

APPENDIX 4D HALF-YEAR REPORT

1. Company details

| | |
|--------------------------------|---|
| Name of entity: | Vocus Communications Limited |
| ABN: | ABN 96 084 115 499 |
| Reporting period: | Half-year ended 31 December 2012 |
| Previous corresponding period: | Half-year ended 31 December 2011 |

2. Results for announcement to the market

| | | | | |
|--|----|-------|----|---------------|
| Revenues from ordinary activities | up | 40.0% | to | \$ 30,615,353 |
| Underlying EBITDA * | up | 29.3% | to | \$ 9,796,811 |
| Profit from ordinary activities after tax attributable to the owners of Vocus Communications Limited | up | 19.8% | to | \$ 4,184,667 |
| Profit for the period attributable to the owners of Vocus Communications Limited | up | 19.8% | to | \$ 4,184,667 |

| | 2012 | 2011 |
|---|------------------|------------------|
| | Cents | Cents |
| Basic earnings per share | 5.71 | 5.74 |
| Diluted earnings per share | 5.52 | 5.50 |
| * <i>Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA')</i> | 2012 | 2011 |
| | \$ | \$ |
| Profit for the period | 4,184,667 | 3,493,141 |
| Add back: Income tax expense | 1,611,992 | 862,065 |
| Add back: Finance costs | 661,990 | 245,373 |
| Add back: Depreciation and amortisation | 3,798,611 | 2,261,766 |
| EBITDA | 10,257,260 | 6,862,345 |
| Other (gains) and losses associated with foreign currency exchange | (460,449) | 716,230 |
| Underlying EBITDA | <u>9,796,811</u> | <u>7,578,575</u> |

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 is payable on 26 March 2013 to shareholders registered on 12 March 2013. The dividend is fully franked.

There were no dividends paid during the current or previous financial period by the Parent Entity.

Comments

The profit for the Consolidated Entity after providing for income tax amounted to \$4,184,667 (31 December 2011: \$3,493,141).

Further details of the results for the half-year can be found in the 'Review of operations' section of the Directors' Report in the attached Half-Year Financial Report.

3. NTA backing

| | Reporting period | Previous corresponding period |
|--|------------------|-------------------------------|
| Net tangible asset backing per ordinary security | (18.83) cents | (18.74) 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 until 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 the existing 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.

Therefore, whilst revenue generating, the right to access is treated as an intangible asset and is excluded in net tangible assets. If it were included, asset backing would be 74.99 cents and 47.75 cents for the current and prior reporting periods respectively.

4. Audit qualification or review

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

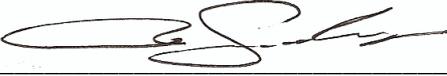
The accounts were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

5. Attachments

Details of attachments (if any):

The Financial Report of Vocus Communications Limited for the half-year ended 31 December 2012 is attached.

6. Signed

Signed: 

Date: 28 February 2013

James Spenceley
Director
Sydney

For personal use only

Vocus Communications Limited

ABN 96 084 115 499

Half-Year Financial Report - 31 December 2012

Vocus Communications Limited
Directors' report
31 December 2012

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 'Vocus', 'Company', or 'Parent Entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

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

David Spence - Chairman

James Spenceley - Chief Executive Officer

Mark de Kock

Jon Brett

John Murphy

Nicholas McNaughton

Stephen Baxter (resigned on 28 February 2013)

Principal activities

Vocus Communications Limited is an ASX listed leading telecommunications provider of Data Centre, Dark Fibre, and International Internet connectivity across Australia, New Zealand, Hong Kong, Singapore and the US. 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.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$4,184,667 (31 December 2011: \$3,493,141).

Total revenue for the Consolidated Entity for the financial half-year ended 31 December 2012 was \$30,615,353 (31 December 2011: \$21,869,451).

Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') and excluding other gains and losses associated with foreign currency exchange for the Consolidated Entity for the financial half-year ended 31 December 2012 was \$9,796,811 (31 December 2011: \$7,578,575). This is calculated as follows:

| | 31 Dec 2012 | 31 Dec 2011 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Profit for the period | 4,184,667 | 3,493,141 |
| Add back: Income tax expense | 1,611,992 | 862,065 |
| Add back: Finance costs | 661,990 | 245,373 |
| Add back: Depreciation and amortisation | <u>3,798,611</u> | <u>2,261,766</u> |
| EBITDA | 10,257,260 | 6,862,345 |
| Other (gains) and losses associated with foreign currency exchange | <u>(460,449)</u> | <u>716,230</u> |
| Underlying EBITDA | <u><u>9,796,811</u></u> | <u><u>7,578,575</u></u> |

At the reporting date 31 December 2012, the consolidated cash holdings stood at \$13,272,421 (30 June 2012: \$2,387,244).

Vocus Communications Limited
Directors' report
31 December 2012

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 Vocus Communications Limited shares in July and August 2012.

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 subsidiary in order to access the shares.

Basic earnings per share for the Consolidated Entity for the financial half-year ended 31 December 2012 was 5.71 cents (31 December 2011: 5.74 cents).

In September 2012, the Company renegotiated its historical IRU agreements with Southern Cross Cable Limited which served to bring all existing capacity arrangements under a single new agreement with an effective quadrupling in capacity. This renegotiated agreement 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 \$70.3 million and \$54.0 million respectively at 31 December 2012.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

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 a total expected consideration of \$9.8 million. This acquisition was completed in January 2013, with initial consideration paid of \$4.9 million, paid 75% cash and 25% in Vocus shares. The remaining consideration is deferred for 12 months and is subject to earn-out targets.

The Company has entered into a letter of approval and term sheet with its bank in February 2013 for \$21.8 million in financing facilities inclusive of existing used facilities of \$6.8 million. The facilities include capacity to draw down in relation to future acquisitions and contain a multi-option facility for working capital and is subject to execution of final facility documentation.

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 is payable on 26 March 2013 to shareholders registered on 12 March 2013. The dividend is fully franked.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Spenceley
Director

28 February 2013
Sydney

28 February 2013

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

Dear Board Members

Auditor's Independence Declaration to 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 review of the financial statements of Vocus Communications Limited for the financial half-year ended 31 December 2012, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

Vocus Communications Limited
Financial report
31 December 2012

Contents

| | Page |
|--|------|
| Financial report | |
| Statement of comprehensive income | 5 |
| Statement of financial position | 6 |
| Statement of changes in equity | 7 |
| Statement of cash flows | 8 |
| Notes to the financial statements | 9 |
| Directors' declaration | 17 |
| Independent auditor's review report to the members of Vocus Communications Limited | 18 |

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 28 February 2013. The directors have the power to amend and reissue the financial report.

Vocus Communications Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

| | | Consolidated | |
|---|-------------|---------------------|--------------------|
| | Note | 31 Dec 2012 | 31 Dec 2011 |
| | | \$ | \$ |
| Revenue | 3 | 30,615,353 | 21,869,451 |
| Other gains and losses | 4 | 460,449 | (716,230) |
| Expenses | | | |
| Network and service delivery | | (12,429,315) | (9,649,950) |
| Employee benefits expense | 5 | (5,833,787) | (3,311,841) |
| Depreciation and amortisation expense | 5 | (3,798,611) | (2,261,766) |
| Administration and other expenses | | (2,555,440) | (1,329,085) |
| Finance costs | 5 | (661,990) | (245,373) |
| Profit before income tax expense | | 5,796,659 | 4,355,206 |
| Income tax expense | | (1,611,992) | (862,065) |
| Profit after income tax expense for the half-year attributable to the owners of Vocus Communications Limited | | 4,184,667 | 3,493,141 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (15,317) | - |
| Net movement on hedging transactions, net of tax | | 32,211 | (107,358) |
| Other comprehensive income for the half-year, net of tax | | 16,894 | (107,358) |
| Total comprehensive income for the half-year attributable to the owners of Vocus Communications Limited | | <u>4,201,561</u> | <u>3,385,783</u> |
| | | Cents | Cents |
| Basic earnings per share | 16 | 5.71 | 5.74 |
| Diluted earnings per share | 16 | 5.52 | 5.50 |

