AMCOM TELECOMMUNICATIONS LTD

ANNUAL REPORT

2014

amcom

Contents

CHAIRMAN'S REPORT

Anthony J Grist
Chairman

Dear Shareholder,

I am pleased to present Amcom Telecommunications Limited's annual report for the financial year ended 30 June 2014. Your company continues to prosper amidst an industry which is constantly changing and evolving.

For the year Amcom's underlying net profit after tax (excluding one-off items)* rose 12% to $23.2m. This performance reflects continued strong demand for our core fibre based communications products from the corporate, government and wholesale sectors which we focus on. It continues our enviable track record of consistent earnings growth year after year. Our business model of meeting communication needs that are essential services to organisations today has demonstrated consistency throughout volatile economic conditions over the past decade.

Amcom completed FY14 in a very strong financial position with no net debt. The strong operating performance of the business over the year, combined with a $40m placement of new equity capital to sophisticated investors which took place in June, leaves the company with significant financial capacity to fund both organic and acquisitive growth opportunities.

We have again been able to deliver an improved dividend with 6.2 cents per share paid to shareholders for FY14, an increase of 13%. Delivering a growing income stream in the form of fully franked dividends is an attractive feature of Amcom's investment profile, along with our consistent track record of earnings growth.

As the evolution of Amcom continues, the opportunities to keep growing our business show no signs of abating. We are evolving to take advantage of the convergence of the telecommunications and IT industries. Combined with our high speed fibre optic networks already in the ground our ability to deliver hosted and cloud services is a new dynamic growth opportunity for us, as our corporate and government customers seek ways to manage their telco and IT requirements more efficiently and more cost effectively.

Today we already offer a comprehensive suite of telecommunications and IT solutions hosted in the cloud to both existing and new customers. The recent decision by the University of Melbourne to adopt our Amcom Cloud Collaboration (ACC) product demonstrates the traction we are getting as we broaden our product suite beyond data carriage. The ACC platform, powered by Cisco technology, is a consumption based service model which will integrate with the University of Melbourne's existing unified communications exchange. It will allow approximately 13,000 users access to an enterprise grade unified communications solution operating across multiple devices.

Finally I would like to acknowledge the contribution made by our dedicated team of people who work at Amcom. We recognise that quality people are fundamental in making a good company a great company. The Amcom team led by CEO Clive Stein strives to achieve this by embracing a values based, customer focused culture and a 'can do' attitude. The recognition of the importance of people whom are involved in the business is a key contributor to a high performance culture which delivers consistently strong financial performance for our shareholders, many of which are also employees of the company.

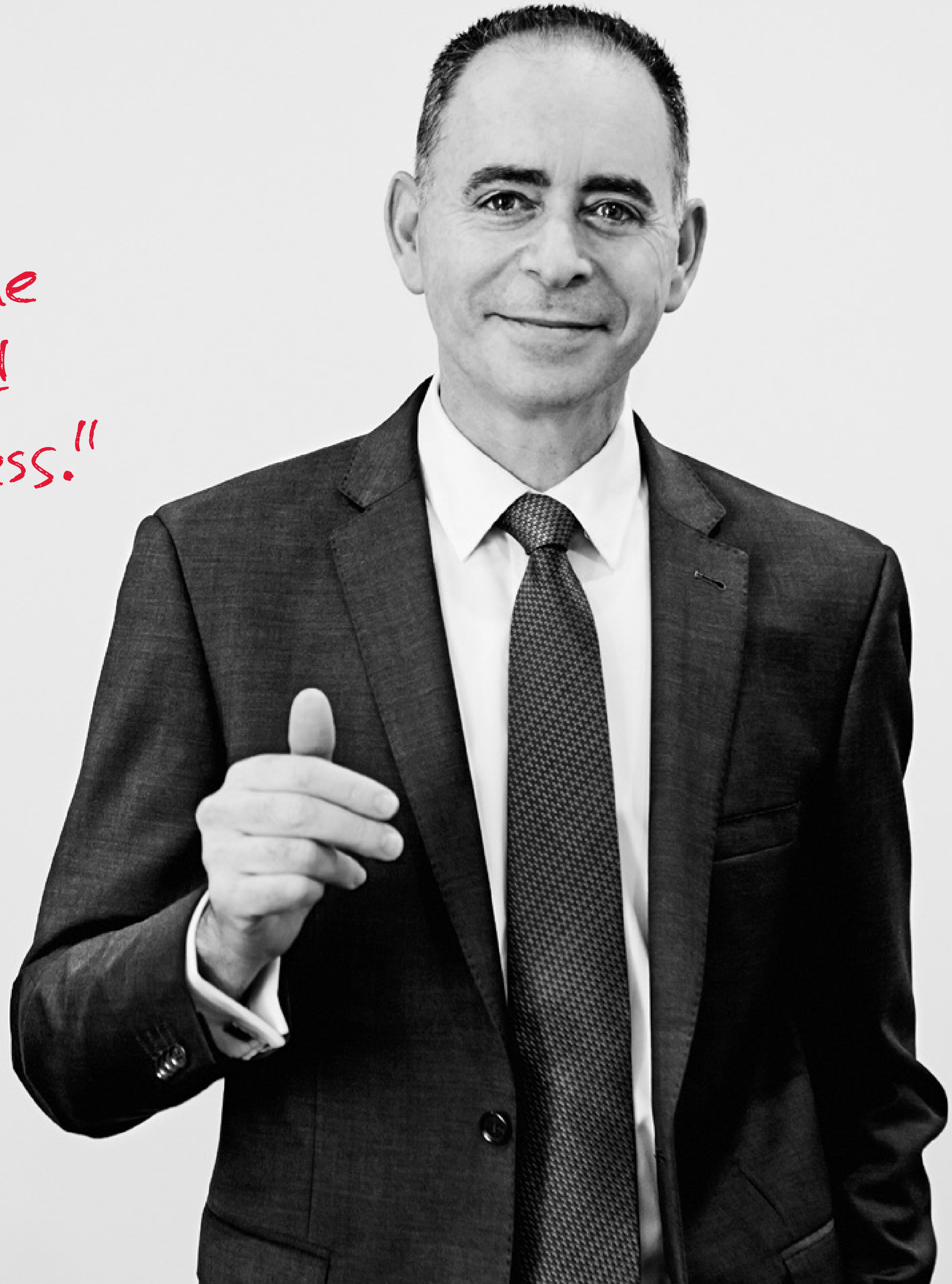
On behalf of the board I would like to thank all key stakeholders in Amcom, be they customers, employees or shareholders for their contribution to another successful year just completed. I have every confidence the company will continue to perform well in the years ahead.

Anthony J Grist

Chairman
1 September 2014

**Non-AIFRS information is reconciled to AIFRS information in a table presented in the Directors' Report.*

"An empowered workplace overcomes the challenges associated with a growing business."



Clive Stein
Chief Executive Officer

MANAGING DIRECTOR'S REPORT

Clive Stein
Managing Director
& CEO

Dear Shareholder,

It is once again a pleasure to report to you on another successful year for your company. We continue to carefully manage the balance between delivering attractive financial performance in the short term whilst also investing in new capabilities that will see Amcom continue on its growth path for many years to come.

For the year just completed our underlying net profit after tax (excluding one-off items)* increased by 12% to $23.2m. Dividends declared to shareholders increased by a commensurate amount with a 13% increase to 6.2 cents per share. Particularly pleasing was the strong uplift in both operating and free cashflow which increased by 24% to $41.2m and by 44% to $21.3m respectively.

A key measure for us is our recurring revenue base, which increased by 16% to $122m, driven by continued strong demand for our core data and hosted products. This metric points towards another successful year ahead for your company. Amcom is focused on building annuity style revenue streams across both existing and developing lines of business which provides a degree of predictability in forward earnings.

We have continued to innovate and invest in our business as demonstrated with the deployment of Amcom Cloud Collaboration (ACC), a ground breaking unified communications solution for larger organisations. This led to our strategically important partnership with Australia's Academic and Research Network (AARNet) and our major ACC contract win with the University of Melbourne which was announced post financial year end.

As our product capabilities expand with new services such as our ACC offering the value proposition for our core data networks business is significantly enhanced. We see tremendous potential to grow our business on the back of innovative products which are integrated into our data network solutions.

I have never been more excited about our ability to capitalise on the many opportunities before us in the constantly evolving industry in which we operate. Business models are being re-defined and traditional ways of doing business are becoming obsolete. I believe the quality of our senior management team is demonstrated by our willingness to pro actively embrace change rather than react after it has occurred.

OPERATIONAL REVIEW

Data Networks

Our data networks (fibre) business continues to be the engine room of the company as most of our service offerings involve a traffic carriage component. Our existing fibre network provides a comprehensive range of high-speed communication products to blue chip corporates, government agencies and other telecommunications providers which are essential requirements for business today.

Telecommunications revenue rose 12% in FY14 with EBITDA increasing by 15% to $43m, which represents the majority of the company's earnings at this point. Earnings grew faster than revenue as we benefitted from economies of scale as traffic volume continued to grow across our networks. As we drive more business across our existing network a greater proportion of incremental revenue falls to bottom line earnings. Our ratio of capital expenditure required to connect an additional dollar of revenue continued to decline and return on capital employed continued to expand.

Non-AIFRS information is reconciled to AIFRS information in a table presented in the Directors' Report.

Over the past 12 months we signed up approximately 300 new corporate and government customers to use our data network, bringing the total number of customers to around 1,300.

Our fibre based network platforms are effectively 'future proofed' and have the flexibility to allow us to enter new communications markets such as internet protocol (IP) telephony and cloud (hosted IT) services, both of which offer attractive value propositions to customers and are emerging as the next key drivers of growth.

Hosted and Cloud Services

In FY14 hosted and cloud services revenue increased 29% and EBITDA increased by 18% to $6.7m. Earnings growth was lower than the increase in revenue as we continue to aggressively invest in our capabilities in this space. Our new initiative Amcom Cloud Collaboration (ACC) is showing encouraging signs of being an excellent opportunity. This enterprise grade unified communications platform provides organisations with all the benefits of seamless communications across multiple devices and promotes the transition from on-premise to a cloud based delivery model hosted by Amcom. Since launch last year we have sold approximately 17,000 services, generating annuity revenue which will be received over time. However in FY14 we spent approximately $2.5m in costs bringing ACC to market. Over the next few years we are confident hosted and cloud services will deliver significant earnings streams for the company.

During the year we expanded our data centre capacity and acquired four data centres increasing our footprint to 7 facilities providing 650 racks in total. These facilities have high utilisation rates and we also resell colocation services in third party data centres to meet customer requirements.

IT Services

IT services revolves around the provision of integration solutions, managed services, advisory and related services. In FY14 revenue decreased by 9% while EBITDA increased by 31% to $2.1m. While it is unusual to observe revenue decreasing while earnings increase, it reflects our focus on rationalising our IT service offerings towards those that directly complement our data networks and hosted and cloud services capabilities.

Although IT services is a relatively small contributor to the company's earnings it is strategically important for Amcom as it leverages our existing fibre network assets and provides opportunities to offer new services into our existing customer base. In addition we have developed an extensive IT skills capability that will enable us to accelerate our push into hosted and cloud services.

Outlook

Amcom is well placed to deliver continued growth in revenue, profitability and value to our shareholders. I am proud both of our technological capability and the dedicated team of people we have to deliver a customer experience that sets us apart from our larger competitors.

I expect we will continue to grow our market share in the market segments in which we operate. This will be achieved both through organic growth and by strategic acquisitions that complement our existing lines of business and help us expand our geographic footprint across Australia. With no net debt our balance sheet settings provide significant capacity to accelerate the company's growth into the future by way of well executed acquisitions. However let me assure you that any acquisitions will be backed by a well thought-out and disciplined approach which has been the hallmark of our strategic vision in recent years.

Potential acquisitions aside, from our existing suite of businesses, I anticipate that our underlying net profit growth in FY15 will be at a similar rate to that reported for the year just completed.

I look forward to reporting back to you next year on the continued progress of your company.

Clive Stein

Managing Director and
Chief Executive Officer

1 September 2014

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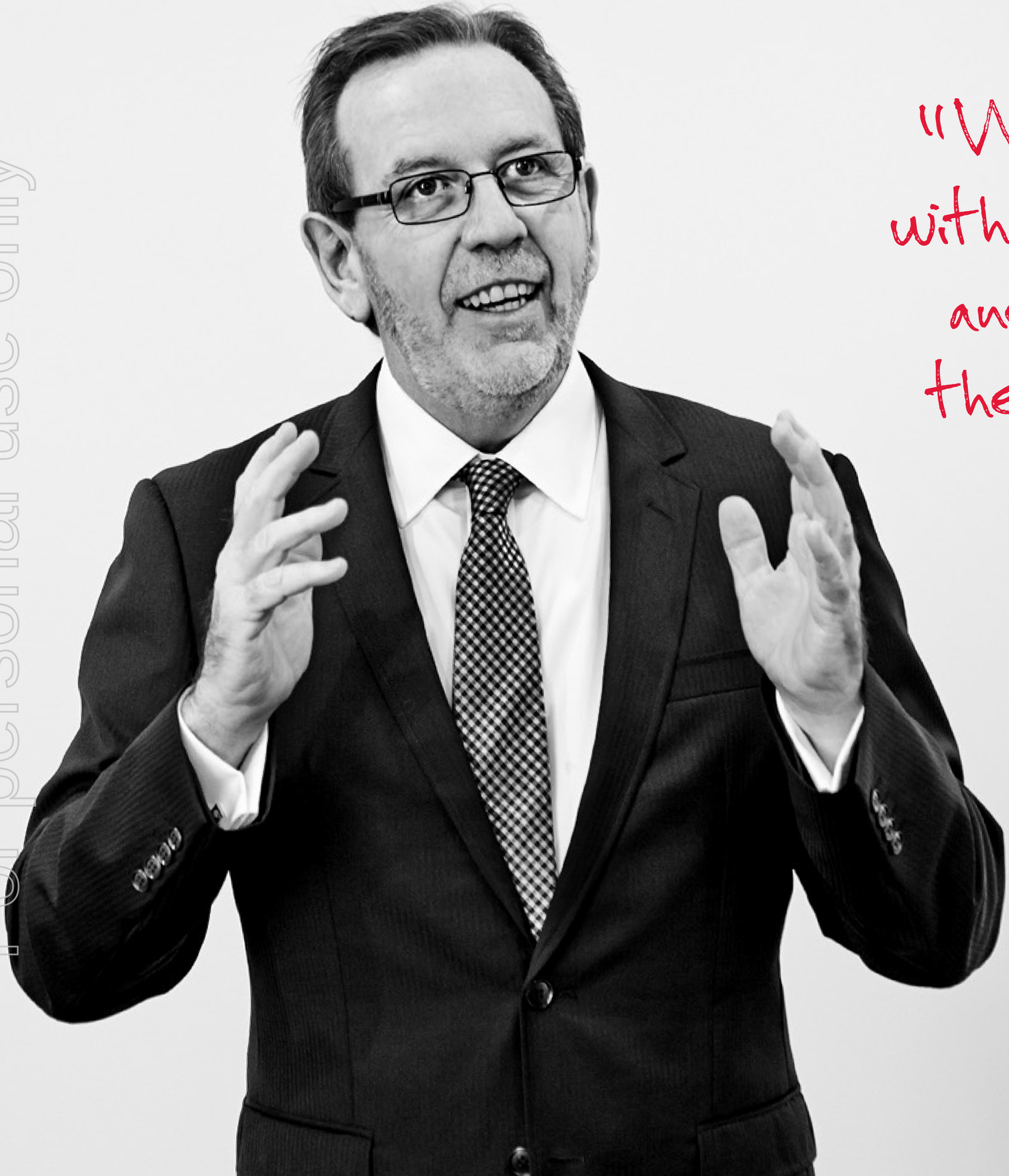


"We engage people with passion, commitment and the desire to reach their full potential."

