1,158) | (925) |
| Profit before tax * | 16,024 | 13,779 |
| Income tax expense* | (4,525) | (3,731) |
| Net profit after tax before significant items * | 11,499 | 10,048 |

* non AIFRS financial information



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

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

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

In relation to our review of the financial report of Amcom Telecommunications Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T G Dachs
Partner
18 February 2014

Directors' Declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of the consolidated entity for the half-year ended 31 December 2013 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Anthony Grist
Chairman
18 February 2014

Amcom Telecommunications Ltd

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

| | <u>Note</u> | Consolidated | |
|---|-------------|---|---|
| | | Half-year ended 31 Dec 2013 \$'000 | Half-year ended 31 Dec 2012 \$'000 |
| Continuing Operations | | | |
| Revenue | 2 | 82,877 | 80,069 |
| Network costs (inc. cloud and hosted) | | (21,635) | (20,819) |
| Cost of hardware sold | | (9,944) | (11,940) |
| Occupancy expenses | | (3,398) | (2,247) |
| Depreciation and amortisation expenses | | (5,328) | (4,682) |
| Employee benefits expense | | (19,843) | (20,315) |
| Finance costs | | (1,158) | (925) |
| Marketing related expenses | | (1,186) | (807) |
| Repairs and maintenance expenses | | (661) | (551) |
| Other expenses | | (4,293) | (4,098) |
| | | | |
| Profit from continuing operations before income tax expense | | 15,431 | 13,685 |
| Income tax expense | | (4,380) | (3,731) |
| | | | |
| Net Profit attributable to members of Amcom Telecommunications Ltd | | 11,051 | 9,954 |
| Other comprehensive income | | | |
| (Items that may be reclassified subsequently to profit or loss) | | | |
| Cash flow hedge – (loss)/gain taken to equity, net of tax | | (38) | (158) |
| | | | |
| Total comprehensive income attributable to members of Amcom Telecommunications Ltd, net of tax | | 11,013 | 9,796 |
| Earnings per share from continuing operations | | | |
| Basic (cents per share) | 5 | 4.52 | 4.08 |
| Diluted (cents per share) | 5 | 4.47 | 4.04 |

Amcom Telecommunications Ltd

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

| | | Consolidated | |
|--------------------------------------|------|-------------------------------|---------------------------|
| | | 31 December 2013 \$'000 | 30 June 2013 \$'000 |
| | Note | | |
| Current assets | | | |
| Cash and cash equivalents | | 25,283 | 25,310 |
| Trade and other receivables | | 14,248 | 15,983 |
| Inventories | | 3,128 | 2,189 |
| Other | | 3,431 | 2,332 |
| Total current assets | | 46,090 | 45,814 |
| Non-current assets | | | |
| Property, plant and equipment | | 134,166 | 123,209 |
| Goodwill | 7 | 47,260 | 34,472 |
| Other intangible assets | | 3,835 | 2,462 |
| Total non-current assets | | 185,261 | 160,143 |
| Total assets | | 231,351 | 205,957 |
| Current liabilities | | | |
| Trade and other payables | | 18,967 | 20,169 |
| Deferred revenue | | 12,336 | 13,934 |
| Borrowings | 6 | 2,640 | 639 |
| Income tax payable | | 2,904 | 1,851 |
| Deferred consideration | 7 | 1,500 | - |
| Provisions and other liabilities | | 3,019 | 2,765 |
| Total current liabilities | | 41,366 | 39,358 |
| Non-current liabilities | | | |
| Borrowings | 6 | 56,740 | 36,516 |
| Provisions and other liabilities | | 1,773 | 1,530 |
| Deferred revenue | | 611 | 718 |
| Deferred tax liabilities | | 7,649 | 7,189 |
| Total non-current liabilities | | 66,773 | 45,953 |
| Total liabilities | | 108,139 | 85,311 |
| Net assets | | 123,212 | 120,646 |
| Equity | | | |
| Contributed equity | 4 | 108,055 | 107,873 |
| Reserves | | (827) | (720) |
| Retained profits | | 15,984 | 13,493 |
| Total equity | | 123,212 | 120,646 |

