



20 February 2012

Company Announcements Office
Australian Securities Exchange Limited

RESULTS FOR RELEASE TO THE MARKET

Please find attached the ASX release and Appendix 4D issued today by Amcom Telecommunications Limited in relation to the results for the six months ending 31 December 2011.

Yours faithfully

David Hinton

Chief Financial Officer & Company Secretary

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ASX / Media Release
20 February 2012

Amcom delivers \$26.5m profit - operating momentum continues

Highlights

- Revenue \$55.9m – up 35%
- EBITDA \$16.6m – up 20%
- EBIT \$12.3m – up 27%
- Operating cash flow \$14.1m – up 30%¹
- NPAT (reported) \$26.5m – up 169%
- NPAT (wholly owned operations²) \$8.4m – up 20%
- Earnings per share (wholly owned operations²) 3.5 cents – up 21%
- Dividend per share 1.8 cents fully franked
- Balance sheet supports growth – gearing at 10%
- Targeting accelerated earnings growth in FY13

Amcom Telecommunications Limited (“Amcom”) (ASX: AMM), a leading telecom and convergent IT solutions provider, today announced an increase in reported net profit after tax to \$26.5m (1H11: \$9.9m, which included \$2.9m iiNet equity accounted earnings) for the half year period ended 31 December 2011 which included the profit realised on the in specie distribution of the iiNet Ltd shares of \$18.6m and other once off items.

The net profit after tax from 100% owned operations and before once off items increased 20% to \$8.4m (1H 11: \$7.0m) for the period.

The material uplift in earnings was achieved following strong organic sales growth from Amcom’s core fibre-based communications services and expanding business services offerings.

Reported revenue increased 35% to \$55.9m (1H11: \$41.4m), and excluding the acquisition impact from L7 Solutions underlying revenue was up 20%. Operating margins remained healthy as EBIT expanded 27% to \$12.3m (1H11: \$9.6m). Operating cash flow grew 30% to \$14.1m (1H11: \$10.9m)¹ while free cash flow improved to \$4.2m (1H11: \$1.0m). Earnings per share from wholly owned operations and before once off items increased 21% to 3.5 cents (1H11: 2.9 cents).

The Board has declared an interim dividend of 1.8 cents per share fully franked, payable on 30 March 2012 to shareholders registered on 16 March 2012.

Amcom’s CEO, Clive Stein, said: “This result highlights the company’s strong and consistent track record of organic business growth and ongoing focus on the high growth segment of the telecom and IT solutions market. It is also a reflection of the underlying quality of our customer relationships as well as our continuing investment in the future development of the Amcom business.”

“Over the last six months, we have continued our transformational journey to become one of Australia’s leading integrated telecom and convergent IT solutions providers to corporate, government and wholesale customers. Amcom’s recent acquisition of L7 Solutions accelerates our growth into IT solutions including the emerging Cloud services market.”

¹ excludes \$2.1m iiNet dividend from the previous corresponding period.

² and before acquisition expenses and other once off items.

“We also made considerable progress in creating a flexible and clean business structure going forward by distributing our iiNet holding to shareholders which has delivered approximately \$85m of value since 2006, consolidating the number of shares on issue on a 1 for 3 basis and increasing our banking facilities to \$40m, with the maturity of core debt out to December 2014,” added Mr Stein.

Outlook

Amcom has commenced the second half of the 2012 financial year in a strong position with considerable operating momentum.

The company’s early success in the first half of the 2012 financial year across the Cloud or hosted services market is continuing and there is a significant pipeline of opportunities being pursued.

During the second half of the 2012 financial year, Amcom will continue to focus on the integration of the L7 Solutions business, growing its capability and capitalising on the market convergence within the telco and IT&T services market.

Through a number of disciplined capital and strategic investments, the company is benefitting from increased business scale, scope and cross sell opportunities in the marketplace.

Amcom maintains FY12 its earnings guidance of another year of double digit percentage growth over FY11 in net profit after tax from its wholly owned operations and before acquisition expenses and other once off items.

The full year benefit of fibre annuity sales, Cloud annuity sales and L7 sales & Managed Services achieved in FY12 will drive accelerated growth in FY13 earnings.