Michael Knee
Chief Operating Officer

BOARD OF DIRECTORS

The Board of Directors of Amcom Telecommunications Limited is responsible for establishing the corporate governance framework having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGC's recommendations.

Recommendation		Comply
Principle 1 – Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
Principle 2 – Structure the board to add value		
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
Principle 3 – Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• The practices necessary to maintain confidence in the company's integrity.	Yes
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Yes
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes

Recommendation		Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of female employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes
Principle 4 – Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• Consists only of Non-Executive directors	Yes
	• Consists of a majority of independent directors	Yes
	• Is chaired by an independent chair, who is not chair of the board	Yes
	• Has at least three members	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 – Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
Principle 6 – Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes

Recommendation		Comply
Principle 7 – Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the *declaration provided in* accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes
Principle 8 – Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it:	
	• Consists of a majority of independent directors	Yes
	• Is chaired by an independent chair	Yes
	• Has at least three members	Yes
8.3	Companies should clearly distinguish the structure of Non-Executive director's remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes

Amcom Telecommunication Limited's corporate governance practices were in place throughout the year ended 30 June 2014.

For further information on corporate governance policies adopted by Amcom Telecommunications Ltd. Refer to our website: www.amcom.com.au.

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Risk
- Remuneration and Nomination

The roles and responsibilities of these committees are discussed in this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure and independence of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Amcom Telecommunications Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

Mr Grist has a shareholding of 3.14% in the Company, he receives fees in addition to his Chairman's fees (as disclosed at Note 29 of the financial statements) and is provided with car parking and secretarial support customary for a Chairman. The Board is of the opinion that Mr Grist is an independent director and is the most appropriate person to lead the Board and that he is able to discharge his duties with independent judgement and that the Company benefits from his long standing experience in the industry. Mr Grist does not sit on any of the Board's committees.

Mr Coleman is a Director of Wyllie Group Pty Ltd, which currently has a 2.95% shareholding in the Company. Notwithstanding this relationship, Mr Coleman is considered independent as he has no financial interest in Wyllie Group Pty Ltd and holds his position as a Director of the Company personally.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Amcom Telecommunications Ltd are considered to be independent:

- Anthony Grist
- Ian Warner
- Paul Brandling
- Peter Clifton
- Craig Coleman
- Anthony Davies

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

The term in office held by each director in office at the date of this report is as follows:

Name	Date Appointed
Ian Warner	March 1994
Anthony Grist	October 1997
Peter Clifton	September 1999
Clive Stein	April 2000
Anthony Davies	October 2003
Craig Coleman	October 2008
Paul Brandling	September 2013

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the performance of Board members was evaluated against qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Further details are outlined in the remuneration report.

Trading Policy

The Company's security trading policy imposes basic trading restrictions on all employees of the Company and its related Companies with "inside information", and additional trading restrictions on the directors and executives of the Company.

The securities trading policy can be found at the company's website www.amcom.com.au

As required by the ASX Listing Rules, the Company notifies the ASX of any securities transaction conducted by directors in the securities of the Company.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are Non-Executive directors.

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

- Anthony Davies (Chairman)
- Ian Warner
- Peter Clifton
- Paul Brandling (from May 2014)

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Remuneration and Nomination Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and the executive team. The Board has established a Remuneration and Nomination Committee comprising four Non-Executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

- Craig Coleman (Chairman)
- Peter Clifton
- Ian Warner
- Paul Brandling (from May 2014)

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The Committee also considers the nomination of new directors to the Board based upon maintaining an appropriate mix of skills, experience and background. The Board has adopted a diversity policy.

There is no scheme to provide retirement benefits to Non-Executive Directors.

For details on the number of meetings of the Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance, and internal control.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management reports to the Audit and Risk Committee which in turn reports to the Board on the company's key risks and the extent to which it believes these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and board monitoring of progress against these budgets.

As part of its oversight role the Audit and Risk Committee conduct a series of risk-based reviews as agreed with management and the committee with the objective of providing assurance on the adequacy of the risk management process.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Shareholder Communication Policy

Pursuant to Principle 6, Amcom's objective is to promote effective communication with its shareholders at all times.

Amcom Telecommunications Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Amcom Telecommunication Limited's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Amcom Telecommunications Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on Amcom Telecommunications Limited's website: www.amcom.com.au

The Company's website www.amcom.com.au has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Diversity

Amcom is committed to providing a diverse work environment in which everyone is treated fairly and with respect. Diversity at Amcom is promoted by creating a culture that empowers people to act in accordance with established diversity policies and processes, and through the achievement of the following Measurable Objectives:

Diversity Measurable Objectives	Progress
Continuing a Diversity Committee	The Diversity Committee comprises Chief Operating Officer, Chief Financial Officer, Business Manager – People and Business Manager - Marketing.
Executive Management Group responsible for diversity	Responsibility of Chief Operating Officer
Recruitment policies and procedures reflect Amcom's position on diversity	Policies and procedures are reviewed annually and all recruitment advertising includes a statement on Diversity.
Diversity Committee to provide a semi-annual report to the Remuneration & Nomination Committee on diversity matters	A semi-annual report is provided by the Diversity Committee to the Remuneration & Nomination Committee on the progress of Diversity Measurable Objectives and female representation. An annual report is provided to the Workplace Gender Equality Agency. Amcom continues to maintain its compliance status.
Ongoing programs which aim to encourage female participation in the workforce	A range of workplace programs are ongoing and is focused towards attracting and retaining female employees, including flexible working hours; 'keep in touch' initiatives for women on maternity leave; designated expressing rooms for women returning from maternity leave; free CBD parking bays for pregnant employees in their final trimester; and the continuing professional development and networking programs - WiTS (Women in Technology Services) and ACDC (Amcom Career Development Centre).

Representation of women in the workplace at Amcom at 30 June 2014:

Female Representation:	Total # Females	% Females
Whole Organisation	76	22.5%
Senior Executive	1	14.2%
Board	-	-

The diversity policy is available in the corporate governance section of the Company's website.

Amcom has prepared its Equal Opportunity Report for FY14 which outlines information on the demographics at Amcom, what current initiatives we have in place and what is planned for the future to ensure gender equality. This report can be found in the 'About' section of our website.

"Great marketing is about creating something compelling for one customer at a time."

Jonathan Amery
Business Manager – Marketing

Directors

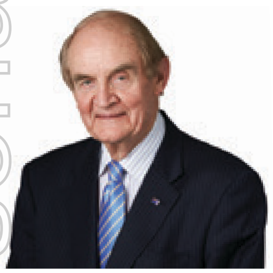
Your directors submit their report for the year ended 30 June 2014.

The names and particulars of the directors of the Company during and since the end of the financial year are:

Mr. Anthony GRIST *Non-Executive Chairman*

After managing the corporate underwriting division of an Australian Stockbroking firm, Mr. Grist formed what became Albion Capital Partners, a private investment group based in Perth in 1991. He formed what became Amcom Telecommunications Ltd in 1999 to acquire and finance the then start up telco, Amcom Pty Ltd.

Tony led the acquisition of a major stake in iiNet Limited by Amcom in 2006 and joined the board of iiNet the same year. iiNet became the second largest broadband provider by customer number after a major period of expansion, and in 2011 Amcom divested its stake in iiNet via a distribution of the stake to Amcom shareholders. Tony left the board of iiNet in September 2011.



Mr. Ian WARNER *Non-Executive Deputy Chairman*

Joined the Board in 1994. Mr. Warner has practiced as a commercial lawyer for over 25 years including 16 years as a Senior Partner of a large Perth law firm. He was also a Director of Australia Post until May 2012 and previously Perpetual Trustees Australia Ltd and Western Power Corporation. He is a member of the International Academy of Estate and Trust law. Mr. Warner is a member of the Audit and Risk Committee and of the Remuneration and Nomination Committee.

Mr. Clive STEIN *Managing Director & Chief Executive Officer*

Joined the Board in 2000. Mr Stein has over 25 years international experience in the electronics, computer and communications industries. He joined Amcom as General Manager in 1999 and was subsequently appointed to Chief Operating Officer. Mr Stein was appointed to the role of Managing Director and Chief Executive Officer on 1 July 2007. Mr Stein's previous positions included various senior management roles in leading IT and technology companies.

Mr. Paul BRANDLING *Non-Executive Director*

Joined the Board in September 2013. He has more than 27 years experience in the information technology industry and was formerly Vice President and Managing Director of Hewlett-Packard South Pacific from 2002 until 2012 and prior to that was Vice President and Managing Director of Compaq South Pacific. Mr Brandling was a member of the International CEO Forum (Australia) from 2001-2012 and served as a Director of the Australian Information Industry Association (AIIA) from 2002-2011. He is also a member of the Audit & Risk Committee and the Remuneration & Nomination Committee.

Mr. Peter CLIFTON *Non-Executive Director*

Joined the Board in 1999. A consultant with particular expertise in the management of commercial, contractual and project delivery requirements of large projects. Mr. Clifton has more than 35 years experience in the telecommunications industry and has extensive international business experience. This included 10 years establishing and managing Telstra's businesses in South East Asia, the Middle East and Europe. Mr. Clifton's clients include the Victorian Government, Asia Infrastructure Fund Advisors Ltd, Peregrine, Williams International, WorldxChange, KPMG and Leighton Visionstream. Mr. Clifton is a member of the Remuneration and Nomination Committee and of the Audit and Risk Committee.

Mr. Craig COLEMAN *Non-Executive Director*

He is Executive Chairman of Viburnum Funds Pty Ltd, a boutique Private Equity fund manager. Mr. Coleman is a former Managing Director of Home Building Society Ltd and prior to joining Home Building Society, he held a number of senior executive positions and directorships with ANZ including Managing Director Banking Products, Managing Director Wealth Management and Non-Executive Director of E*Trade Australia Limited. He is currently a Non-Executive Director of Wyllie Group Pty Ltd, Bell Financial Group Ltd, Pulse Health Group Ltd, Lonestar Resources Ltd, Keybridge Capital Ltd and Chairman of Rubik Financial Ltd. Mr. Coleman is Chairman of the Remuneration and Nomination Committee.

Mr. Anthony DAVIES *Non-Executive Director*

Joined the Board in 2003. He is a Chartered Accountant and was an executive of Elders Ltd from 1989 until 2004, and was their Chief Financial Officer for 11 years. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia. Mr. Davies is Chairman of the Audit and Risk Committee.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr. A Grist	OreCorp Ltd (formally Silverstone Resources Ltd)	July 2011 until 31 July 2013
	iiNet Ltd	July 2006 until September 2011
Mr. C Coleman	Bell Financial Group Ltd	Since July 2007
	Lonestar Resources Ltd	Since July 2008
	Rubik Financial Ltd	Since December 2006
	Pulse Health Group Ltd	Since January 2010
	Keybridge Capital Ltd	Since March 2014

Company Secretary

Mr. David Hinton

Mr. Hinton was appointed Company Secretary in February 2007 and Chief Financial Officer in October 2008. He is a Fellow of the Institute of Chartered Accountants in Australia and member of the Governance Institute of Australia.

Operating and Financial Review

Principal activities

Amcom is an award-winning, ASX listed, IT and Telecommunications company employing over 350 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 Unified Communications and IP voice, cloud solutions and managed services; all supported by our extensive fibre-optic network, data centres and a range of IT services including advisory, integration and security solutions.

Group Financial Highlights

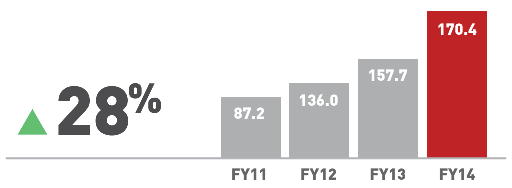
Amcom had revenue for the financial year of $170,414k up 8 per cent on the prior year of $157,735k. This led to a Net Profit after Tax (NPAT) amount for the financial year of $23,152k, up 12 per cent on $20,750k after excluding once off items from the year.

Other key highlights of Amcom's financial performance for the financial year ended 30 June 2014 include:

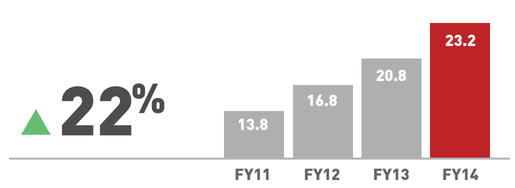
- EBITDA increased 17 per cent to $46,712k (2013: $40,001k);
- EBIT increased 16 per cent to $35,238k (2013: $30,507k);
- Operating cash flow increased 24 per cent to $41,176k (2013: $33,243k);
- Earnings per share rose 11 per cent to 9.4 cents (2013: 8.5 cents);
- Final dividend per share 4.0 cents fully franked; and
- Recurring Revenue Base increased 16 per cent to $122,200k (2013: $105,600k).

4 Year Compound Annual Growth Rate (4yr CAGR):

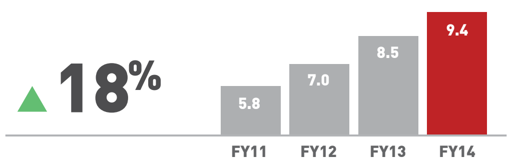
Revenue($m)



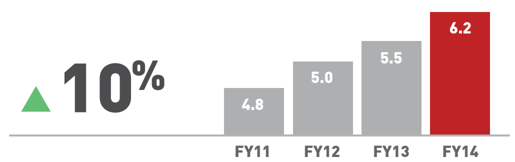
NPAT*($m)



EPS*(cps)



Annual Dividend(cps)



* Excluding significant items and equity accounted earnings

Segment Performance

Segment Revenue	FY 14 $'000	FY 13 $'000	Change %
Telecommunications	92,959	83,358	12%
Cloud and Hosted Services	33,399	25,880	29%
IT Services	43,747	48,221	(9%)
Corporate	309	276	12%
Totals	**170,414**	**157,735**	**8%**

Segment EBITDA	FY 14 $'000	FY 13 $'000	Change %
Telecommunications	43,418	37,760	15%
Cloud and Hosted Services	6,716	5,713	18%
IT Services	2,132	1,623	31%
Corporate	(5,554)	(5,095)	9%
Totals	**46,712**	**40,001**	**17%**

The consolidated entity is organised into three major operating segments. These segments are the basis on which the consolidated entity reports its segment information. Commentary on the performance of Amcom's segments follows:

Telecommunications

The Telecommunications Division comprises of Data Networks and Amnet. Telecommunications revenue increased 12 per cent to $92,959k and EBITDA grew by 15 per cent to $43,418k. The product portfolios are discussed further below.