Amcom Telecommunications Ltd

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

| | Consolidated | |
|--|---|---|
| | Half-year ended 31 Dec 2013 \$'000 | Half-year ended 31 Dec 2012 \$'000 |
| Note | | |
| Cash flows from operating activities | | |
| Receipts from customers | 90,516 | 85,470 |
| Payments to suppliers and employees | (70,636) | (65,366) |
| Interest and other costs of finance paid | (1,029) | (769) |
| Income tax paid | (1,935) | (2,361) |
| Net cash provided by operating activities | 16,916 | 16,974 |
| Cash flows from investing activities | | |
| Payment for property, plant and equipment | (11,515) | (9,954) |
| Proceeds on sale and leaseback of plant and equipment | 2,673 | - |
| Acquisition and integration expenses | (592) | (194) |
| Payment for acquisition of subsidiaries (net of cash acquired) 7 | (13,781) | - |
| Net cash used in investing activities | (23,215) | (10,148) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 27,217 | 9,000 |
| Repayment of borrowings | (11,409) | (7,046) |
| Repayment of loans | 182 | 53 |
| Purchase of shares for long term incentive plan | (1,158) | - |
| Dividends paid | (8,560) | (7,826) |
| Net cash (used in)/provided by financing activities | 6,272 | (5,819) |
| Net increase/(decrease) in Cash and Cash Equivalents | (27) | 1,007 |
| Cash and Cash Equivalents at the beginning of the Period | 25,310 | 24,242 |
| Cash and Cash Equivalents at the end of the Period | 25,283 | 25,249 |

Non Cash Transactions

In the six months to 31 December 2013 \$2.31m (31 December 2012: \$ nil) of property, plant and equipment was acquired via a vendor loan facility.

Amcom Telecommunications Ltd

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

| Consolidated | Contributed Equity \$'000 | Employee Equity – Settled Benefits Reserve \$'000 | Cash Flow Hedge Reserve \$'000 | Option Cancellation Reserve \$'000 | Retained Profits \$'000 | Total Equity \$'000 |
|--|---------------------------------|--|---|---|-------------------------------|---------------------------|
| At 30 June 2012 | 107,787 | 1,956 | - | (3,366) | 5,460 | 111,837 |
| Profit for the period | - | - | - | - | 9,954 | 9,954 |
| Other comprehensive income | - | - | (158) | - | - | (158) |
| Total comprehensive income | - | - | (158) | - | 9,954 | 9,796 |
| Repayment of loans | 53 | - | - | - | - | 53 |
| Share based payment | - | 255 | - | - | - | 255 |
| Dividends paid | - | - | - | - | (7,826) | (7,826) |
| At 31 December 2012 | 107,840 | 2,211 | (158) | (3,366) | 7,589 | 114,116 |
| At 30 June 2013 | 107,873 | 2,762 | (116) | (3,366) | 13,493 | 120,646 |
| Profit for the period | - | - | - | - | 11,051 | 11,051 |
| Other comprehensive income | - | - | (38) | - | - | (38) |
| Total comprehensive income | - | - | (38) | - | 11,051 | 11,013 |
| Repayment of loans | 182 | - | - | - | - | 182 |
| Share based payment | - | 356 | - | - | - | 356 |
| Deferred tax on share based payment | - | 733 | - | - | - | 733 |
| Equity settled benefits | - | (1,158) | - | - | - | (1,158) |
| Dividends paid | - | - | - | - | (8,560) | (8,560) |
| At 31 December 2013 | 108,055 | 2,693 | (154) | (3,366) | 15,984 | 123,212 |

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

1. Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Amcom Telecommunications Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated financial report of 30 June 2013.

Changes in Accounting Policy

The Group has adopted all accounting standards and interpretations applicable from 1 July 2013. The adoption of the new standards and interpretations has had no material impact on the recognition, measurement and disclosure of any assets, liabilities or the income statement for the period

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

2. Revenue

| | Half-year ended 31 Dec 2013 \$'000 | Half-year ended 31 Dec 2012 \$'000 |
|---|---|---|
| Profit from continued operations before income tax includes the following items of revenue and expense: | | |
| Rendering of services | 71,059 | 66,201 |
| Sale of hardware | 11,689 | 13,712 |
| Interest income-bank deposits | 129 | 156 |
| | 82,877 | 80,069 |

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

3. Dividends fully franked

| | Half-year ended 31 December 2013 | | Half-year ended 31 December 2012 | |
|--|--|-----------------|--|-----------------|
| | Cents per Share | Total \$'000 | Cents per Share | Total \$'000 |
| Final dividend paid on ordinary shares | 3.5 | 8,560 | 3.2 | 7,826 |

The Amcom Dividend Reinvestment Plan (DRP) will apply to the declared Interim Dividend. The DRP provides eligible shareholders with the option to reinvest all or part of their Interim Dividend at a 2.5% discount to the 5 day volume weighted average price of the company's shares traded on ASX commencing on the business day after the Dividend Record Date.