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About Amcom

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

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

Amcom’s product set includes national data network access delivering business grade data and internet services, business class IP voice, cloud solutions and managed services; all supported by our extensive fibre-optic network and an extensive range of ICT advisory, integration and security solutions. For further information, visit: www.amcom.com.au

Amcom Telecommunications Limited
Results six months ending 31 December 2011

1. Profit

The reported net profit after tax for the six months ended 31 December 2011 was \$26.5m (2010: \$9.9m), an increase of 169% which includes once off profit on the in specie distribution of the iiNet Ltd shares \$18.6m and once off costs of \$0.5m. A summary of the results is as follows:

\$ 000	Dec 11	Dec 10	% Change
Revenue	55,878	41,433	35%
EBITDA	16,555	13,760	20%
EBIT	12,293	9,648	27%
Interest expense (net)	(311)	(541)	
Profit before tax	11,981	9,107	32%
Tax	(3,597)	(2,121)	
Net profit after tax before significant items (wholly owned operations)	8,385	6,986	20%
Significant items:			
Profit on in specie distribution (tax: nil)	18,626	-	
Acquisition expenses and other items (tax: \$126)	(518)	-	
Equity accounted earnings	-	2,874	
Net profit after tax as reported	26,493	9,860	169%
EPS basic – NPAT as reported	11.0c	4.1c	168%
EPS basic – NPAT wholly owned operations	3.5c	2.9c	21%

For the six months ended 31 December 2011 the following significant transactions occurred:

- The company distributed its 20.4% shareholding in iiNet Ltd to shareholders by way of an in specie distribution of \$71m. This realised a profit on distribution to the company of \$18.6m (tax: nil).
- On 22 November 2011, 100% of L7 Solutions Pty Ltd was acquired for \$15m.

Amcom Telecommunications Limited
Results six months ending 31 December 2011

2. Cash flow

Amcom recorded an 8% increase in operating cash flow to \$14.1m (2010: \$13.1m) for the six months ended 31 December 2011 and after normalising for the iiNet dividend receipt in the previous corresponding period operating cash flow increased by 30%.

\$ m	Investing Cash flow		
	Dec-11	Dec-10	Δ %
Operating cash flow (ex iiNet div)	14,147	10,919	30%
Customer connections	(5,347)	(5,415)	
Cloud	(2,824)	-	
Northern Territory Govt. build	-	(1,958)	
Stay in business	(1,746)	(2,572)	
Total Capital expenditure	(9,917)	(9,945)	0%
Free cash flow (ex iiNet div)	4,230	974	334%

Dividends paid during the six months ended 31 December 2011 were \$7.2m (2010:\$7.2m).

3. Review of operations

Amcom reports its operations under three key business segments – Fibre, Business Services and Amnet. The results of these segments are summarised in the table below:

\$ 000	Revenue			EBITDA		
	Dec-11	Dec-10	Δ %	Dec-11	Dec-10	Δ %
Fibre - core	29,359	25,119		14,559	12,392	
Fibre - projects	2,412	491		382	137	
Fibre	31,771	25,610	24%	14,941	12,529	19%
EBITDA / Rev margin %	47%	49%				
Business Services	18,387	9,717	89%	2,068	1,418	46%
Amnet	5,325	5,857	(9%)	823	1,011	(19%)
Corporate	395	249		(1,277)	(1,198)	
Totals	55,878	41,433	35%	16,555	13,760	20%
EBITDA / Rev margin %	30%	33%				

EBITDA increased by 20% to \$16.6m with Fibre the main contributor to the increase in EBITDA.

Amcom Telecommunications Limited
Results six months ending 31 December 2011

The Fibre business provides a comprehensive range of high speed data transmission products to blue chip corporates, government agencies and other telecommunication providers. The Fibre business has continued its strong growth with an increase in revenue of 24% to \$32m and an increase in EBITDA of 18% to \$14.9m.

Business Services has increased its revenue by 89% to \$18.4m and if the revenue impact of the L 7 Solutions acquisition is removed organic growth in revenue was 25%. The segment includes hosted voice services, data centre management, Cloud, managed services and the integration of IT solutions and sale of IT hardware.