Data Networks

Data networks provide high-speed fibre data network and internet services to business customers. Key results from FY14 are:

- Consistent demand and sales levels for data networks over past 12 months
- Over 300 new customers connected during the financial year
- Increased cross selling new capabilities to data network customers

Amnet

Amnet provide consumer based DSL services. Amnet revenue increased 3 per cent to $10,242k and EBITDA decreased by 15 per cent.

Cloud and Hosted Services

The Hosted and Cloud Services segment increased EBITDA to $6,716k and revenue grew by 29 per cent to $33,399k. The Hosted and Cloud Services segment includes the product portfolios of Data Centres, Hosted IP telephony, Amcom Cloud Collaboration (Cisco HCS) and Infrastructure-as-a-Service.

Through the acquisition of Global Networks AMC Data Centre Pty Ltd and aCure Technology Pty Ltd during the financial year, our data centre footprint has grown to 7 owned facilities.

IT Services

IT Services segment increased EBITDA by 31 per cent to $2,132k revenue of $43,747k. IT Services segment comprises the sale of IT hardware and services, licensing, maintenance and outsourced services.

Corporate

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

Expenses - Consolidated

The following table summarises the key expenses:

	FY 14 $'000	FY 13 $'000	Change %
Network costs and cost of hardware sold	64,793	61,346	6%
Labour	40,377	40,130	1%
Occupancy	6,674	4,483	49%
Finance Costs	2,629	1,857	42%
Depreciation and amortisation	11,474	9,494	21%
Other expenses	12,528	11,499	9%
Totals	**138,475**	**128,809**	**8%**

Network costs and cost of hardware sold

Total network costs and cost of hardware sold expenses increased by 6 per cent to $64,793k during the year.

Employee benefits

Employee benefit expenses increased by 1 per cent to $40,377k during the year. Head count remained relatively consistent during the financial year.

Occupancy

Occupancy expenses increased by 49 per cent to $6,674k during the year. This is largely as a result of the addition of data centre leases held by acquired companies' aCure Technology Pty Ltd and Global Networks AMC Data Centre Pty Ltd.

Other expenses

Other expenses (including marketing, repairs and maintenance, professional and legal fees, insurance and staff travel) increased by 9 per cent to $12,528k during the year.

Cash flow

Operating cash flow increased 24 per cent for the financial year ended 30 June 2014 to $41,176k.

Payments for property, plant and equipment for the financial year ended 30 June 2014 amounted to $22,586k, an increase of 17%.

Payments for the acquisitions of aCure Technology Pty Ltd and Global Networks AMC Data Centre Pty Ltd amounted to $14,283k for the financial year ended 30 June 2014.

Dividends paid during the year increased by 9.6 per cent to $13,939k, net of the dividend reinvestment plan that was introduced for the first time in March 2014.

Borrowings

Borrowings at 30 June 2014 were $24,179k, a $12,976k decrease from 30 June 2013.

Gearing (net debt / equity) at 30 June 2014 was nil. The decrease was due to the equity raising undertaken during the year. At the end of the financial year the company had a net cash position (cash less borrowings) of $7,264k.

Statement of Financial Position

	FY 14 $'000	FY 13 $'000	Change $'000	Change%
Current assets	52,892	45,814	7,073	15%
Non-current assets	195,619	160,143	35,476	22%
Total assets	248,511	205,957	42,554	21%
Current liabilities	47,832	39,358	8,474	22%
Non-current liabilities	32,915	45,953	(13,038)	(28%)
Total liabilities	80,747	85,311	(4,564)	(-5%)
Net assets	**167,764**	**120,646**	**47,118**	**39%**
Equity	**167,764**	**120,646**	**47,118**	**39%**

Non-current assets increased by 22.2 per cent to $195,619k. Property plant and equipment grew as we continue to invest in the Data network and new Cloud and Hosted services.

Non-current liabilities decreased 28 per cent to $32,915k mainly due to a lower gross debt position as outlined above.

Equity increased by 39 percent to $167,764k predominantly due to the placement of 19,512,195 shares at $2.05 per share, raising $38,446k cash, net of costs.

Safety Review

The Health and Safety of Amcom's people is the Company's first priority. Our Work Health and Safety (WHS) strategy of continual improvement prioritises eliminating workplace hazards, injuries and illnesses. Leadership remains a crucial factor in achieving these priorities and creating a culture that will eliminate all injuries from the workplace over time.

Our management system provides the framework for hazard identification, risk analysis and risk management into all aspects of our activities which is overseen by the Board and executive management. Amcom is currently implementing an accredited safety management system to AS/NZ4801 standard to complement our existing ISO9001 accredited Quality Management system.

Our group-wide safety risk management programme focuses equally on personal safety, process safety and major safety hazards, and we have processes in place to manage each of these areas.

Amcom are pleased to announce this financial year, in continuation from 2013, we achieved a zero Lost Time Injury Frequency Rate (LTIFR) This result further exemplifies our commitment and constant improvement in managing workplace safety.

Amcom will continue to seek ways to improve policies and practices that will enhance our overall WHS performance for the long-term benefit of all stakeholders.

Outlook

Please refer to the Managing Directors report for details of the outlook of the company.

Disclosure of information regarding risks of the outlook above and the likely developments of this in the operations of the consolidated entity in future financial years are considered commercially sensitive by the Company. Accordingly, this information has not been disclosed in this report.

Reconciliation to non-AIFRS information

The Directors believe that the presentation of non-AIFRS financial information is useful for readers of this Annual 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 non-AIFRS financial information reported in the Directors Report to the Statement of Comprehensive Income.

	FY 14 $'000	FY 13 $'000
Net Profit after tax	**22,389**	**20,750**
Income tax expense	9,550	8,176
Acquisitions activity and other expenses* (tax effect $216k)	979	-
Depreciation & amortisation	11,474	9,494
Interest revenue	(309)	(276)
Finance costs	2,629	1,857
EBITDA*	**46,712**	**40,001**
Depreciation & amortisation	(11,474)	(9,494)
EBIT*	**35,238**	**30,507**
Interest revenue	309	276
Finance costs	(2,629)	(1,857)
Profit before tax	**32,918**	**28,926**
Income tax expense	(9,766)	(8,176)
Net profit after tax before significant items*	**23,152**	**20,750**

* non-AIFRS financial information, reviewed not audited.

Significant events after the balance date

The following significant events occurred after the balance date:

a) Since year end, 1,150,000 Amcom shares were transferred from the Amcom Incentive Share Trust to the holders of the rights under the Amcom long term incentive plan.

b) A 4.0 cent dividend per ordinary share was declared by the company fully franked and will be payable on 7 October 2014.

Declaration of Dividend

The Directors declared a final dividend of 4.0 cents per ordinary share fully franked at the rate of 30%. The final dividend is payable on 7 October 2014. The Amcom Dividend Reinvestment Plan (DRP) will apply to this dividend. A DRP discount of 2.5% will apply.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

"Amcom is a great place to work."

Claire Ferrie
Team Lead – People

Securities on issue

Details of shares or interests on issue at the date of this report:

	Number of Shares
Total ordinary fully paid shares on issue	264,835,089
Performance Rights	
Tranche D	1,025,000
Tranche E	1,060,000

Performance Rights

The table below summaries the movements in Performance Rights during the year as part of the executive long term incentive plan. The terms and details of the Performance Rights can be found in the Remuneration Report.

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 year	-	-	-	1,160,000
Lapsed	-	-	(110,000)	(100,000)
Vested during the year	(480,000)	-	-	-
Closing balance @ 30 June 2014	-	1,150,000	1,025,000	1,060,000

Indemnification of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred by such a director, Company Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature and limits of insurance and the amount of the premium.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 9 Board meetings, 4 Remuneration and Nomination Committee meetings and 7 Audit and Risk Committee meetings were held.

Directors	Board of Directors		Remuneration & Nomination Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A Grist	9	9	-	-	-	-
Mr. I Warner	9	9	4	4	7	7
Mr. C Stein	9	9	-	-	-	-
Mr. P Clifton	9	9	4	4	7	7
Mr. A Davies	9	9	-	-	7	7
Mr. C Coleman	9	9	4	4	-	-
Mr. P Brandling	7	6	-	-	1	1

Directors' shareholdings

The following table sets out each director's interest in shares and performance rights of the Company as at the date of this report. Further details are included in Note 29 to the financial statements.

Directors	Fully paid ordinary shares	Tranche D Performance Rights	Tranche E Performance Rights
Mr. A Grist	8,400,000	-	-
Mr. I Warner	66,667	-	-
Mr. C Stein	1,441,000	310,000	220,000
Mr. C Coleman	466,668	-	-
Mr. P Clifton	1,750,000	-	-
Mr. A Davies	366,667	-	-
Mr. P Brandling	23,800	-	-

Dividends

In respect of the financial year ended 30 June 2013, as detailed in the directors' report for that financial year, a final dividend of 3.5 cents per share fully franked of $8,559,508 was paid to the holders of fully paid ordinary shares on 4 October 2013.

In respect of the financial year ended 30 June 2014, a fully franked interim dividend of 2.2 cents per share of $5,380,254 was paid to the holders of fully paid ordinary shares on 4 April 2014.

In December 2013, the board decided to introduce a Dividend reinvestment plan ("DRP") in response shareholder enquiries about such a plan and as part of the company's ongoing capital management strategy. The DRP allows eligible shareholders to reinvest part or all of their dividends into new Amcom shares, and was set at a discount rate of 2.5% to the volume weighted average share price on the ASX for the five days commencing on the business day after the dividend record date. The DRP was first applied to the 2014 interim dividend of 2.2 cents per share.

Subsequent to year end, the directors have declared a final dividend of 4.0 cents per share fully franked totalling $10,593,403 to be paid on 7 October 2014. A DRP discount of 2.5% will apply to this dividend.

Non-audit services

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are disclosed in Note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included in the annual report after the Directors Report and forms part of the Directors' Report.

REMUNERATION REPORT (AUDITED)

Message from the Chairman of the Remuneration and Nomination Committee.

Dear Shareholders,

As mentioned in the Chairman's Report Amcom Telecommunications had another successful year in which underlying net profit after tax rose 12% to a record $23.2 million. This is the twelfth consecutive financial year in which underlying profit has seen double digit growth. In a difficult and unpredictable market we believe this to be a great achievement by the Company and the executive team. As a result, executive remuneration outcomes reflect the continued exceptional financial performance of the Company in 2014.

The establishment of appropriate remuneration and incentive structures has played an important role in motivating, rewarding and retaining key management in order to execute and deliver these sustained returns. The incentive structures that the Board have implemented can be summarised in two parts; a Short Term Incentive, focusing on annual performance and a Long Term Incentive plan aligned to creation of shareholder wealth.

The Short Term Incentive plan (STI) has two components. The first component provides an incentive for employees to achieve short term goals or KPIs that relate individual performance with the successful execution of strategic outcomes. These KPIs also include non-financial targets. The second component provides for an STI when the EBITDA (earnings before interest, tax depreciation and amortisation) target is achieved. The EBITDA target is established at the commencement of the financial year and is determined based upon year on year growth in earnings of the company for the ensuing financial year. The EBITDA target was not achieved in FY14. The STI is broadly based and is applicable to all full time employees who have completed a qualification period. Sales executives who receive sales commission and non-executive directors do not participate in the STI.

The Long Term Incentive (LTI) plan is designed to provide an incentive and reward structure aligned with longer term shareholder value creation. In 2010, the Board implemented an equity plan based upon the issuance of Performance Rights. Performance Rights have been issued in tranches in each year since 2010 and have a vesting period of three years. The vesting conditions are based upon the company achieving a Total Shareholder Return (TSR) commensurate or better than the broad market index namely the S&P ASX 300 Accumulation Index. TSR takes into consideration the dividends paid by the company and the share price movement over the term of the vesting period. There is also a management retention component to the vesting conditions. The executives and senior management of the company are participants in the LTI, Non-Executive Directors are not eligible to participate.

The Committee and Board undertake an annual review of remuneration structures including comparison to market. Further details on the executive remuneration arrangements and the remuneration outcomes for 2014 are set out in this Remuneration Report.

There have been no changes to Key Management Personnel in this financial year apart from the appointment of Mr Paul Brandling as Non-Executive Director.

Further details on the executive remuneration arrangements and the remuneration outcomes for 2014 are set out in this Remuneration Report.

Yours faithfully,

Craig Coleman

Chairman of the Remuneration and Nomination Committee

CONTENTS

The Remuneration Report is presented under the following main headings:

1. Introduction

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The Company's Key Management Personnel (KMP) as defined in AASB 124 for the year ended 30 June 2014 are listed below.

Non-Executive Directors

Mr. A Grist	Chairman
Mr. I Warner	Deputy Chairman
Mr. P Clifton	Director
Mr. C Coleman	Director
Mr. A Davies	Director
Mr. P Brandling	Director

Executive Director

Mr. C Stein	Managing Director/ Chief Executive Officer

Other Executive KMPs

Mr. D Hinton	Chief Financial Officer and Company Secretary
Mr. M Knee	Chief Operating Officer
Mr. R Whiting	Chief Technology Officer

2. Remuneration governance

Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

3. Remuneration principles

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. To this end, the company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre Non-Executive Directors and executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate structures and performance hurdles for variable executive remuneration.

4. Remuneration structure

In accordance with good practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

The table below provides a summary of the elements of Non-Executive Director and executive remuneration for 2014:

	Remuneration element	Non-executive director	Executive
Fixed remuneration	Director fees	✔	✗
	Base salary	✗	✔
	Superannuation	✔	✔
	Other benefits	✔	✔
Variable remuneration	Short-term incentives	✗	✔
	Long-term incentives	✗	✔

5. Non-Executive Director remuneration

Objective

The Remuneration and Nomination Committee seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Company's Constitution and ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the Annual General Meeting held in November 2013 when shareholders approved a maximum aggregate remuneration pool of $950,000 per year. The aggregate amount of remuneration paid to Non-Executive Directors was $661,604.