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of financial position
As at 31 December 2012

| | | Consolidated | |
|--------------------------------------|-------------|---------------------|--------------------|
| | Note | 31 Dec 2012 | 30 Jun 2012 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 13,272,421 | 2,387,244 |
| Trade and other receivables | | 8,763,436 | 7,731,737 |
| Financial assets | | 839,010 | 472,201 |
| Other | 7 | 1,372,998 | 686,048 |
| Total current assets | | <u>24,247,865</u> | <u>11,277,230</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 36,252,950 | 29,051,004 |
| Intangibles | 9 | 82,039,241 | 50,864,476 |
| Deferred tax | | 1,493,228 | 1,280,767 |
| Other | | 218,976 | 155,552 |
| Total non-current assets | | <u>120,004,395</u> | <u>81,351,799</u> |
| Total assets | | <u>144,252,260</u> | <u>92,629,029</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 7,602,906 | 8,667,569 |
| Borrowings | 10 | 11,217,870 | 10,485,970 |
| Derivative financial instruments | | 490,756 | 408,597 |
| Income tax | | 953,869 | 1,453,295 |
| Provisions | | 1,493,159 | 1,396,630 |
| Other | | 122,039 | 120,950 |
| Total current liabilities | | <u>21,880,599</u> | <u>22,533,011</u> |
| Non-current liabilities | | | |
| Borrowings | 11 | 50,987,176 | 25,038,021 |
| Derivative financial instruments | | 372,231 | 450,177 |
| Deferred tax | | 2,064,508 | 1,877,165 |
| Provisions | | 676,030 | 675,030 |
| Other | | 332,250 | 54,406 |
| Total non-current liabilities | | <u>54,432,195</u> | <u>28,094,799</u> |
| Total liabilities | | <u>76,312,794</u> | <u>50,627,810</u> |
| Net assets | | <u>67,939,466</u> | <u>42,001,219</u> |
| Equity | | | |
| Contributed equity | 12 | 44,130,202 | 22,588,928 |
| Reserves | | 315,567 | 103,261 |
| Retained profits | | 23,493,697 | 19,309,030 |
| Total equity | | <u>67,939,466</u> | <u>42,001,219</u> |

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 half-year ended 31 December 2012

| | 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 half-year | - | - | - | 3,493,141 | 3,493,141 |
| Other comprehensive income for the half-year, net of tax | - | - | (107,358) | - | (107,358) |
| Total comprehensive income for the half-year | - | - | (107,358) | 3,493,141 | 3,385,783 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 306,667 | - | - | - | 306,667 |
| Share-based payments | - | - | 188,448 | - | 188,448 |
| Balance at 31 December 2011 | <u>22,504,420</u> | <u>62,008</u> | <u>38,958</u> | <u>15,027,089</u> | <u>37,632,475</u> |
| | 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 half-year | - | - | - | 4,184,667 | 4,184,667 |
| Other comprehensive income for the half-year, net of tax | - | - | 16,894 | - | 16,894 |
| Total comprehensive income for the half-year | - | - | 16,894 | 4,184,667 | 4,201,561 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 12) | 21,541,274 | - | - | - | 21,541,274 |
| Share-based payments | - | - | 195,412 | - | 195,412 |
| Balance at 31 December 2012 | <u>44,130,202</u> | <u>-</u> | <u>315,567</u> | <u>23,493,697</u> | <u>67,939,466</u> |