4. Contributed Equity

| | Number of shares | \$'000 |
|--|---------------------|---------|
| Opening balance @ 1 July 2013 | 244,557,101 | 107,873 |
| Repayment of share based loan to Directors | - | 182 |
| Closing balance @ 31 December 2013 | 244,557,101 | 108,055 |

Securities on issue at reporting date

| | |
|--------------------------------|-------------|
| Listed ordinary shares | 244,557,101 |
| Performance rights – Tranche C | 1,150,000 |
| Performance rights – Tranche D | 1,135,000 |
| Performance rights – Tranche E | 1,160,000 |

Movement in Performance Rights

| | Tranche B | Tranche C | Tranche D | Tranche E |
|------------------------------------|-----------|-----------|-----------|-----------|
| Opening balance @ 1 July 2013 | 480,000 | 1,150,000 | 1,135,000 | - |
| Issued in period | - | - | - | 1,160,000 |
| Vested | (480,000) | - | - | - |
| Closing balance @ 31 December 2013 | - | 1,150,000 | 1,135,000 | 1,160,000 |

Tranche B

On 30 June 2013 all performance rights vested on 30 June 2013 with shares transferred to holder in the period. The Tranche B performance rights vested as the condition of employee retention and total shareholder return hurdles were achieved. The performance rights were converted to ordinary shares at a conversion ratio of 1:1.3165 resulting in 631,920 shares being purchased on market by the Share Trust.

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

Tranche C

Issued for nil consideration pursuant to Amcom Executive Long Term Incentive Plan with no exercise price. Vesting conditions and performance hurdles: 33% at 30 June 2014; and 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR equals or exceeds 110% of the S&P ASX 300 Accumulation Index. Unvested Performance Rights will lapse on 30 June 2014 or if employment is terminated. Change of control provisions also apply.

Tranche D

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

Tranche E

Performance Rights were granted for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan, with no exercise price. Vesting conditions and performance hurdles for the rights: 33.3% at 1 September 2016; and 33.3% if Amcom TSR equals the S&P ASX 300 Accumulation Index; and a further 33.3% if Amcom TSR which is equal to or greater than 110% of the percentage movement in the index of the vesting period. Unvested Performance Rights will lapse on 1 September 2016 or if employment is terminated. Change of control provisions apply. The fair value of the rights granted during the period was 134.85 cents per right.

5. Earnings per Share

Earnings and weighted average number of shares used to calculate basic and diluted earnings per share:

| | Half-year ended 31 Dec 2013 \$'000 | Half-year ended 31 Dec 2012 \$'000 |
|--|---|---|
| Net Profit attributable to ordinary equity holders of the company | 11,051 | 9,954 |
| | No. '000 | No. '000 |
| Weighted average number of shares | | |
| Weighted average number of ordinary shares for basic EPS | 244,557,101 | 243,690,466 |
| Potential ordinary shares arising on vesting of performance rights | 3,445,000 | 2,482,111 |
| Weighted average number of ordinary shares for diluted EPS | 248,002,101 | 246,172,577 |
| | Cents | Cents |
| Basic EPS (net profit attributable to ordinary equity holders) | 4.52 | 4.08 |
| Diluted EPS | 4.47 | 4.04 |

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

6. Borrowings

| | Dec 2013 | June 2013 |
|---------------------------|----------|-----------|
| | \$'000 | \$'000 |
| Current | | |
| Finance lease liabilities | 1,386 | 296 |
| Vendor loan | 1,254 | 343 |
| | 2,640 | 639 |
| Non-Current | | |
| Bank debt | 48,717 | 31,500 |
| Finance lease liabilities | 2,145 | 536 |
| Vendor loan | 5,878 | 4,480 |
| | 56,740 | 36,516 |

7. Acquisition of Controlled Entities

aCure Technology Pty Ltd

On the 26th of September 2013, the company acquired aCure Technology Pty Ltd for an initial cash consideration of \$11.7m plus \$1.5m cash deferred consideration to give a total consideration of \$13.2m.

| | Provisional Fair Value at acquisition date \$'000 |
|---|--|
| Plant and equipment | 2,886 |
| Cash & cash equivalents | 124 |
| Trade receivables | 669 |
| Inventories and other | 12 |
| | 3,691 |
| Trade payables | (627) |
| Borrowings and other financial liabilities | (966) |
| Provisions and other | (906) |
| | (2,499) |
| Provisional fair value of identifiable net assets | 1,192 |
| Provisional value of customer contracts | 788 |
| Goodwill arising on acquisition | 11,182 |
| | 13,162 |

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

Acquisition-date fair-value of consideration transferred:

| | |
|--------------------------------|---------------|
| Initial Payment on Acquisition | 11,662 |
| Deferred Cash | 1,500 |
| | <u>13,162</u> |

\$'000

The cash outflow on acquisition is as follows:

| | |
|--|-----------------|
| Net cash acquired with the subsidiary | 124 |
| Cash paid (excluding deferred consideration owing) | (11,662) |
| | <u>(11,538)</u> |

The provisional goodwill of \$11,182k arising from the acquisition is allocated to the Hosted and Cloud services segment.

aCure Technology's contribution to net profit after tax for the period ended 31 December 2013 since acquisition was \$261k. The net profit after tax for the 6 month period ended 31 December 2012 was \$528k.