Amnet experienced a small decrease in revenue against a background of intense competition in the residential broadband market.

4. Balance Sheet

\$ 000	Dec-11	FY 11	Dec-10
Shareholders' equity	113,877	163,882	151,760
Cash	19,623	22,051	14,193
Borrowings	32,253	15,303	23,245
Net debt /(cash)	12,630	(6,748)	9,052
iiNet - investment	-	52,011	56,550
NTA	76,351	140,150	117,676
Gearing (%) #	10%	n/a	6%
NTA per share (c)	31.6 c	58.2 c	48.9 c

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

Balance sheet movements of significance are:

- Shareholders' equity reduced to \$113.9m from \$163.9m as at 30 June 2011. The overall reduction was due to the in specie distribution of iiNet shares of \$71m, dividend paid of \$7.2m less the profit for the period of \$26.5m.
- The net debt position at 31 December 2011 was \$12.6m compared to a net cash position of \$6.7m at 30 June 2011. The key components of this overall movement were the acquisition of L7 Solutions Pty Ltd during the period of \$12.9m and debt acquired of \$0.4m, the payment of deferred consideration and final settlement for IP Systems Pty Ltd of \$3.1m. Full details are shown in the accompanying Statement of Cash Flows.

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 2011

Previous Corresponding Period: Half - Year ending 31 December 2010

Results

		Percentage Change %	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Revenue	up	35	55,878	41,433
Net profit after tax attributable to members	up	169	26,493	9,860
Earnings per share – basic (cents)	up	168	11.0	4.11
Net tangible assets per share (cents)	down	35	31.6	48.9

	Amount per security ¢	Franked amount per security ¢
Dividend (interim)	1.8	1.8

Key Dates

Dividend record date	16 March 2012
Dividend payment date	30 March 2012

HALF-YEAR FINANCIAL REPORT

Directors' Report

The Directors of Amcom Telecommunications Limited submit herewith the financial report for the half-year ended 31 December 2011.

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

Name

Anthony Grist (Non-executive Chairman)

Clive Stein (Managing Director and CEO)

Ian Warner (Non-executive Director)

Peter Clifton (Non-executive Director)

Craig Coleman (Non-executive Director)

Anthony Davies (Non-executive Director)

Review of Results and Operations

The Consolidated Entity has reported a profit after tax for the period of \$26,493,000 (2010: \$9,860,000). This result was generated on an increase in revenue to \$55,878,000. Further details are included in the review of results and operations provided to the Australian Securities Exchange.

Auditor's Independence Declaration

The auditor's independence declaration is attached.

Rounding off of Amounts

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

Significant change in the State of Affairs

- a) On 18 August 2011, the company distributed its iiNet Limited shareholding to its shareholders as an in specie distribution. This resulted in a debit to share capital of \$25,493,000 and a debit to retained earnings of \$45,294,000. The profit arising on the in specie distribution was \$18,626,000 (tax: nil).
- b) On 30 August 2011, the ordinary shares in the company were consolidated on a 1 for 3 basis.
- c) On 22 November 2011, 100% of L7 Solutions Pty Ltd was acquired for a consideration of \$15,000,000.

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

On behalf of the Directors



Anthony Grist
Chairman
Perth, Western Australia
20 February 2012

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

In relation to our review of the financial report of Amcom Telecommunications Limited for the half-year ended 31 December 2011, 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver' in a cursive style.

P McIver
Partner
Perth
20 February 2012

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 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 2011 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Anthony Grist
Chairman
Perth, Western Australia
20 February 2012