The fee structure is reviewed annually. The Remuneration and Nomination Committee considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

The payment of additional fees for representation on Board Committees was discontinued on 1 July 2010.

The remuneration of Non-Executive Directors is detailed in section 9 of this report.

6. Executive remuneration

Objectives

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities. The executive remuneration framework has been designed to:

- reward executives for Group, business unit and individual performance against targets;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

In the 2014 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration – comprising base salary, superannuation and non-monetary benefits. Non-monetary benefits include provision of a motor vehicle, car parking and associated fringe benefits.
- Variable remuneration – comprising short-term and long-term incentive plans.

In determining the level and make-up of executive remuneration, the Remuneration and Nomination Committee obtains independent advice from time to time.

a. Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. Company, business unit and individual performance, as well as external market data where appropriate are considered during the annual review of fixed remuneration.

b. Short-Term Incentive (STI) Plan

The STI Plan provides executives with the opportunity to receive an annual cash incentive subject to the achievement of challenging performance measures.

The objective of the STI Plan is to link the achievement of the company's short-term targets with the annual remuneration received by senior executives and general staff charged with meeting those financial and operational targets.

The short term incentive plan measures consist of two components:

- Meeting key performance indicators (KPIs) such as leadership, risk management, strategy and customer satisfaction; and
- Outperforming budgeted earnings before interest, tax depreciation and amortisation (EBITDA).

These performance measures were chosen as they represent the key drivers to achieve short and longer term shareholder wealth creation. The maximum KMP STI available under the KPI component for the 2014 financial year was $438,000. The potential STI is set at a level for the year so as to provide sufficient incentive to reward achievement of profit and operational targets such that potential STI is aligned with expected profit outcomes and the cost to the company is reasonable. The profit target is set at the start of the year and is aligned to the anticipated profit growth of the company.

The amount of STI payable under the out-performance component is uncapped, however no out performance STI was paid to KMP as the company did not achieve its out-performance EBITDA target.

On an annual basis, after consideration of performance against KPIs, the Remuneration and Nomination Committee, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate.

c. Long-Term Incentive (LTI) Plan

LTI awards are made annually to executives in order to align remuneration with the creation of shareholder value over the long-term. LTI awards in the form of Performance Rights are only made to executives who the Remuneration and Nomination Committee believe have an impact on the Group's performance.

The number of Performance Rights issued to each executive is connected with their responsibilities and are issued at the Board's discretion.

Performance rights are granted to eligible executives for nil consideration and will vest if certain service and performance conditions are achieved, or if a change of control event occurs.

The Company uses relative Total Shareholder Return (TSR) and employment retention as the vesting hurdles. Relative TSR was selected as an LTI performance measure as it aligns executive reward with shareholder returns and minimises the effect of short term market fluctuations.

The relative TSR peer group is the S&P/ASX 300 Accumulation Index. This index is considered the most appropriate. All LTI grants also contain a service vesting condition which is important for the retention of key executives. Four tranches (B, C, D and E) of LTI awards were on issue at various times during the 2014 financial year.

	Tranche B	Tranche C	Tranche D	Tranche E
Consideration	Nil	Nil	Nil	Nil
Issued Exercise Price	N/A	N/A	N/A	N/A
Initial rights issued	480,000	1,480,000	1,135,000	1,160,000
Rights lapsed	-	(330,000)	(110,000)	(100,000)
Vesting Hurdle/ Requirements	50% will vest 30 June 2013; 25% will vest if TSR* is equal to but less than 110% of the S&P/ASX 300 Acc Index; A further 25% will vest if TSR* is equal to or greater than 110% of the Index.	33.3% will vest at 30 June 2014; 33.3% will vest if TSR* is equal to but less than 110% of the S&P/ASX 300 Acc Index; A further 33.3% will vest if TSR* equals or exceeds 110% of the S&P/ASX 300 Acc Index.	33.3% will vest at 30 June 2015; 33.3% will vest if TSR* is equal to but less than 110% of the S&P/ASX 300 Acc Index ; A further 33.3% will vest if TSR* equals or exceeds 110% of the S&P/ASX 300 Acc Index.	33.3% will vest at 1 September 2016; 33.3% will vest if TSR* is equal to the S&P/ASX 300 Acc Index ; A further 33.3% will vest if TSR* equals or exceeds 110% of the S&P/ASX 300 Acc Index.
Period for Vesting	1 July 2011 - 30 June 2013	1 July 2012 - 30 June 2014	1 July 2013 - 30 June 2015	1 July 2014 – 1 September 2016
Date of Lapse or vesting	30 June 2013 or if employment terminated	30 June 2014 or if employment terminated	30 June 2015 or if employment terminated	1 September 2016 or if employment terminated
Conversion Rate	1:1.3165	1:1	1:1	1:1
Fair Value	Range of 81.6 to 84.0 cents per right	Range of 51.9 to 61.5 cents per right	Range of 70.5 to 120.0 cents per right	Range of 134.85 to 138.84 cents per right
Share Price at Date of Grant	$1.065	$0.75 - $0.85	$1.33-$1.57	$2.04 - $2.06
Movement in performance rights	All performance rights vested on 30 June 2013 with shares transferred to holders between 1 July and 15 August 2013	1,150,000 performance rights vested on 30 June 2014 with shares transferred to holders between 2 July and 15 August 2014	100,000 performance rights lapsed during the financial year	1,160,000 performance rights were issued and 100,000 performance rights lapsed during the financial year

*TSR –Total Shareholder Return

On 29 May 2014, the Board has resolved to issue 2,150,000 Tranche F performance rights (inclusive of 525,000 performance rights subject to shareholder approval) with hurdles of 10% vesting on 1 September 2017 (employee retention) and 90% should the Amcom 5 day VWAP achieve $4 between 1 September 2017 and 31 January 2018. A share price target of $4 equates to a TSR of approximately 105% which, if achieved, in the Directors' view will be superior to the return of the Accumulation Index and provide a significant return to shareholders. These performance rights are yet to be issued.

Treatment of awards on cessation of employment

If the participant ceases employment with the Company all unvested performance rights will lapse, unless otherwise determined by the Board.

Treatment of awards on change of control

If the Board considers that a change of control event occurs, the unvested performance rights will vest.

Amcom Incentive Share Trust

In June 2013, a trust was established for the purpose of acquiring Amcom shares on market funded by the company. The shares acquired by the trust will then be transferred to the holders of Performance Rights upon the vesting of their rights. The acquisition of the shares by the trust is under the direction of the Board.

Company performance and LTI outcomes

The key performance measure for the vesting of the performance rights is the Company's TSR compared to the S&P/ASX 300 Accumulation Index, measured on a relative basis over the term of the tranche.

The Amcom TSR for the financial year ended 30 June 2014 was 9.8% which compares with the Index which increased by 17.3% over that same period. Amcom's TSR measured over a 2 year period to 30 June 2014 was 94% which compares favourably to the Index which increased 43% over that two year time frame.

7. Share-based payments

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 year	-	-	-	1,160,000
Lapsed	-	-	(110,000)	(100,000)
Vested	(480,000)	-	-	-
Closing balance @ 30 June 2014	-	1,150,000	1,025,000	1,060,000

The number of new shares that can be issued under the LTI awards has been capped at 5% of the Company's issued share capital. The number of Performance Rights on issue if vested would equate to 1.2% of the issued share capital.

At balance date there are no rights on issue that have vested but have not been exercised.

Details of the movements in performance rights during the 2014 year are as follows:

Performance rights vested in the financial year held by executives

Tranche B	Vested Number	Shares issued	Market value of shares at vesting date (per right) cents	Transfer Date	Total Value of resulting shares issued $
C Stein	192,000	252,768	202.00	14 Aug 2013	510,591
D Hinton	72,000	94,788	198.00	02 Jul 2013	187,680
M Knee	72,000	94,788	198.00	02 Jul 2013	187,680
R Whiting	72,000	94,788	198.00	02 Jul 2013	187,680
Non Key Executives	72,000	94,788	198.00	02 Jul 2013	187,680
	480,000				1,261,311

Performance rights awarded to executives in the financial year

Tranche E	Awarded number	Grant date	Fair value at award date (per right) cents	Expiry date	Total Value of rights issued $
C Stein	220,000	Nov 2013	136.00	1 Sep 2016	299,200
D Hinton	140,000	Sep 2013	134.00	1 Sep 2016	187,600
M Knee	140,000	Sep 2013	134.00	1 Sep 2016	187,600
R Whiting	140,000	Sep 2013	134.00	1 Sep 2016	187,600
Non Key Executives	520,000	Sep 2013	134.00	1 Sep 2016	696,800
	1,160,000				1,588,800

Performance rights lapsed in the financial year

	Lapsed number	Tranche	Market value at lapsed date (per right) cents	Lapsed date	Total Value of rights lapsed $
Non Key Executive	(20,000)	E	206.00	04 Apr 2014	(41,200)
Non Key Executive	(110,000)	D	204.00	13 Jun 2014	(224,400)
Non Key Executive	(80,000)	E	204.00	13 Jun 2014	(163,200)
	(210,000)				(428,800)

8. Additional disclosures relating to rights and shares

Performance rights held by Key Management Personnel during the 2014 year are as follows:

	Balance at 1 July 2013	Vested and Converted Tranche B	Issued Tranche E	Lapsed	Balance at 30 June 2014
Mr C. Stein	827,000	(192,000)	220,000	-	855,000
Mr. D Hinton	402,000	(72,000)	140,000	-	470,000
Mr. R Whiting	402,000	(72,000)	140,000	-	470,000
Mr. M Knee	402,000	(72,000)	140,000	-	470,000
Total	2,033,000	(408,000)	640,000	-	2,265,000

Fully paid ordinary shares held by Key Management Personnel in Amcom Telecommunications Ltd are as follows:

	Balance at 1 July	Vesting of Performance Rights (Tranche B)	Net other change(i)	Balance at 30 June
2014	No.	No.	No.	No.
Mr. A Grist	8,875,003	-	(575,003)	8,300,000
Mr. C Stein	1,000,000	252,768	(152,768)	1,100,000
Mr. A Davies	366,667	-	-	366,667
Mr. P Clifton	1,750,000	-	-	1,750,000
Mr. I Warner	66,667	-	-	66,667
Mr. C Coleman	466,668	-	-	466,668
Mr. P Brandling	-	-	23,800	23,800
Mr. M Knee	194,500	94,788	(114,500)	174,788
Mr. D Hinton	616,284	94,788	(42,264)	668,808
Mr. R Whiting	200,000	94,788	(44,788)	250,000
	13,535,789	537,132	(905,523)	13,167,398

9. Employment contracts

Chief Executive Officer

Mr. Stein is on a three year employment contract, which commenced September 2011 and expires on 26 September 2014. A renewal of this contract is currently in process.

Either party can terminate the contract with three months written notice. Should the Company provide such notice then Mr Stein will become entitled to a payment the equivalent of nine months annual remuneration as a termination payment in addition to any accrued benefits. There is no termination payment payable should Mr Stein provide notice of termination or be terminated for serious misconduct.

Other Executives

The executives are employed under permanent contracts with a one month notice period, except for Mr. Knee who has a 3 month notice period.

There are no termination provisions other than statutory entitlements in respect of the above employment contracts.

10. Key Management Personnel Remuneration

The following table discloses the remuneration of the directors and executives of the Company:

	Short Term			Post employ-ment	Long Term		Totals		
	Salary & fees	Cash bonus	Non-monetary benefits (i)	Super annua-tion	Share based payment (ii)	Long Service Leave		Perfor-mance Based	Share based payment
FY 2014	$	$	$	$	$	$	$	%	%
Non-Executive Directors									
Mr. A Grist	164,760		13,082	15,240			193,082		
Mr. I Warner	89,703			8,297			98,000		
Mr. P Clifton	89,703			8,297			98,000		
Mr. A Davies	89,703			8,297			98,000		
Mr. C Coleman	89,703			8,297			98,000		
Mr. P Brandling	70,043			6,479			76,522		
	593,615	-	13,082	54,907	-	-	661,604	-	-
Executive Director									
Mr. C Stein	446,800	125,000	109,796	50,000	251,549	7,447	990,592	38	25
Executives									
Mr. D Hinton	280,819	78,000	40,787	25,000	119,403	4,666	548,675	36	22
Mr. M Knee	280,000	86,000	86,252	26,100	119,403	4,667	602,422	34	20
Mr. R Whiting	250,000	85,000	66,661	23,125	143,691	4,167	572,644	40	25
	1,257,619	374,000	303,496	124,225	634,046	20,947	2,714,333	37	23
Total	1,851,234	374,000	316,578	179,132	634,046	20,947	3,375,937	30	19

Key Management Personnel Remuneration (continued)

	Short Term			Post employ-ment	Long Term		Totals		
	Salary & fees	Cash bonus	Non-monetary benefits (i)	Super annua-tion	Share based payment (ii)	Long Service Leave		Perfor-mance Based	Share based payment
FY 2013	$	$	$	$	$	$	$	%	%
Non-Executive Directors									
Mr. A Grist	165,138		13,232	14,862			193,232		
Mr. I Warner	81,667			16,333			98,000		
Mr. P Clifton	78,000			20,000			98,000		
Mr. A Davies	78,000			20,000			98,000		
Mr. C Coleman	89,908			8,092			98,000		
	492,713	-	13,232	79,287	-	-	585,232	-	-
Executive Director									
Mr. C Stein	471,800	102,000	96,626	25,000	213,993	8,567	917,986	34	23
Executives									
Mr. D Hinton	279,926	60,000	25,182	25,193	86,707	5,367	482,375	30	18
Mr. M Knee	281,646	69,000	80,399	22,854	86,707	1,371	541,977	29	16
Mr. R Whiting	242,734	63,000	48,509	24,846	81,089	7,972	468,150	31	17
Mr. M Sullivan	310,483	19,000	15,461	27,078	(17,111)	(9,751)	345,160	1	-5
	1,586,589	313,000	266,177	124,971	451,385	13,526	2,755,648	28	16
Total	2,079,302	313,000	279,409	204,258	451,385	13,526	3,340,880	23	14

i. For both 2014 and prior year, non-monetary benefits include provision of a motor vehicle, car parking and associated fringe benefits tax.

ii. Share based payment amount comprises the fair value of the Performance Rights under each Tranche on issue in the financial year. Please refer to Note 1 of the financial statements for the basis of the calculation.

11. Loans to Key Management Personnel and other related party transactions

Shareholders' Loans

Interest free loans were granted to Mr. A. Grist and Mr. C. Stein on 15 October 2003. The loans were granted to fund the shares issued as part of an executive incentive scheme approved by the shareholders in 2003. As a condition of these loans the directors must satisfy two year service contracts, which they have completed. There are no performance criteria attached.