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 half-year ended 31 December 2012

| | | Consolidated | |
|---|-------------|--------------------------|-------------------------|
| | Note | 31 Dec 2012 | 31 Dec 2011 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 31,933,071 | 22,011,295 |
| Payments to suppliers and employees | | <u>(24,512,887)</u> | <u>(13,140,638)</u> |
| | | 7,420,184 | 8,870,657 |
| Interest received | | 259,348 | 154,585 |
| Interest and other finance costs paid | | (44,695) | (16,079) |
| Income taxes paid | | <u>(1,941,069)</u> | <u>(2,522,883)</u> |
| Net cash from operating activities | | <u>5,693,768</u> | <u>6,486,280</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (8,670,380) | (5,107,275) |
| Payments for lease security deposits | | (430,231) | - |
| Proceeds from release of security deposits | | - | 8,207 |
| Net cash used in investing activities | | <u>(9,100,611)</u> | <u>(5,099,068)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares, net of costs | 12 | 21,345,807 | 306,667 |
| Repayment of borrowings, including interest | | (6,702,752) | (4,067,684) |
| Repayment of leases, including interest | | <u>(351,035)</u> | <u>(476,913)</u> |
| Net cash from/(used in) financing activities | | <u>14,292,020</u> | <u>(4,237,930)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 10,885,177 | (2,850,718) |
| Cash and cash equivalents at the beginning of the financial half-year | | <u>2,387,244</u> | <u>7,633,415</u> |
| Cash and cash equivalents at the end of the financial half-year | 6 | <u><u>13,272,421</u></u> | <u><u>4,782,697</u></u> |

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

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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.

The following amending 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.

Note 2. Operating segments

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

Major customers

During the half-year ended 31 December 2012, approximately 13.7% (2011: 17.0%) of the Consolidated Entity's external revenue was derived from sales to one customer (2011: one customer).

Revenue by product set

| | Consolidated | |
|--------------------|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Internet | 12,675,240 | 9,738,950 |
| Data Centre | 7,592,373 | 3,968,514 |
| Fibre and Ethernet | 5,788,421 | 2,251,724 |
| Voice | 4,266,162 | 5,755,678 |
| | <u>30,322,196</u> | <u>21,714,866</u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 2. Operating segments (continued)

Revenue by geographical area

| | Consolidated | |
|---------------|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Australia | 18,589,949 | 15,660,419 |
| New Zealand | 11,562,753 | 5,295,244 |
| United States | 169,494 | 759,203 |
| | <u>30,322,196</u> | <u>21,714,866</u> |

Note 3. Revenue

| | Consolidated | |
|-----------------------|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| <i>Sales revenue</i> | | |
| Rendering of services | <u>30,322,196</u> | <u>21,714,866</u> |
| <i>Other revenue</i> | | |
| Interest | <u>293,157</u> | <u>154,585</u> |
| Revenue | <u>30,615,353</u> | <u>21,869,451</u> |

Note 4. Other gains and losses

| | Consolidated | |
|-------------------------------------|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Net foreign currency gains/(losses) | <u>460,449</u> | <u>(716,230)</u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 5. Expenses

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Profit before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 150,415 | 125,480 |
| Network equipment | 1,318,019 | 678,611 |
| Total depreciation | 1,468,434 | 804,091 |
| <i>Amortisation</i> | | |
| IRU capacity | 2,094,141 | 1,328,027 |
| Software | 24,760 | - |
| Customer contracts | 190,563 | 129,648 |
| Other intangibles | 20,713 | - |
| Total amortisation | 2,330,177 | 1,457,675 |
| Total depreciation and amortisation | 3,798,611 | 2,261,766 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 661,990 | 245,373 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 730,907 | 561,103 |
| <i>Employee benefits expense</i> | | |
| Defined contribution superannuation expense | 301,952 | 201,987 |
| Share-based payment expense | 195,412 | 188,448 |
| Other employee benefits expense | 5,336,423 | 2,921,406 |
| Total employee benefits expense | 5,833,787 | 3,311,841 |

Note 6. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Cash at bank | 1,463,012 | 1,343,737 |
| Cash on deposit | 11,809,409 | 1,043,507 |
| | <u>13,272,421</u> | <u>2,387,244</u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 7. Current assets - other

| | Consolidated | |
|-------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Prepayments | <u>1,372,998</u> | <u>686,048</u> |