Amcom Telecommunications Ltd

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated	
		Half-year ended 31 Dec 2011 \$'000	Half-year ended 31 Dec 2010 \$'000
Continuing Operations			
Revenue	2	55,878	41,433
Profit on in specie distribution	8	18,626	-
Network costs and cost of hardware sold		(19,471)	(12,444)
Accommodation expense		(1,748)	(1,503)
Depreciation and amortisation expenses		(4,262)	(4,112)
Employee benefits expense		(13,370)	(9,892)
Finance costs		(706)	(790)
Marketing related expenses		(801)	(466)
Repairs and maintenance		(973)	(321)
Other expenses		(3,209)	(2,798)
Share of profits of associate using the equity method	6	-	2,874
Profit from continuing operations before income tax expense		29,964	11,981
Income tax expense		(3,471)	(2,121)
Net Profit attributable to members of Amcom Telecommunications Ltd		26,493	9,860
Other comprehensive income			
Cash flow hedge – gain taken to equity		55	158
Total comprehensive income attributable to members of Amcom Telecommunications Ltd		26,548	10,018
Earnings per share from continuing operations *			
Basic (cents per share)	5	11.01	4.11
Diluted (cents per share)	5	10.79	4.05

* On a post-share consolidation basis

Amcom Telecommunications Ltd

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Consolidated	
		31 December 2011 \$'000	30 June 2011 \$'000
Current assets			
Cash and cash equivalents		19,623	22,051
Trade and other receivables		13,698	7,235
Inventories		1,948	1,759
Other		2,125	1,299
Investment in associate –held for distribution	8	-	52,011
Total current assets		37,394	84,355
Non-current assets			
Property, plant and equipment		109,184	102,878
Goodwill	7	36,357	23,126
Other intangible assets		1,169	607
Total non-current assets		146,710	126,611
Total assets		184,104	210,966
Current liabilities			
Trade and other payables		19,768	12,092
Deferred revenue		8,214	7,870
Borrowings		103	121
Income tax payable		958	2,149
Derivative financial liability		-	55
Provisions		2,445	2,150
Total current liabilities		31,488	24,437
Non-current liabilities			
Borrowings	7	32,150	15,182
Provisions		533	425
Deferred revenue		839	362
Deferred consideration		-	3,000
Deferred tax liabilities		5,217	3,678
Total non-current liabilities		38,739	22,647
Total liabilities		70,227	47,084
Net assets		113,877	163,882
Equity			
Contributed equity	4	107,757	132,222
Reserves		(1,824)	(2,295)
Retained profits		7,944	33,955
Total equity		113,877	163,882

Amcom Telecommunications Ltd

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	Consolidated	
		Half-year ended 31 Dec 2011 \$'000	Half-year ended 31 Dec 2010 \$'000
Cash flows from operating activities			
Receipts from customers		62,887	45,439
Payments to suppliers and employees		(45,147)	(32,118)
Interest and other costs of finance paid		(313)	(542)
Income tax paid		(3,280)	(1,860)
Dividend received		-	2,133
Net cash provided by operating activities		<u>14,147</u>	<u>13,052</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(9,917)	(9,945)
Payment for acquisition of equity investments		-	(4,127)
Payment for acquisition of subsidiary (net of cash acquired)	7	(12,911)	-
Net cash used in investing activities		<u>(22,828)</u>	<u>(14,072)</u>
Cash flows from financing activities			
Proceeds from borrowings		25,015	8,800
Repayment of loans		50	50
Payment of deferred consideration		(3,128)	-
Repayment of borrowings		(8,474)	(5,945)
Dividends paid		(7,210)	(7,210)
Net cash/(used in) provided by financing activities		<u>6,253</u>	<u>(4,305)</u>
Net (decrease) in Cash and Cash Equivalents		(2,428)	(5,325)
Cash and Cash Equivalents at the beginning of the Period		<u>22,051</u>	<u>19,518</u>
Cash and Cash Equivalents at the end of the Period		<u>19,623</u>	<u>14,193</u>