The loans are repayable as a first charge on any funds received by the specified director from dividends and proceeds of sale of the Amcom shares (the subject of the loan). In the event of cessation of employment the loan must be repaid in full.

The loans have been treated as in-substance share options following the adoption of AASB 2 Share based payments. All actual shares related to this scheme are included within the directors' holdings as disclosed in Note 29(b). No additional in-substance options were granted within either the current or prior year.

	Opening Balance	Repay-ment	Closing Balance
2014			
Mr. A Grist	169,667	169,667	-
Mr. C Stein	42,916	19,000	23,916
	212,583	188,667	23,916
2013			
Mr. A Grist	239,000	69,333	169,667
Mr. C Stein	60,250	17,334	42,916
	299,250	86,667	212,583

Related Party Transactions

i. Consultancy fee of $168,000 (2013: $168,000) paid to Albion Capital Partners Pty Ltd, a corporate advisory group of which Mr A Grist is the shareholder. The agreement is based on commercial terms and can be terminated by either party with 30 days' notice. The agreement is reviewed by the independent Board on a regular basis.

ii. The Company provides normal secretarial support, car parking and office accommodation to Mr Grist in his role as non-executive chairman.

END OF REMUNERATION REPORT

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

Anthony Grist
Chairman

Perth, Western Australia
01 September 2014

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Auditor's independence declaration to the Directors of Amcom Telecommunications Limited

In relation to our audit of the financial report of Amcom Telecommunications Limited for the financial year ended 30 June 2014, 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
1 September 2014

TD:MW:AMCOM:022

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

1. 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 30 June 2014 and its performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
   (b) the financial statements and the Notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.
3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Anthony Grist
Director

Perth, Western Australia
01 September 2014

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Independent auditor's report to the members of Amcom Telecommunications Limited

Report on the financial report

We have audited the accompanying financial report of Amcom Telecommunications Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Amcom Telecommunications Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 29 to 40 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Amcom Telecommunications Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
1 September 2014

Brett Looney
Head of Innovation

Consolidated Statement of Profit or Loss and Comprehensive Income for the year ended 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
CONTINUING OPERATIONS			
Revenue	3(a)	170,414	157,735
		170,414	157,735
Network costs (including cloud and hosted costs)		(43,923)	(41,078)
Cost of hardware sold		(20,870)	(20,268)
Employee benefits expenses		(40,377)	(40,130)
Occupancy expenses		(6,674)	(4,483)
Marketing related expenses		(2,221)	(2,191)
Finance costs	3(b)	(2,629)	(1,857)
Repairs and maintenance expenses		(1,837)	(1,545)
Depreciation & amortisation expenses		(11,474)	(9,494)
Other expenses		(8,470)	(7,763)
Profit before income tax from continuing operations		31,939	28,926
Income tax expense	4(a)	(9,550)	(8,176)
Net Profit from continuing operations attributable to members of Amcom Telecommunications Ltd		22,389	20,750
Other comprehensive income			
(items that may be reclassified subsequently to profit or loss)			
Cash flow hedge – (loss) / gain taken to equity, net of tax		(6)	(116)
Total comprehensive income for the year attributable to members of Amcom Telecommunications Ltd		22,383	20,634
Earnings per share from continuing operations			
Basic (cents per share)	20	9.12	8.50
Diluted (cents per share)	20	8.39	8.37

Consolidated Statement of Financial Position as at 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	30(a)	31,443	25,310
Trade and other receivables	7	15,301	15,983
Inventories	8	3,358	2,189
Other	9	2,790	2,332
Total current assets		52,892	45,814
NON-CURRENT ASSETS			
Property, plant and equipment	10	140,981	123,209
Goodwill	11	48,599	34,472
Other intangible assets	12	6,039	2,462
Total non-current assets		195,619	160,143
TOTAL ASSETS		248,511	205,957
CURRENT LIABILITIES			
Trade and other payables	14	25,861	20,169
Deferred revenue		12,367	13,934
Borrowings	15	3,320	639
Income tax payable		1,982	1,851
Deferred consideration	25	1,000	-
Provisions and other liabilities		3,302	2,765
Total current liabilities		47,832	39,358
NON-CURRENT LIABILITIES			
Borrowings	15	20,859	36,516
Provisions and other liabilities		3,179	1,530
Deferred revenue		557	718
Deferred tax liabilities	4(b)	8,320	7,189
Total non-current liabilities		32,915	45,953
TOTAL LIABILITIES		80,747	85,311
NET ASSETS		167,764	120,646
EQUITY			
Contributed equity	18	148,525	107,873
Reserved Shares	18	(2,410)	-
Reserves		(295)	(720)
Retained profits		21,944	13,493
TOTAL EQUITY		167,764	120,646

	Contributed Equity	Shares reserved for employee share plans	Equity – Settled Benefits Reserve	Cash flow Hedge Reserve	Option Cancellation Reserve	Retained Profit	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
At 30 June 2012	107,787	-	1,956	-	(3,366)	5,460	111,837
Profit for the year	-	-	-	-	-	20,750	20,750
Other comprehensive income	-	-	-	(116)	-	-	(116)
Total comprehensive income	-	-	-	(116)	-	20,750	20,634
Repayment of shareholders loan	86	-	-	-	-	-	86
Share based payment	-	-	806	-	-	-	806
Dividends paid	-	-	-	-	-	(12,717)	(12,717)
At 30 June 2013	107,873	-	2,762	(116)	(3,366)	13,493	120,646
Profit for the year	-	-	-	-	-	22,389	22,389
Other comprehensive income	-	-	-	(6)	-	-	(6)
Total comprehensive income	-	-	-	(6)	-	22,389	22,383
Equity Raising (net of costs)	38,914	-	-	-	-	-	38,914
Dividend Reinvestment Plan	1,549	-	-	-	-	-	1,549
Repayment of shareholders loan	189	-	-	-	-	-	189
Share based payment	-	-	680	-	-	-	680
Acquisition of shares by Amcom Incentive Share Trust	-	(3,568)	-	-	-	-	(3,568)
LTI share plan transfer	-	1,158	(1,158)	-	-	-	-
Deferred tax on share based payment	-	-	909	-	-	-	909
Dividends paid	-	-	-	-	-	(13,938)	(13,938)
At 30 June 2014	148,525	(2,410)	3,193	(122)	(3,366)	21,944	167,764

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash flows from operating activities			
Receipts from customers		185,409	177,610
Payments to suppliers and employees		(135,850)	(138,320)
Interest received		185	276
Interest and other costs of finance paid		(2,490)	(1,856)
Income tax paid		(6,078)	(4,467)
Net cash provided by operating activities	30(c)	41,176	33,243
Cash flows from investing activities			
Payment for property, plant, equipment and intangibles		(22,586)	(19,243)
Proceeds from sale and lease back of property, plant and equipment	30(b)	2,673	801
Payment for acquisition of controlled entity, net of cash acquired	25	(14,283)	-
Acquisition activity expenses		(979)	(420)
Net cash (used in) investing activities		(35,175)	(18,862)
Cash flows from financing activities			
Repayment of loan		189	86
Proceeds from borrowings		34,217	17,500
Repayment of borrowings		(56,763)	(18,182)
Equity Raising undertaken (net)		38,446	-
Acquisition of shares by Amcom Incentive Share Trust		(3,568)	-
Dividends paid (net of dividend reinvestment plan)		(12,389)	(12,717)
Net cash provided by/(used in) financing activities		132	(13,313)
Net increase in Cash and cash equivalents		6,133	1,068
Cash and cash equivalents at the beginning of the financial year	30(a)	25,310	24,242
Cash and cash equivalents at the end of the financial year	30(a)	31,443	25,310

Corporate Information

Amcom Telecommunications Limited (the parent) is a for-profit company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. Summary of accounting policies

Statement of compliance

The financial report of Amcom Telecommunications Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of directors.

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except derivative financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that class order amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Amcom Telecommunications Limited and its subsidiaries (as outlined in Note 24) as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvements with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Specifically, the Group controls the subsidiaries if and only if the Group has power over the subsidiary, Exposure to variable returns from its involvement with the subsidiary, and the ability to use its power over the subsidiary to affect its returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

For the purpose of consolidation, the assets and liabilities of the Amcom Incentive Share Trust (Trust) are consolidated.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of judgement and estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and applying a suitable discount rate in order to calculate net present value.

The carrying amount of goodwill at the balance sheet date was $48,599,000 (2013: $34,472,000), refer to Note 11.

Useful lives of network infrastructure

As described in Note 1(o), the Group reviews the estimated useful lives of property, plant and equipment including network infrastructure at the end of each annual reporting period. The directors are of the opinion that the useful economic life of network infrastructure ranges between 5 and 35 years depending on the nature of the component parts. Should the actual lives of these component parts be significantly different this would impact the depreciation charge arising. The useful economic life is management's best estimate based on historical experience and industry knowledge.

Share based payments

The company had on issue at 30 June 2014 3,235,000 performance rights. The expense recorded in the Statement of Comprehensive Income of $680,000 in 2014 has been based on an external valuation using Geometric Brownian Motion Modelling and applying Monte Carlo simulation in order to determine fair value (Note 27).

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that are readily convertible to cash with no significant risk of change in value.

b. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

c. Derivative financial instruments

The Group uses derivative financial instruments (including interest rate swaps) to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

The Group tests the designated cash flow hedges for prospective effectiveness on a bi-annual basis using a sensitivity analysis on the cumulative ratio dollar offset method. If the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

Retrospective hedge effectiveness is assessed using the cumulative ratio dollar offset method. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the income statement.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

d. Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee leave benefits

i. Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled inclusive of on-costs.

ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments and on-costs to be made in respect of services provided by employees up to the reporting date. Consideration is given to the experience of employee departures and periods of service. Expected future payments are discounted using weighted average cost of capital.

e. Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is identified as uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited to profits. An allowance for impairment provision is recognised when there is objective evidence that the amount will not be collected. Financial difficulties of the debtor or past due debtors are considered objective evidence of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

f. Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

1. Summary of Accounting Policies (continued)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

g. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except: where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for receivables and payables which are recognised inclusive of GST.

The amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

h. Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash-Generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

i. Intangible assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Brand name and customer base

Brand names and customer base are recorded at cost less accumulated amortisation and impairment or at fair value part of a business combination. Amortisation is charged on a straight line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Licenses

Licenses are recorded at cost less accumulated amortisation and impairment or at fair value as part of business combination. Amortisation is charged on a straight line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Licences which have a perpetual life are held at cost and reviewed for impairment on an annual basis.

j. Impairment of non-financial assets other than goodwill

At each reporting date, the consolidated entity conducts a review of asset values to determine whether there is any indication that those assets have suffered an impairment loss. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangibles with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

k. Income tax

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

1. Summary of Accounting Policies (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which these can be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Amcom Telecommunications Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are initially recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to, or receivable by, the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 4 to the financial statements.

l. Inventories

Inventories are valued at the lower of cost and net realisable value on the first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m. Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

n. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted.
They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

o. Property, plant and equipment

Plant and equipment, network infrastructure, leasehold improvements, equipment under finance lease and capitalised interest costs are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is attributable to the acquisition and installation of the item, including labor costs, as well as borrowing costs of long term projects if the recognition criteria is met. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including network infrastructure. Depreciation is calculated on a straight line basis or reducing balance basis so as to write off the cost or other revalued amount net of estimated residual value of each asset over its expected useful

1. Summary of Accounting Policies (continued)

life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated annual depreciation rates are used in the calculation of depreciation:

Asset Type	%
Network Infrastructure	3 – 20
Leasehold Improvements	10 – 20
Plant and Equipment	10 – 25
Furniture and Fittings	7 – 25
Motor Vehicles	14

p. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q. Revenue recognition

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue is recognised based on the period of the contract and, where deferred to a subsequent period, recognised as deferred revenue in the balance sheet. Fees charged for the establishment of fibre services are brought to account as revenue over a two year period, unless the amount is below $5,000 when it is brought to account as revenue when billed.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis when the Group's right to receive the payment is established.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

r. Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (key management personnel and senior management) in the form of share-based payments, whereby employees render services in exchange for performance rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Geometric Brownian Motion model and a Monte Carlo simulation. Taking into account the terms and conditions upon which the rights were granted, to fair value the performance rights, further details of which are given in Note 27.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of shares of Amcom Telecommunications Limited.

1. Summary of Accounting Policies (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Profit or Loss and Comprehensive Income is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of diluted earnings per share (see Note 20).

s. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

1. Summary of Accounting Policies (continued)

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

t. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and for other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares on issue and dilutive potential ordinary shares, adjusted for any bonus element.

u. AASB accounting standards issued but not yet effective

Standards and interpretations which were applied for the first time for the year ending 30 June 2014.

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	No Impact	1 July 2013
AASB 11	*Joint Arrangements*	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities - Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.	1 January 2013	No Impact	1 July 2013
AASB 12	*Disclosure of Interests in Other Entities*	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarized information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	No Impact other than disclosure	1 July 2013

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	No Impact other than disclsoure	1 July 2013
AASB 119	*Employee Benefits*	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	No Impact	1 July 2013
AASB 2012-2	*Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 January 2013	Noted for future application	1 July 2013

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).	1 January 2013	No Impact	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*	1 January 2013	No Impact	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013**	Disclosure remains per Corps. Act require-ment	1 July 2013

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 1053	*Application of Tiers of Australian Accounting Standards*	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	No Impact	1 July 2013

1. Summary of Accounting Policies (continued)

The following standards and interpretations, including those issued by the IASB / IFRIC where an Australian equivalent has not been made by the AASB, have been issued but are not yet effective as at 1 September 2014:

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Not Assessed	1 July 2014
AASB Inter-pretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	No Impact	1 July 2014
AASB 2013-3	*Recoverable Amount Disclosures for Non-Financial Assets*	These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.	1 January 2014	No Impact	1 July 2014
AASB 2013-4	*Novation of Derivatives and Continuation of Hedge Accounting*	AASB 2013-4 makes amendments to *AASB 139 Financial Instruments: Recognition* & Measurement to permit the continuation of hedge accounting in circumstances where a derivative, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	No Impact	1 July 2014

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2013-5	*Investment Entities*	The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 *Financial Instruments: Recognition* and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries. These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.	1 January 2014	No Impact	1 July 2014
IFRS 9	*Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*	These amendments add a new chapter on hedge accounting to the Standard which substantially overhauls the previous requiements. This is currently under consideration with an effective date yet to be determined.	1 July 2018	Not Assessed	1 July 2018
IAS 19	*Defined Benefit Plans: Employee Contributions*	These amendments revise the requirements in IAS 19 Employee Benefits for contributions from employees or third parties that are linked to service if: • The amount of the contributions is independent of the number of years of service; contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered. • If the amount of the contributions depends on the number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit in accordance with paragraph 70 of IAS 19. These amendments are expected to provide relief as entities are allowed to deduct contributions from service cost in the period in which the service is rendered.	1 July 2014	Not Assessed	31 December 2015

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 July 2019	Not Assessed	1 July 2019

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-1 (Annual Imp. 2010–2012 Cycle)	Amendments to Australian Accounting Standards Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: • AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. • AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. • AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	Noted with no current impact	1 July 2014

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-1 (Annual Imp. 2011–2013 Cycle)	Amendments to Australian Accounting Standards Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: • AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. • AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	No Impact	1 July 2014
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	No Impact	1 July 2014
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	1 January 2014	Not Assessed	1 July 2014

1. Summary of Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 14	Interim standard on regulatory deferral accounts	This interim standard provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB.	1 January 2016	No Impact	1 July 2016
Amend. IAS 16 and IAS 38**	Clarification of Acceptable Methods of Depreciation & Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	Noted with no current impact	1 July 2016
IFRS 15 **	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services	1 January 2017	Not Assessed	1 July 2017

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** These IFRS amendments have not yet been adopted by the AASB. However, in order to claim compliance with IFRS, these amendments should be noted in the financial statements

2. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, vendor loans, finance leases, cash, short-term deposits and derivative financial instruments.