Note 8. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|--------------------------|--------------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Plant and equipment - at cost | 4,290,008 | 3,103,324 |
| Less: Accumulated depreciation | <u>(586,773)</u> | <u>(436,358)</u> |
| | <u>3,703,235</u> | <u>2,666,966</u> |
| Network equipment - at cost | 36,538,178 | 29,054,482 |
| Less: Accumulated depreciation | <u>(3,988,463)</u> | <u>(2,670,444)</u> |
| | <u>32,549,715</u> | <u>26,384,038</u> |
| | <u><u>36,252,950</u></u> | <u><u>29,051,004</u></u> |

Reconciliations

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

| | Plant and equipment \$ | Network equipment \$ | Total \$ |
|-----------------------------|------------------------------|----------------------------|--------------------------|
| Consolidated | | | |
| Balance at 1 July 2012 | 2,666,966 | 26,384,038 | 29,051,004 |
| Additions | 1,186,684 | 7,483,696 | 8,670,380 |
| Depreciation expense | <u>(150,415)</u> | <u>(1,318,019)</u> | <u>(1,468,434)</u> |
| Balance at 31 December 2012 | <u><u>3,703,235</u></u> | <u><u>32,549,715</u></u> | <u><u>36,252,950</u></u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 9. Non-current assets - intangibles

| | Consolidated | |
|--------------------------------|--------------------------|--------------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Goodwill - at cost | 10,507,153 | 10,507,153 |
| | <u>10,507,153</u> | <u>10,507,153</u> |
| IRU capacity - at cost | 78,824,736 | 45,570,402 |
| Less: Accumulated amortisation | (8,566,581) | (6,472,440) |
| | <u>70,258,155</u> | <u>39,097,962</u> |
| Software - at cost | 682,570 | 472,466 |
| Less: Accumulated amortisation | (27,244) | (2,484) |
| | <u>655,326</u> | <u>469,982</u> |
| Customer contracts - at cost | 1,207,102 | 1,207,204 |
| Less: Accumulated amortisation | (770,355) | (579,792) |
| | <u>436,747</u> | <u>627,412</u> |
| Other intangibles - at cost | 202,573 | 161,967 |
| Less: Accumulated amortisation | (20,713) | - |
| | <u>181,860</u> | <u>161,967</u> |
| | <u><u>82,039,241</u></u> | <u><u>50,864,476</u></u> |

Reconciliations

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

| | Goodwill | IRU capacity | Software | Customer contracts | Other intangibles | Total |
|-----------------------------|-------------------|-------------------|----------------|-----------------------|----------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Consolidated | | | | | | |
| Balance at 1 July 2012 | 10,507,153 | 39,097,962 | 469,982 | 627,412 | 161,967 | 50,864,476 |
| Additions | - | 33,254,334 | 203,660 | - | 40,577 | 33,498,571 |
| Exchange differences | - | - | 6,444 | (102) | 29 | 6,371 |
| Amortisation expense | - | (2,094,141) | (24,760) | (190,563) | (20,713) | (2,330,177) |
| | <u>10,507,153</u> | <u>70,258,155</u> | <u>655,326</u> | <u>436,747</u> | <u>181,860</u> | <u>82,039,241</u> |
| Balance at 31 December 2012 | <u>10,507,153</u> | <u>70,258,155</u> | <u>655,326</u> | <u>436,747</u> | <u>181,860</u> | <u>82,039,241</u> |

Note 10. Current liabilities - borrowings

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Bank loans | 1,219,105 | 1,204,772 |
| IRU liability | 9,242,221 | 8,415,874 |
| Lease liability | 756,544 | 865,324 |
| | <u>11,217,870</u> | <u>10,485,970</u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 11. Non-current liabilities - borrowings

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Bank loans | 5,447,237 | 6,063,899 |
| IRU liability | 44,773,622 | 18,040,912 |
| Lease liability | 766,317 | 933,210 |
| | <u>50,987,176</u> | <u>25,038,021</u> |