Amcom Telecommunications Ltd

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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 2010	132,142	526	(307)	(3,366)	19,638	148,633
Profit for the period	-	-	-	-	9,860	9,860
Other comprehensive income	-	-	158	-	-	158
Total comprehensive income	-	-	158	-	9,860	10,018
Repayment of loans	50	-	-	-	-	50
Share based payment	-	269	-	-	-	269
Dividends paid	-	-	-	-	(7,210)	(7,210)
At 31 December 2010	132,192	795	(149)	(3,366)	22,288	151,760
At 30 June 2011	132,222	1,126	(55)	(3,366)	33,955	163,882
Profit for the period	-	-	-	-	26,493	26,493
Other comprehensive income	-	-	55	-	-	55
Total comprehensive income	-	-	55	-	26,493	26,548
Shares issued	985	-	-	-	-	985
Transaction costs on share issue	(7)	-	-	-	-	(7)
In specie distribution (Note 8)	(25,493)	-	-	-	(45,294)	(70,787)
Repayment of loans	50	-	-	-	-	50
Share based payment	-	416	-	-	-	416
Dividends paid	-	-	-	-	(7,210)	(7,210)
At 31 December 2011	107,757	1,542	-	(3,366)	7,944	113,877

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

1. Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2011 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 2011 and considered together with any public announcements made by Amcom Telecommunications Limited during the half-year ended 31 December 2011 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 2011.

Changes in Accounting Policy

The Group has adopted all accounting standards and interpretations applicable from 1 July 2011. The adoption of the new standards and interpretations has had no 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

	Dec 2011	Dec 2010
	\$'000	\$'000
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Rendering of services	48,698	39,749
Sale of hardware	4,373	944
Project revenue	2,412	491
Interest income	395	249
	55,878	41,433

3. Dividends fully franked

	Half-year ended 31		Half-year ended 31	
	December 2011		December 2010	
	Cents per	Total	Cents per	Total
	Share	\$'000	Share	\$'000
Final dividend paid on ordinary shares	3.0	7,210	3.0	7,210

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

4. Contributed Equity

Fully paid ordinary shares	Number of shares *	\$'000
Opening balance	240,341,533	132,222
Issue of ordinary shares	1,165,680	985
Transaction costs on share issue	-	(7)
In specie distribution	-	(25,493)
Repayment of share based loan to Directors	-	50
Closing balance	<u>241,507,213</u>	<u>107,757</u>

Securities on issue *

Listed ordinary shares	241,491,904
Unlisted fully paid ordinary employee shares	15,309
Performance rights – Tranche A	2,349,995
Performance rights – Tranche B	480,000
Performance rights – Tranche C	1,155,000

Movement in performance rights *	Tranche A	Tranche B	Tranche C
Opening balance	2,183,330	480,000	-
Issued in period	199,998	-	1,155,000
Lapsed	(33,333)	-	-
Closing balance	<u>2,349,995</u>	<u>480,000</u>	<u>1,155,000</u>

* Expressed on a post share consolidation basis.

Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds \$1.14 at anytime between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply. Conversion ratio to ordinary shares of 1:1.3165. The fair value of the rights granted during the period was 50.4 cents per share.

Tranche B

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

Tranche C

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

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

also apply. The fair value of the rights granted during the period was in the range of 51.9 cents – 61.5 cents per share. After period end a further 325,000 of Tranche C performance rights were issued as approved by shareholders on 23 November 2011.

5. Earnings per Share

	2011 ¢ per share	2010 ¢ per share
Basic EPS	11.01	4.11
Diluted EPS	10.79	4.05
	2011 No. '000	2010 No. '000
Basic EPS – Weighted average number of ordinary shares	240,583,587	240,339,518
Potential ordinary shares arising on vesting of performance rights	4,880,689	3,506,278
Diluted EPS – Weighted average number of ordinary shares	245,464,276	243,845,796

6. Details of Associates

Name of Entity	Ownership interest		Contribution to net profit	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
	%	%	\$'000	\$'000
iiNet Limited – Listed	-	23.4	-	2,874
			-	2,874

	Dec 2011	Dec 2010
Listed investment	\$'000	\$'000
Carrying value	-	56,550
Market value at balance date	-	103,087

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

7. Acquisition of controlled entity

On 22 November 2011, Amcom Telecommunications Ltd acquired 100% of L7 Solutions Pty Ltd for a consideration of \$15,000,000. The consideration comprised an issue of shares in Amcom Telecommunications Ltd of \$985,000 and cash consideration of \$14,015,000. The acquisition will provide complementary product offering and open opportunities to offer new services into existing customer base.

The contribution of L7 Solutions Pty Ltd to the consolidated entity's revenue and after tax profit from ordinary activities during the half year ending 31 December 2011 was \$6,264,000 and \$105,000 respectively.