The Group manages its exposure to key financial risks, including credit risk, liquidity risk, interest rate risk and currency risk in accordance with the Group's risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst managing risk.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and entering into derivative transactions such as interest rate swaps. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with management. The Audit and Risk Committee has an oversight role under the authority of the Board. The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations and cash at bank.

At balance sheet date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	Consolidated	
	2014 $'000	2014 $'000
Financial Assets		
Cash and cash equivalents	31,443	25,310
Financial liabilities		
Borrowings	12,000	32,332
Net Exposure	19,443	(7,022)

The Group constantly analyses its interest rate exposure with the objective of minimising the financial impact of interest rate fluctuations.

At 30 June 2014, if interest rates had moved with all other variables held constant prior to the cash flow hedge being taken, post-tax profit would have been affected as illustrated below:

2. Financial Risk Management Objectives and Policies (continued)

Judgements of reasonably possible movements:

	Post tax profit Higher/(Lower) 2014 $'000	2013 $'000
Consolidated		
+ .5% (50 basis points)	(68)	(25)
- .5% (50 basis points)	68	25

At 30 June 2014, the company had an interest rate swap agreement in place with a notional amount of $12,000,000 (2013: $12,000,000) whereby the company pays a fixed rate of interest of 4.86% and receives a variable rate of interest of BBSW + 1.5% on the notional amount. The interest rate swap is used as a cash flow hedge to manage cash flow variations due to changes in interest rates as illustrated above.

Credit risk

Credit risk arises from the financial assets of the Group, which include cash at bank, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The company's bank's financial position and credit rating are reviewed on an annual basis. Bank deposits are mainly with one financial institution which has an AA-rating from Standard & Poor. The Group does not hold any credit derivatives to offset its credit exposure. Receivable balances are monitored on a regular basis with the result that the Group's exposure to bad debts is not significant. Receivables comprise amounts due from various corporate entities and individuals who are generally not rated. There are no significant concentrations of credit risk within the Group.

Foreign exchange risk

The Group has minimal foreign exchange risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, vendor loans, finance leases and committed available lines. At 30 June 2014, 14% of the Group's borrowings will mature in less than one year (2013: 1%).

The table below reflects all contractually fixed payables and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as of 30 June 2014. The gross undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The contractual maturities of the Group's financial liabilities are:

Year ended 30 June 2014	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated Financial Liabilities					
Trade & other payables	25,861	-	-	-	25,861
Borrowings	1,602	1,900	20,878	-	24,380
Current tax payable	1,982	-	-	-	1,982
Deferred consideration	-	1,000	-	-	1,000
Gross callable amount under financial guarantee	-	2,662	-	-	2,662
	29,445	5,562	20,878	-	55,885

Year ended 30 June 2013	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated Financial Liabilities					
Trade & other payables	20,169	-	-	-	20,169
Borrowings	180	789	37,558	-	38,527
Current tax payable	1,851	-	-	-	1,851
Gross callable amount under financial guarantee	-	1,883	-	-	1,883
	22,200	2,672	37,558	-	62,430

2. Financial Risk Management Objectives and Policies (continued)

Maturity analysis of financial assets and liabilities based on management's expectation.

Year ended 30 June 2014	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated Financial Assets					
Cash & cash equivalents	31,443	-	-	-	31,443
Trade & other receivables	15,301	-	-	-	15,301
	46,744	-	-	-	46,744
Consolidated Financial Liabilities					
Trade & other payables	25,861	-	-	-	25,861
Borrowings	1,602	1,900	20,878	-	24,380
Current tax payable	1,982	-	-	-	1,982
Deferred consideration	-	1,000	-	-	1,000
Gross callable amount under financial guarantee	-	2,662	-	-	2,662
	29,445	5,562	20,878	-	55,885
Net maturity	17,299	(5,562)	(20,878)	-	(9,141)

Year ended 30 June 2013	‹ 6 months $'000	6-12 months $'000	1-5 years $'000	› 5 years $'000	Total $'000
Consolidated Financial Assets					
Cash & cash equivalents	25,310	-	-	-	25,310
Trade & other receivables	15,983	-	-	-	15,983
	41,293	-	-	-	41,293
Consolidated Financial Liabilities					
Trade & other payables	20,169	-	-	-	20,169
Borrowings	180	789	37,558	-	38,527
Current tax payable	1,851	-	-	-	1,851
Gross callable amount under financial guarantee	-	1,883	-	-	1,883
	22,200	2,672	37,558	-	62,430
Net maturity	19,093	(2,672)	(37,558)	-	(21,137)

3. Profit from operations

	Consolidated 2014 $'000	Consolidated 2013 $'000
a. Revenue from continuing operations		
Rendering of services	145,340	132,170
Sale of hardware	24,765	25,289
Interest income – bank deposits	309	276
	170,414	157,735

	Consolidated 2014 $'000	Consolidated 2013 $'000
b. Finance costs		
Line fees on bank facilities	597	379
Interest on borrowings	2,264	1,478
Capitalised interest to property, plant and equipment	(232)	-
	2,629	1,857

4. Income tax

The major components of income tax expense are:

	Consolidated 2014 $'000	Consolidated 2013 $'000
a. Income tax recognised in profit or loss		
Current income tax		
Current income tax expense	6,975	5,998
Adjustment in respect of current income tax of previous year	-	(324)
Deferred income tax		
Relating to origination and reversal of temporary differences	2,296	2,463
Deferred income tax of previous years	279	39
Income tax expense reported in the Statement of Profit or Loss and Comprehensive Income	9,550	8,176

Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

	Consolidated 2014 $'000	Consolidated 2013 $'000
Accounting profit before income tax from continuing operations	31,939	28,926
At the Group's statutory income tax rate of 30% (2013: 30%)	9,582	8,678
Adjustment in respect of current income tax of previous years	-	(324)
Adjustment in respect of deferred income tax of previous years	279	-
Contribution to trust for acquisition of shares for LTI plan	(163)	(120)
Share-based payments	205	170
Expenditure not allowable for income tax purposes	47	180
Non-temporary differences	(400)	(408)
Income tax expense reported in the Statement of Profit or Loss and Comprehensive Income	9,550	8,176

4. Income Tax (continued)

b. Deferred Income Tax

Deferred income tax at 30 June relates to the following:

	Balance Sheet 2014 $'000	Balance Sheet 2013 $'000	Income Statement 2014 $'000	Income Statement 2013 $'000
Consolidated				
Deferred tax liabilities				
Depreciable assets	(12,035)	(9,433)	(3,386)	(2,372)
Deferred tax assets				
Accruals	300	368	(69)	27
Provisions	1,966	1,115	755	23
Expenses tax deductible over time	333	83	263	(174)
Share based payments	577	-		
Losses available for offsetting against future taxable income	148	-	148	
Unearned revenue	391	678	(287)	(8)
Gross deferred tax assets	3,715	2,244		
Net deferred tax (liabilities)	(8,320)	(7,189)		
			(2,576)	(2,504)

Tax consolidation system

The Company and its wholly owned Australian resident entities formed a tax – consolidated group with effect from 1 July 2003 and have been taxed as a single entity from that date with subsequently acquired entities included from the date of acquisition, except for the Amcom Incentive Share Trust.

Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Amcom Telecommunications Ltd and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Tax losses

The consolidated entity has capital tax losses of $1,776,137 (2013: $1,776,137) for which no deferred tax asset is recognised in the statement of financial position. These capital losses are available indefinitely for offset against future capital gains subject to continuing to meet relevant income tax legislation.

5. Share Options

In-substance share option

Interest free loans were granted to Mr. A. Grist and Mr. C. Stein on 15 October 2003. The loans were granted to fund the shares issued as part of an executive incentive scheme approved by the shareholders in 2003. As a condition of these loans the directors must satisfy two year service contracts, which they have completed. There are no performance criteria attached.

The loans are repayable as a first charge on any funds received by the specified director from dividends and proceeds of sale of the Amcom shares (the subject of the loan). In the event of cessation of employment the loan must be repaid in full.

The loans have been treated as in-substance share options following the adoption of AASB 2 Share based payments. All actual shares related to this scheme are included within the directors' holdings as disclosed in Note 29(d). No additional in-substance options were granted within either the current or prior year.

	Opening Balance $	Repay-ment $	Closing Balance $
Shareholders' Loans			
2014			
Mr. A Grist	169,667	169,667	-
Mr. C Stein	42,916	19,000	23,916
	212,583	188,667	23,916
2013			
Mr. A Grist	239,000	69,333	169,667
Mr. C Stein	60,250	17,334	42,916
	299,250	86,667	212,583

6. Remuneration of Auditors

	Consolidated 2014 $'000	Consolidated 2013 $'000
Auditor of the parent entity – Ernst & Young		
Audit or review of the financial reports	188,000	158,000
Other non-audit services		
Tax services	91,064	86,967
Accounting advice	39,500	8,201
Corporate services – pre acquisition due diligence	46,980	112,985
	365,544	366,153

7. Trade and other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade and other receivables	15,396	16,075
Allowance for impairment loss	(95)	(92)
	15,301	15,983

Trade receivables are non-interest bearing and are generally on 30 day terms.

Allowance for impairment loss

Movements in the allowance for impairment loss:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Opening balance	92	157
Provision acquired	11	-
Charge for the year	318	207
Amounts written off	(326)	(272)
Closing balance	95	92

At 30 June, the ageing analysis of trade and other receivables is as follows:

Ageing analysis of trade and other receivables ($'000):

	Total	0-30 days	31-60 days PDNI *	31-60 days CI#	61-90 days PDNI*	61-90 days CI#	+91 days PDNI*	+ 91 days CI#
2014	15,396	11,726	2,710	-	441	-	519	95
2013	16,074	13,097	2,236	-	642	-	7	92

* Past due not impaired ('PDNI')
# Considered impaired ('CI')

Past due not impaired receivables

The Company has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the carrying value of receivables. No collateral is held as security.

8. Inventories

	Consolidated 2014 $'000	Consolidated 2013 $'000
Spares and consumables – at cost	3,358	2,189

9. Other Current Assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
Prepayments	2,018	1,964
Deposits	655	109
Other	117	259
	2,790	2,332

10. Property, Plant and Equipment

	Network Infra - structure	Leasehold Improve - ments	Plant & equipment	Furniture & fittings	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Amount						
Balance at 30 June 2012	150,175	3,143	2,436	9,071	27	164,852
Additions	20,583	655	343	2,944	-	24,525
Disposals	(344)	(563)	-	(182)	-	(1,089)
Balance at 30 June 2013	170,414	3,235	2,779	11,833	27	188,288
Additions	23,325	2	583	1,498	-	25,408
Disposals	(20)	(13)	-	(13)	-	(46)
Acquisition of subsidiaries	4,598	410	36	33	-	5,077
Balance at 30 June 2014	198,317	3,634	3,398	13,351	27	218,727

10. Property, Plant and Equipment (continued)

	Network Infra - structure	Leasehold Improve - ments	Plant & equipment	Furniture & fittings	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated Depreciation						
Balance at 30 June 2012	45,780	1,553	1,951	6,697	22	56,003
Additions	7,924	246	196	1,106	1	9,473
Disposals	(78)	(227)	-	(94)	-	(399)
Balance at 30 June 2013	53,626	1,572	2,147	7,709	23	65,077
Additions	9,438	185	262	1,317	1	11,248
Disposals	(20)	(13)	-	(13)	-	(46)
Acquisition of subsidiaries	1,333	106	18	9	-	1,466
Balance at 30 June 2014	64,422	1,850	2,427	9,022	24	77,745
Net Carrying Amount						
As at 30 June 2013	116,788	1,663	632	4,124	4	123,211
As at 30 June 2014	133,895	1,784	971	4,329	3	140,982

11. Goodwill

	Consolidated 2014 $'000	Consolidated 2013 $'000
Net carrying amount		
Opening Balance	34,472	34,472
Acquisition of subsidiaries (Note 25)	14,127	-
Closing Balance	48,599	34,472

11. Goodwill (continued)

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to three individual cash-generating units as follows:

	Consolidated 2014 $'000
Telecommunications ('Telco')	11,285
Cloud and Hosted Services	36,157
IT Services	1,157
	48,599

The recoverable amounts of the net assets employed in the Telecommunications, Cloud and Hosted Services and IT Services cash-generating units are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the Board covering a two-year period and a risk adjusted pre-tax discount rate of 15.0% (2013: 18.6%). For cash-generating units growth rates beyond the two year period are extrapolated over the following eight years using the assumptions outlined below plus the inclusion of a terminal value. The period used reflects the minimum period of expected sustainable growth of the business unit.

Impairment testing of goodwill

The key assumptions used in the value in use calculations for the various significant cash-generating units are as follows:

	2014			2013		
	Telco %	Cloud and Hosted %	IT Services %	Telco %	Cloud and Hosted %	IT Services %
Key assumptions (i)						
Revenue growth	8	10	3	9	16	2
Expense growth	3.9	4.5	3	4	5	3

The cash generating units are identified by management based on the nature of the services provided.

Results of the impairment tests conclude that value in use calculations are not sensitive to the above assumptions.

(i) Assumptions have been based on historical observed trends and expected future events.

Revenue growth has been based on the company's various products' life cycles, current market trends as observed in the industry including churn, and the expected future product mix of the business.

Expense growth has been based on market pricing, gross margin trend observations through the industry and forecast CPI increases for corporate overhead costs.