Total secured liabilities

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

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Bank loans | 6,666,342 | 7,268,671 |
| Lease liability | 1,522,861 | 1,798,534 |
| | <u>8,189,203</u> | <u>9,067,205</u> |

Note 12. Equity - contributed equity

| | Consolidated | | Consolidated | |
|------------------------------|---------------------|--------------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 | 31 Dec 2012 | 30 Jun 2012 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>74,892,725</u> | <u>61,027,675</u> | <u>44,130,202</u> | <u>22,588,928</u> |

Movements in ordinary share capital

| Details | Date | No of shares | Issue price | \$ |
|--|------------------|---------------------|--------------------|-------------------|
| Balance | 1 July 2012 | 61,027,675 | | 22,588,928 |
| Issue of shares on placement | July 2012 | 9,154,151 | \$1.63 | 14,921,266 |
| Issue of shares on share purchase plan | August 2012 | 4,177,566 | \$1.63 | 6,809,433 |
| Issue of shares on conversion of options | September 2012 | 416,666 | \$0.50 | 208,333 |
| Issue of shares on conversion of options | October 2012 | 116,667 | \$0.50 | 58,333 |
| Issue of shares for loan funded share plan | November 2012 | 2,335,282 | \$1.71 | 3,993,334 |
| Less: Shares held by Vocus Blue Pty Limited * | | (2,335,282) | | (3,993,334) |
| Less: Share issue transaction costs, net of deferred tax | | | | <u>(456,091)</u> |
| Balance | 31 December 2012 | <u>74,892,725</u> | | <u>44,130,202</u> |

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 12. Equity - contributed equity (continued)

** Shares held by Vocus Blue Pty Limited*

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 subsidiary in order to access the shares.

Note 13. Equity - 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 is payable on 26 March 2013 to shareholders registered on 12 March 2013. The dividend is fully franked.

There were no dividends paid during the current or previous financial period by the Parent Entity.

Note 14. Contingent liabilities

The Consolidated Entity has contingent liabilities for performance contracts as follows:

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| | \$ | \$ |
| Bank guarantees | <u>50,000</u> | <u>50,000</u> |

Note 15. Events after the reporting period

On 18 January 2013, Vocus acquired Ipera Communications Pty Limited, a Newcastle-based fibre and data centre operator for total expected consideration of \$9.8 million. Initial consideration of \$4.9 million was paid 75% cash with the remaining 25% paid in Vocus shares. The acquisition complements Vocus' existing fibre network and data centre assets and provides further business opportunities in the Newcastle region. The remaining consideration is deferred for 12 months and is subject to earn out targets.

The Company has entered into a letter of approval and term sheet with its bank in February 2013 for \$21.8 million in financing facilities inclusive of existing used facilities of \$6.8 million. The facilities include capacity to draw down in relation to future acquisitions and contain a multi-option facility for working capital and is subject to execution of final facility documentation.

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2012 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.

Vocus Communications Limited
Notes to the financial statements
31 December 2012

Note 16. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Profit after income tax attributable to the owners of Vocus Communications Limited | <u>4,184,667</u> | <u>3,493,141</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 73,233,310 | 60,810,583 |
| Adjustments for calculation of diluted earnings per share: | | |
| Amounts in relation to shares held in trust in relation to the Consolidated Entity's Loan Funded Share Plan | 596,512 | - |
| Options | <u>2,035,872</u> | <u>2,654,844</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>75,865,694</u> | <u>63,465,427</u> |
| | Cents | Cents |
| Basic earnings per share | 5.71 | 5.74 |
| Diluted earnings per share | 5.52 | 5.50 |

Vocus Communications Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



James Spenceley
Director

28 February 2013
Sydney

Independent Auditor's Review Report to the Members of Vocus Communications Limited

We have reviewed the accompanying half-year financial report of Vocus Communications Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 4 to 17.

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 control as the directors determine is 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Communications Limited, 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.

Auditor's Independence Declaration

In conducting our review, 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 review 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 Vocus Communications 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 2012 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*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 28 February 2013