Global Networks AMC Data Centre Pty Ltd

100% acquired for cash consideration of \$2.243m on 31 July 2013 (net of cash on acquisition). The company was acquired primarily to provide capacity to grow the hosted and cloud operations of the group.

The contribution of Global Networks AMC Data Centre Pty Ltd to the net profit for the entity for the period ended 31 December 2013 is immaterial to the results (Comparative period 31 December 2012: \$179k).

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

8. Operating Segments

Identification of Reportable Segments

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

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

Types of Services

Telecommunications

Data Networks

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

Amnet

Consumer DSL services.

Hosted and Cloud Services

IP telephony voice services, cloud and data centre management.

IT Services

Sale of hardware and provision of implementation consultancy services.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally is the same as those contained in note 1 of the 2013 annual report and applied in the prior period.

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

- Interest expense and revenue
- Corporate overheads
- Income tax expense
- Acquisition and integration expenses

The following table presents revenue and profit information for reportable segments for the half years ended 31 December 2013 and 2012.

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

| 31 December 2013 \$'000 | Telco | Hosted & Cloud Services | IT Services | Total |
|---|---------------|-------------------------------|----------------|---------------|
| Revenue from external customers | 44,911 | 15,863 | 21,974 | 82,748 |
| Total segment revenue | 44,911 | 15,863 | 21,974 | 82,748 |
| Other revenue | | | | 129 |
| Total revenue per the statement of comprehensive income | | | | 82,877 |
| Segment earnings before interest, tax, depreciation and amortisation | 20,792 | 3,076 | 1,164 | 25,032 |
| Depreciation and amortisation | (4,337) | (894) | (97) | (5,328) |
| Segment result (EBIT) | 16,455 | 2,182 | 1,067 | 19,704 |
| Corporate Overhead | | | | (2,651) |
| EBIT | | | | 17,053 |
| Interest (net) | | | | (1,029) |
| Acquisition & integration expenses (net of tax) | | | | (448) |
| Net profit before tax | | | | 15,576 |
| Tax expense | | | | (4,525) |
| Net profit after tax | | | | 11,051 |

| 31 December 2012 \$'000 | Telco | Hosted & Cloud Services | IT Services | Total |
|---|---------------|-------------------------------|----------------|---------------|
| Revenue from external customers | 40,925 | 11,908 | 27,080 | 79,913 |
| Total segment revenue | 40,925 | 11,908 | 27,080 | 79,913 |
| Other revenue | | | | 156 |
| Total revenue per the statement of comprehensive income | | | | 80,069 |
| Segment earnings before interest, tax, depreciation and amortisation | 18,137 | 2,392 | 1,010 | 21,539 |
| Depreciation and amortisation | (3,971) | (590) | (121) | (4,682) |
| Segment result (EBIT) | 14,166 | 1,802 | 889 | 16,857 |
| Corporate Overhead | | | | (2,309) |
| EBIT | | | | 14,548 |
| Interest (net) | | | | (769) |
| Acquisition expense & other items | | | | (94) |
| Net profit before tax | | | | 13,685 |
| Tax expense | | | | (3,731) |
| Net profit after tax | | | | 9,954 |

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2013

Segment Assets

| | Assets | |
|---------------------------|--------------------|---------------------|
| | Dec 2013 \$'000 | June 2013 \$'000 |
| Telecommunications | 146,316 | 134,499 |
| Hosted and Cloud Services | 50,672 | 36,555 |
| IT Services | 9,080 | 9,593 |
| Total of all segments | 206,068 | 180,647 |
| Cash and cash equivalents | 25,283 | 25,310 |
| Total Assets | 231,351 | 205,957 |

9. Material Contingent Assets and Liabilities

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

Independent Review Report to the members of Amcom Telecommunications Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Amcom Telecommunications Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Amcom Telecommunications Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

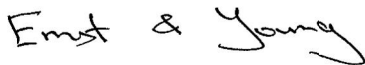
Independence

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

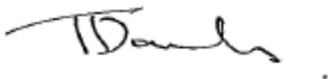
Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
18 February 2014