12. Other Intangible Assets

	Consolidated			
Gross carrying amount	Brand name $'000	Customer Base $'000	Licenses $'000	Total $'000
Balance at 1 July 2012	62	717	1,047	1,826
Additions	-	-	1,389	1,389
Disposals	-	-	(82)	(82)
Balance at 30 June 2013	62	717	2,354	3,133
Additions	-	2	3,012	3,014
Acquisition of subsidiaries	-	790	-	790
Disposals	-	-	-	-
Disclosure adjustment	(10)	(5)	15	-
Balance at 30 June 2014	52	1,504	5,380	6,936
Accumulated amortisation				
Balance at 1 July 2012	62	386	146	594
Amortisation expense	-	-	114	114
Disposals	-	-	(37)	(37)
Balance at 30 June 2013	62	386	223	671
Additions	-	180	46	226
Acquisition of subsidiaries	-	2	-	2
Disposals				
Disclosure adjustment	(10)	(85)	94	2
Balance at 30 June 2014	52	483	364	897
Net carrying amount				
As at 30 June 2013	-	331	2,131	2,462
As at 30 June 2014	-	1,022	5,017	6,039

13. Assets pledged as security

In accordance with the security arrangements of bank borrowings, as disclosed in Note 15 to the financial statements, a general security interest has been registered over all the assets and undertakings of the consolidated entity, excluding the Amcom Incentive Share Trust. The general security interest is supported by a cross deed of guarantee and indemnity provided by all entities in the consolidated entity (except Amcom Incentive Share Trust) in favour of the bank.

The consolidated entity does not hold title to the equipment under finance leases pledged as security.

14. Trade and other payables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade payables (i)	21,034	11,737
Accruals	3,564	6,391
Others	1,263	2,041
Fair value of trade and other payables	25,861	20,169

(i) Trade payables are generally interest free for up to 30 days. Thereafter interest may be charged at commercial rates. The consolidated entity has financial cash management policies in place to ensure that all payables are paid within the credit framework.

Fair value

The carrying amounts of trade payables approximate their fair value as they are short term in nature.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in Note 2.

15. Borrowings

	Consolidated 2014 $'000	Consolidated 2013 $'000
Current		
Finance lease liabilities (i)	1,188	296
Vendor loan (ii)	2,328	343
Debt establishment costs (iv)	(196)	-
	3,320	639
Non-Current		
Bank debt (iii)	12,000	31,500
Finance lease liabilities (i)	1,540	536
Vendor loan (ii)	7,356	4,480
Debt establishment costs (iv)	(37)	-
	20,859	36,516

(i) Secured by assets under lease. Refer to note 22 for further details.

(ii) Refer to note 30 for further details.

(iii) The consolidated entity has a bank facility to 31 December 2016. The current weighted average effective interest rate is 4.21%. Refer to note 13 for security details.

(iv) Debt establishment costs were previously disclosed as prepayments in the 2013 prior year.

Fair value

The carrying amounts of the Group's borrowings approximate their fair values as these carry interest at market rates.

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 2.

16. Derivative Financial Liability

	Consolidated 2014 $'000	2013 $'000
Current Liability		
Interest rate swap contract-cash flow hedge	79	46
Non-Current Liability		
Interest rate swap contract-cash flow hedge	45	70

At 30 June 2014, the company had an interest rate swap agreement in place with a notional amount of $12,000,000 (2013: $12,000,000) whereby the company pays a fixed rate of interest of 4.86% and receives a variable rate of interest of BBSW + 1.5% on the notional amount. The interest rate swap is used as a cash flow hedge to manage cash flow variations due to changes in interest rates.

Refer to Note 2 for details on the Company's policy on financial risk management.

17. Provisions

	Consolidated 2014 $'000	2013 $'000
Current		
Employee provisions	2,967	2,719
Provision for onerous contracts	256	-
	3,223	2,719
Non-Current		
Employee provisions	1,042	802
Provision for onerous contracts	1,641	-
Deferred rent provision	451	658
	3,134	1,460
	6,357	4,179
Reconciliation of Onerous Contract Provision		
At 1 July	-	-
Acquisition of subsidiary (note 25)	1,977	-
Utilised during the year	(80)	-
At 30 June	1,897	-

18. Contributed Equity

	Consolidated 2014 $'000	2013 $'000
Balance at beginning of financial year	107,873	107,787
Partial repayment of share based loan to directors	189	86
Issue of shares	38,914	-
Dividend Reinvestment Plan	1,549	-
Balance at end of financial year	148,525	107,873

	Consolidated 2014 No.	2013 No.
Fully Paid Ordinary Shares		
Balance at beginning of financial year	244,557,101	241,507,213
Issue of shares	-	3,049,888
Dividend reinvestment plan	765,793	-
Equity raising	19,512,195	-
Reserved shares	(1,150,000)	-
Balance at end of financial year	263,685,089	244,557,101

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Shares were purchased by the Amcom Incentive Share Trust on the ASX to transfer to participants of the long term incentive plan upon vesting of Performance Rights. At year end, the trust held 1,150,000 shares in the Company.

The gearing ratios based on continuing operations at 30 June 2014 and 2013 were as follows:

	Consolidated 2014 $'000	2013 $'000
Total borrowings	24,179	37,155
Less cash and cash equivalents	31,443	25,310
Net debt	(7,264)	11,845
Total equity	167,764	120,646
Total capital	160,500	132,491
Gearing ratio (i)	N/A	9%

(i) As at 30 June 2014, as net debt was in a cash positive position, the gearing ratio is not applicable.

19. Reserves

Nature and purpose of reserves

Equity-settled benefits reserve

The equity-settled benefits reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to Note 29 for further details of these plans.

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Option cancellation reserve

The option cancellation reserve contains consideration of the cancellation of 81,175,585 options at 4c per option cancelled during 2010.

20. Earnings per Share (EPS)

	Consolidated 2014 Cents per share	Consolidated 2013 Cents per share
Basic earnings per share	9.12	8.50
Diluted earnings per share	8.39	8.37

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Net Profit after tax used in calculation of basic & diluted EPS	22,389	20,750

	Consolidated 2014 No.	Consolidated 2013 No.
Weighted average number of ordinary shares used in calculation of basic EPS	245,433,628	244,121,403
Potential ordinary shares underlying the performance rights	3,235,000	3,695,579
Number of ordinary shares and potential ordinary shares used in calculation of diluted EPS	266,920,089	247,816,982

21. Dividends

	2014 Cents per shares	2014 Total $'000	2013 Cents per shares	2013 Total $'000
Recognised amounts (pre DRP)				
Fully paid ordinary shares				
Final dividend	3.5	8,558	3.2	7,826
Interim dividend	2.2	5,380	2.0	4,891
		13,938		12,717
Fully franked to 30% (Prior year: 30%)				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend payable 7 October 2014	4.0	10,593	3.5	8,559
Fully franked to 30% (Prior Year: 30%)				

Franking account balance as at 30 June	Consolidated 2014 $'000	Consolidated 2013 $'000
Franking account balance as at 30 June	4,534	3,328
Impact on franking account balance of dividends not recognised	(4,540)	(3,668)
Impact on franking account balance of income tax payable at 30 June	1,982	1,851
Adjusted franking account balance	1,976	1,511

22. Commitments

Finance lease commitments

(i) Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of between 1 to 5 years. The consolidated entity has options to purchase the equipment at the conclusion of the lease agreements.

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
No later than 1 year	1,344	347	1,188	296
Later than 1 year and not later than 5 years	1,621	584	1,540	536
Minimum lease payments	2,965	931	2,728	832
Less future finance charges	(237)	(99)	-	-
Present value of minimum lease payments	2,728	832	2,728	832
Included in the financial statements as:				
Current interest-borrowings (Note 15)			1,188	296
Non-current interest-borrowing (Note 15)			1,540	536
			2,728	832

Operating lease arrangements

Operating leases relate to premises and equipment with varying lease terms. The majority of the premise operating leases contain marketing review and fixed rent increase clauses. The consolidated entity does not have an option to purchase the leased assets at the expiry of the leased period.

	Consolidated	
	2014 $'000	2013 $'000
Non-cancellable operating lease commitments		
No longer than 1 year	10,443	9,004
Longer than 1 year and not longer than 5 years	26,864	26,157
Longer than 5 years	1,021	123
	38,328	35,284

23. Contingent liabilities

a. Financial Guarantees

The reporting entity has issued bank guarantees in favour of third parties to the face value of $2,661,663.

In addition, the parent entity has provided guarantees to third parties guaranteeing the debts and the performance of contracts entered into by controlled entities with third parties. No amounts have been recognised in the financial statements in respect of these guarantees based on Directors' assessment of the fair value at 30 June 2014.

b. ASIC Class Order 98/1418

The Closed Group consists of the entities denoted by (ii) at Note 24.

Pursuant to Class Order 98/1418, the Company and each of the entities of the Closed Group have entered into a Deed of Cross Guarantee such that the Company guarantees to pay any deficiency in the event of a winding up of a controlled entity in the Closed Group and each controlled entity in the Closed Group has also given a similar guarantee in the event of the winding up of the Company.

The Consolidated Statement of Profit or Loss and Comprehensive Income and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

23. Contingent Liabilities (continued)

Statement of Financial Position

	2014 $'000	2013 $'000
CURRENT ASSETS		
Cash and cash equivalents	29,859	23,171
Trade and other receivables	4,433	6,086
Inventories	3,265	2,156
Other	2,266	1,891
Total current assets	39,823	33,304
NON-CURRENT ASSETS		
Investment in subsidiaries	43,771	27,144
Other receivables	12,547	1,748
Property, plant and equipment	136,499	121,776
Goodwill	11,784	11,784
Other intangible assets	2,679	769
Total non-current assets	207,280	163,221
Total assets	247,103	196,525
CURRENT LIABILITIES		
Trade and other payables	18,176	14,799
Deferred revenue	10,155	10,719
Borrowings	3,137	552
Income Tax Payable	2,472	2,361
Provisions	3,046	2,766
Total current liabilities	36,986	31,197
NON-CURRENT LIABILITIES		
Borrowings	20,835	36,516
Provisions and other financial liabilities	1,535	870
Deferred revenue	2,852	718
Deferred tax liabilities	7,558	7,301
Total non-current liabilities	32,780	45,405
Total liabilities	69,766	76,602
Net Assets	177,337	119,923
Contributed equity	148,525	107,873
Reserves	(295)	(720)
Retained profit	29,107	12,770
Total Equity	177,337	119,923

23. Contingent Liabilities (continued)

Statement of Comprehensive Income

	2014 $'000	2013 $'000
Profit from continuing operations before income tax	38,282	29,213
Income tax expense	(8,007)	(8,654)
Net profit	30,275	20,559
Retained earnings at beginning of the period	12,770	4,928
Dividends paid	(13,938)	(12,717)
Retained earnings at end of the period	29,107	12,770

24. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %
Parent Entity			
Amcom Telecommunications Ltd [i][ii]	Australia		
Controlled Entities			
Amcom Pty Ltd [ii]	Australia	100	100
Rescue Technology Group Pty Ltd [ii]	Australia	100	100
Future Proof Technologies (WA) Pty Ltd [ii]	Australia	100	100
Amnet Internet Services Pty Ltd [ii]	Australia	100	100
Amnet Broadband Pty Ltd [ii]	Australia	100	100
Amcom Data Centres Pty Ltd [ii]	Australia	100	100
Ezesoftwrite Pty Ltd [ii]	Australia	100	100
Amcom L7 Solutions Pty Ltd	Australia	100	100
Amcom IP Tel Pty Ltd	Australia	100	100
L7 ERP Pty Ltd	Australia	100	100
L7 Recruitment Pty Ltd	Australia	100	100
L7 Training Pty Ltd	Australia	100	100
Amcom Incentive Share Plan Pty Ltd	Australia	100	100
Amcom Incentive Share Trust	Australia	100	100
Global Networks AMC Data Centres Pty Ltd [iii]	Australia	100	-
aCure Technology Pty Ltd [iv]	Australia	100	-

i. Amcom Telecommunications Ltd is the head entity within the Closed Group.
ii. These companies are members of the Closed Group.
iii. Global Networks AMC Data Centres Pty Ltd was 100% acquired on 25 July 2013.
iv. aCure Technology Pty Ltd was 100% acquired on 26 September 2013.

24. Subsidiaries (continued)

Amcom Pty Ltd is a large proprietary company and pursuant to ASIC Class Order 98/1418 is relieved from the requirement to prepare and lodge an audited financial report.

All other controlled entities are small proprietary companies as described by the *Corporations Act 2001*.

25. Acquisition of a Controlled Entity

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. The company was acquired to increase Amcom's data centre capacity to over 650 racks, connected by Amcom's fibre network, and drive further revenue through cloud and hosted services.

	Final Fair Value at acquisition date $'000
Cash assets	124
Trade receivables and other current assets	681
Deferred tax assets	913
Total current assets	1,718
Property, plant and equipment	2,886
Customer base	787
Total non-current assets	3,673
Total assets	5,391
Trade payables, provisions and other	1,534
Provision for onerous contract	263
Financial liabilities	349
Deferred tax liabilities	55
Total current liabilities	2,201
Financial liabilities	616
Provision for onerous contract	1,713
Deferred tax liability	221
Total non-current liabilities	2,550
Total liabilities	4,751
Net assets	640
Goodwill	12,522
Acquisition cost	13,162

25. Acquisition of a Controlled Entity (continued)

	Final Fair Value at acquisition date $'000
Fair value of consideration transferred:	
Initial payment on acquisition	11,662
Deferred cash	1,500
	13,162
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	124
Cash paid (excluding deferred consideration)	(11,662)
	(11,538)

The goodwill of $12,522k arising from the acquisition was allocated to the Hosted and Cloud services segment.

aCure Technology's contribution to net profit after tax for the 9 month period ended 30 June 2014 since acquisition was $614k. The net profit after tax for the corresponding 9 month period ended 30 June 2013 was $336k.

Global Networks AMC Data Centre Pty Ltd

On 25 July 2013, the company acquired 100% of Global Networks AMC Data Centre Pty Ltd for cash consideration of $2.24m (net of cash acquired). 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 30 June 2014 was immaterial. (Comparative period 30 June 2013: $362k).

26. Parent entity information

Information relating to Amcom Telecommunications Limited:

	2014 $'000	2013 $'000
Current assets	4,223	140
Total assets	138,895	78,629
Current liabilities	946	13,165
Total liabilities	19,878	12,858
Contributed Equity	148,525	107,873
Retained (losses)	(26,559)	(39,403)
Employee Equity-settled Benefits Reserve	418	666
Option Cancellation Reserve	(3,366)	(3,366)
Total shareholders' equity	119,018	65,770
Profit of the parent entity	26,783	14,391
Total comprehensive income of the parent entity	26,783	14,391

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The financial guarantees and the contingent liabilities of the group are the same as those of the parent. Refer to Note 23 for further details.

27. Share-based payment plans

a. Recognised share-based payment expenses

	2014 $'000	2013 $'000
Expense arising from equity-settled share-based payment transactions (Note 19)	680	565

Type of share-based payment plans

Performance Rights long term incentive plan.