Since 1 July 2011, L7 Solutions Pty Ltd revenue and profit after tax, have been \$26,466,000 and \$220,000 respectively.

	Provisional Fair Value at acquisition date \$'000
Plant and equipment	1,037
Cash & cash equivalents	1,158
Trade receivables	5,070
Inventories and other	1,374
	<u>8,639</u>
Trade payables	(5,436)
Borrowings	(410)
Provisions and other	(1,024)
	<u>(6,870)</u>
Provisional fair value of identifiable net assets	1,769
Goodwill arising on acquisition	13,231
	<u>15,000</u>
Acquisition-date fair-value of consideration transferred:	
Shares issued, at fair value	985
Cash paid	14,015
	<u>15,000</u>

The provisional goodwill of \$13,231,000 arising from the acquisition includes the value of anticipated synergies, customer and supplier relationships and employees. This goodwill arising is allocated to the Business Services segment.

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

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

* Funded by an increase in borrowings

As the subsidiary has recently been acquired the fair values ascribed above are provisional.

The fair values ascribed will be finalised during the measurement period.

8. In specie Distribution

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

9. 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

Fibre

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

Amnet

Consumer DSL services.

Business Services

Voice services, cloud, data centre management, managed IT and integration services and sale of hardware.

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

Accounting policies and inter-segment transactions

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

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

- Share of profits of associates
- Interest expense and revenue
- Corporate overheads
- Income tax expense

The following table presents revenue and profit information for reportable segments for the half years ended 31 December 2011 and 31 December 2010.

31 December 2011					
\$'000	Fibre	Amnet	Business Services	Corporate Overheads	Total
Revenue from external customers	31,771	5,325	18,387	-	55,483
Total segment revenue	31,771	5,325	18,387	-	55,483
Other revenue					395
Total revenue per the statement of comprehensive income					<u>55,878</u>
Earnings before interest, tax, depreciation and amortisation	14,941	823	2,068	(1,277)	16,555
Depreciation and amortisation	(3,433)	(396)	(428)	(5)	(4,262)
Segment result (EBIT)	11,508	427	1,640	(1,282)	12,293
Interest (net)					(311)
Acquisition expenses and other items					(644)
Profit on in specie distribution					18,626
Net profit before tax					29,964
Tax expense					(3,471)
Net profit after tax					<u>26,493</u>

Amcom Telecommunications Ltd

Notes to the Financial Statements For the Half-Year Ended 31 December 2011

31 December 2010 \$'000	Fibre	Amnet	Business Services	Corporate Overheads	Total
Revenue from external customers	25,610	5,857	9,717	-	41,184
Total segment revenue	25,610	5,857	9,717	-	41,184
Other revenue					249
Total revenue per the statement of comprehensive income					41,433
Earnings before interest, tax, depreciation and amortisation	12,529	1,011	1,418	(1,198)	13,760
Depreciation and amortisation	(3,249)	(401)	(456)	(6)	(4,112)
Segment result (EBIT)	9,280	610	962	(1,204)	9,648
Interest (net)					(541)
Share of profit of associate					2,874
Net profit before tax					11,981
Tax expense					(2,121)
Net profit after tax					9,860

Segment assets

	Assets	
	Dec 2011 \$'000	June 2011 \$'000
Fibre	117,362	114,397
Amnet	7,613	7,710
Business services	39,506	14,797
Total of all segments	164,481	136,904
Investment in Associate	-	52,011
Cash & cash equivalents	19,623	22,051
Consolidated	184,104	210,966

10. Contingent Liabilities

Deferred Consideration

During the half year ended 31 December 2011, Amcom Telecommunications Ltd made a payment of \$3,000,000 to the vendors of IP Systems Pty Ltd being the final balance of the minimum contractual consideration payable for the acquisition which was previously included in the balance sheet. The payment is made in full and final settlement of any potential litigation which was previously disclosed.

Independent review report to members of Amcom Telecommunications Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Amcom Telecommunications Limited, which comprises statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Amcom Telecommunications Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver'.

P McIver
Partner
Perth
20 February 2012