Performance Rights are granted to executives and senior management. The plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

The Performance Rights enable the participant to receive ordinary shares in Amcom Telecommunications Limited. No amount is payable upon the grant or the issue of an ordinary share following the vesting of a Performance Right. These rights cannot be transferred and will be forfeited if vesting conditions are not satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted.

27. Share-Based Payment Plans

Tranche B

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

Tranche C

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. Vesting conditions and performance hurdles: 33.3% at 30 June 2014; a further 33.3% if Amcom TSR equals S&P / ASX 300 Accumulation Index; a final 33.3% 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. The fair value of the rights when granted was 51.9- 61.5 cents per right. At 30 June 2014 these Performance Rights vested.

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; 33.3% if Amcom TSR equals the S&P / ASX 300 Accumulation Index; a final 33.3% if Amcom TSR equals or exceeds 110% of the S&P / ASX 300 Accumulation Index. 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 – 120 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 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.

Tranche F

On 29 May 2014, the Board resolved to issue 2,150,000 Tranche F performance rights (inclusive of 525,000 performance rights subject to shareholder approval) with hurdles of 10% vesting on 1 September 2017 and 90% should the Amcom 5 day VWAP achieve $4 between 1 September 2017 and 31 January 2018. These performance rights are yet to be issued.

27. Share-Based Payment Plans (continued)

b. Summaries of Performance Rights granted

The following table illustrates the number and movements in Performance Rights issued during the year:

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 year	-	-	-	1,160,000
Lapsed	-	-	(110,000)	(100,000)
Converted to ordinary shares	(480,000)	-	-	-
Closing balance @ 30 June 2014	-	1,150,000	1,025,000	1,060,000

c. Weighted average remaining contractual life

The weighted average remaining contractual life for the Performance Rights outstanding at 30 June 2014 is 1.1 years (2013: 1.2 years).

d. Performance Rights pricing model

Equity-settled transactions

The fair value of the Performance Rights granted is estimated as at the date of grant using a Geometric Brownian Motion model and a Monte Carlo simulation taking into account the terms and conditions upon which the rights were granted. The model takes into account the historic dividends and share price volatilities of the Company.

Valuation Inputs for Performance Rights on issue during the year:

	Tranche B	Tranche C	Tranche D	Tranche E
Grant date	17/09/2010	27/09/2011 – 24/01/2012	16/09/2012 – 29/01/2013	21/09/2013 – 04/12/2013
Hurdle date	30/06/2013	30/06/2014	30/06/2015	01/09/2016
Share price at grant date	$1.065	$0.75 - $0.85	$1.33 - $1.57	$2.04-$2.06
Dividend Yield	4.29%	5.49% - 5.64%	3.18% - 3.53%	3.06%-3.90%
Volatility	45.33%	43.22% - 46.68%	30.30% - 32.49%	35%
Risk Free Rate	5.19%	3.13% - 3.66%	2.85% - 3.14%	2.67%-2.86%

28. Segment Information

Operating segments

Segment revenue and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise cash, borrowings, corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment result is earnings before interest, tax, impairments and other once-off costs.

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 are the same as those contained in note 1 of this financial report and in the prior period.

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

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

28. Segment Information (continued)

The following table presents revenue and profit information for reportable segments for the year ended 30 June 2014 and 30 June 2013.

30 June 2014 $'000	Telco	Hosted & Cloud Services	IT Services	Total
Revenue from external customers	92,959	33,399	43,747	170,105
Total segment revenue	92,959	33,399	43,747	170,105
Other revenue				309
Total revenue per the statement of comprehensive income				170,414
Segment earnings before interest, tax, depreciation and amortisation	43,418	6,716	2,132	52,266
Depreciation and amortisation	(9,301)	(1,996)	(177)	(11,474)
Segment result (EBIT)	34,117	4,720	1,955	40,792
Corporate Overhead				(5,554)
EBIT				35,238
Interest (net)				(2,320)
Acquisition & integration expenses (net of tax)				(763)
Net profit before tax				32,155
Tax expense				(9,766)
Net profit after tax				22,389

30 June 2013 $'000	Telco	Hosted & Cloud Services	IT Services	Total
Revenue from external customers	83,358	25,880	48,221	157,459
Total segment revenue	83,358	25,880	48,221	157,459
Other revenue				276
Total revenue per the statement of comprehensive income				157,735
Segment earnings before interest, tax, depreciation and amortisation	37,760	5,713	1,623	45,096
Depreciation and amortisation	(8,473)	(850)	(171)	(9,494)
Segment result (EBIT)	29,287	4,863	1,452	35,602
Corporate Overhead				(5,095)
EBIT				30,507
Interest (net)				(1,581)
Acquisition & integration expenses (net of tax)				-
Net profit before tax				28,926
Tax expense				(8,176)
Net profit after tax				20,750

28. Segment Information (continued)

	Assets 2014 $'000	Assets 2013 $'000
Telecommunications	152,773	134,499
Hosted and Cloud Services	54,149	36,555
IT Services	10,146	9,593
Total of all segments	217,068	180,647
Cash and cash equivalents	31,443	25,310
Total Assets	248,511	205,957

29. Related party disclosures

a. Equity interests in related parties

Equity interests in controlled entities and in associates.

Details of the percentage of ordinary shares held in controlled entities and associates are disclosed in Notes 24 to the financial statements.

b. Key management personnel compensation

The aggregate compensation of key management personnel is set out below:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Short-term employee benefits	2,541,812	2,671,711
Post-employment benefits	179,132	204,258
Share-based payment	634,046	451,385
Long-term employment benefits	20,947	13,526
	3,375,937	3,340,880

Further details of key management personnel compensation are disclosed in the remuneration report included in the directors' report.

c. Transactions with related parties in their capacity as shareholders

Related parties may participate in the dividend reinvestment plan of the company on the same terms available to all shareholders.

29. Related Party Disclosure (continued)

d. Key management personnel equity holdings

Fully paid ordinary shares of Amcom Telecommunications Ltd

2014	Balance at 1 July No.	Vesting of Performance Rights (Tranche B) No.	Net other change(i) No.	Balance at 30 June No.
Mr. A Grist	8,875,003	-	(575,003)	8,300,000
Mr. C Stein	1,000,000	252,768	(152,768)	1,100,000
Mr. A Davies	366,667	-	-	366,667
Mr. P Clifton	1,750,000	-	-	1,750,000
Mr. I Warner	66,667	-	-	66,667
Mr. C Coleman	466,668	-	-	466,668
Mr. P Brandling	-	-	23,800	23,800
Mr. M Knee	194,500	94,788	(114,500)	174,788
Mr. D Hinton	616,284	94,788	(42,264)	668,808
Mr. R Whiting	200,000	94,788	(44,788)	250,000
	13,535,789	537,132	(905,523)	13,167,398

2013	Balance at 1 July	Vesting of Performance Rights (Tranche A)	Net other change(i)	Balance at 30 June
Mr. A Grist	9,300,003	-	(425,000)	8,875,003
Mr. C Stein	504,334	943,492	(447,826)	1,000,000
Mr. A Davies	366,667	-	-	366,667
Mr. P Clifton	1,600,000	-	150,000	1,750,000
Mr. I Warner	66,667	-	-	66,667
Mr. C Coleman	1,466,668	-	(1,000,000)	466,668
Mr. M Knee	123,500	394,950	(323,950)	194,500
Mr. D Hinton	211,334	394,950	10,000	616,284
Mr. M Sullivan(ii)	591,716	-	-	591,716
Mr. R Whiting	66,667	394,950	(261,617)	200,000
	14,297,556	2,128,342	(2,298,393)	14,127,505

(i) This includes shares acquired, disposed or allotted under the dividend reinvestment plan.

(ii) Mr Sullivan is no longer involved with the company, so his holdings have been disclosed accordingly.

29. Related Party Disclosures (continued)

Performance rights held by key management personnel

	Balance at 1 July 2013	Vested and Converted Tranche B	Issued Tranche E	Lapsed	Balance at 30 June 2014
Mr C. Stein	827,000	(192,000)	220,000	-	855,000
Mr. D Hinton	402,000	(72,000)	140,000	-	470,000
Mr. R Whiting	402,000	(72,000)	140,000	-	470,000
Mr. M Knee	402,000	(72,000)	140,000	-	470,000
Total	2,033,000	(408,000)	640,000	-	2,265,000

c. Other transactions with key management personnel

i. Consultancy fee of $168,000 (2013: $168,000) paid to Albion Capital Partners Pty Ltd, a corporate advisory group of which Mr A Grist is the shareholder. The agreement is based on commercial terms and can be terminated by either party with 30 days' notice. The agreement is reviewed by the independent Board on a regular basis.

ii. The Company provides normal secretarial support, car parking and office accommodation to Mr Grist in his role as non-executive chairman.

30. Statement of cash flows

a. Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash and cash equivalents – available	31,443	25,100
Cash and cash equivalents – restricted	-	210
	31,443	25,310

The restricted amount represents deposits held by bankers as security for bank guarantees provided.

Non Cash Transactions

In 2014, $4,637,000 (2013: $4,772,000) of property, plant and equipment was acquired via the vendor loan facility. In addition $2,673,000 (2013: $800,813) was acquired via finance lease arrangements.

30. Statement of Cash Flows (continued)

b. Bank and other Financing Facilities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Bank Facilities		
Commercial Advance [i]		
Drawn	12,000	31,500
Undrawn	44,000	4,500
	56,000	36,000
Working Capital [ii]		
Drawn	2,662	1,416
Undrawn	3,338	2,584
	6,000	4,000
Asset Finance [iii]		
Drawn	3,474	801
Undrawn	4,526	1,199
	8,000	2,000
Interest Rate Management [iv]		
Drawn	12,000	12,000
Undrawn	24,000	24,000
	36,000	36,000
Total Bank facilities	106,000	78,000
Vendor facilities		
Facility A [v]		
Drawn	8,198	5,257
Undrawn	6,802	5,243
	15,000	10,500
Facility B [vi]		
Drawn	1,754	-
Undrawn	-	-
	1,754	-
Total Vendor facilities	16,754	10,500

(i) Expiry date of 31 December 2016.

(ii) Expiry date of 31 December 2014, subject to annual review.

(iii) Expiry date of 31 January 2017.

(iv) Expiry date of 31 December 2016.

30. Statement of Cash Flows (continued)

(v) Limit of $15,000,000 is available until 31 December 2014. Subject to meeting covenants at maturity, a further $10,000,000 plus the undrawn amount is available from 1 January 2015 until 31 December 2015.

Funding under the vendor loan facility can be drawn down in the form of an operating lease or cash advance. Cash advances drawn are repayable on a principal and interest basis over terms of 3 – 5 years. The interest is fixed for the term of the advance. Weighted average interest rates of the cash advances drawn are 5.72% (2013: 5.95%)

(vi) Agreement entered into in June 2014 where intangibles were purchased via vendor loan over a three year term. The interest rate is fixed at 2.796%.

c. Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Profit before tax for the period	31,939	28,926
Tax paid	(6,078)	(4,467)
Depreciation and amortisation of non-current assets	11,474	9,494
Share-based payment expense	680	565
Acquisition expenses	979	320
Other	726	
(Increase)/decrease in assets:		
Current receivables	1,369	(1,009)
Current inventories and other assets	(1,828)	(211)
Increase/(decrease) in liabilities:		
Payables and provisions	4,294	(2,837)
Deferred revenue	(2,379)	2,462
Net cash provided by operating activities	41,176	33,243

31. Events after balance sheet date

The following significant events occurred after the balance date:

a. Post year end 1,150,000 Amcom shares were transferred from the Amcom Incentive Share Trust to the holders of the Tranche C performance rights under the Amcom long term incentive plan.

b. A 4.0 cent final dividend was declared by the Company (as disclosed in note 21) and has a payment date of 7 October 2014.

32. Declaration of Dividend

A 4 cent final dividend was declared by the company after 30 June 2014 (as disclosed in Note 21) and has a payment date of 7 October 2014 (record date 22 September 2014).

33. Additional Company Information

The parent entity in the consolidated entity is Amcom Telecommunications Ltd (ABN 20 062 046 217). Amcom Telecommunications Ltd is a listed public company, incorporated and operating in Australia.

Additional Securities Exchange Information

Distribution of Holders of Equity Securities as at 18 August 2014

	Fully paid listed ordinary shares
1 – 1,000	1,345,598
1,001 – 5,000	11,198,833
5,001 – 10,000	12,196,689
10,001 – 100,000	43,137,669
100,001 and over	196,956,300
	264,835,089

Number of shareholders holding less than a marketable parcel	447

Substantial Shareholders as at 18 August 2014

	Fully paid	
	Number	Percentage
Details as per notices Ordinary Shareholders		
AJA Super IW Pty Ltd	20,886,719	8.54%
Commonwealth Bank of Australia and its associates	13,594,114	5.13%
Pengana Capital Limited	12,827,957	5.25%

Additional Securities Exchange Information (continued)

Twenty Largest Holders of Quoted Equity Securities (amm) as at 18 August 2014

Listed Ordinary Shares Name	Holder Balance as at 18/08/2014	%	Rank
JP Morgan Nominees Australia Limited	35,849,535	13.54%	1
National Nominees Limited	26,972,237	10.18%	2
AJA Super IW Pty Ltd	20,886,719	7.89%	3
Citicorp Nominees Pty Limited	15,084,871	5.70%	4
HSBC Custody Nominees (Australia) Limited	14,876,207	5.62%	5
BNP Paribas Nominess Pty Ltd ‹DRP A/C›	11,390,380	4.30%	6
Bell Potter Nominees Ltd ‹BB Nominees A/C›	10,465,437	3.95%	7
Wyllie Group Pty Ltd	7,813,181	2.95%	8
RBC Investor Services Australia Nominees Pty Limited ‹PI POOLED A/C›	6,370,499	2.41%	9
Oaktone Nominees Pty Ltd ‹The Grist Investment A/C›	4,702,899	1.78%	10
UBS Nominees Pty Ltd	3,126,552	1.18%	11
Mr Danny Kontos	2,700,000	1.02%	12
Newport Timber &Trading Pty Ltd	2,520,006	0.95%	13
Clifton Super (WA) Pty Ltd ‹ The Clifton Super Fund A/C›	1,750,000	0.66%	14
Tefig Pty Ltd ‹AJ Abercrombie S/Fund A/C›	1,705,365	0.64%	15
Citicorp Nominees Pty Limited ‹Colonial First State Inv A/C›	1,606,448	0.61%	16
Oaktone Nominees Pty Ltd ‹The Grist Investment A/C›	1,408,464	0.53%	17
RBC Investor Services Australia Nominees Pty Limited ‹GSAM A/C›	1,220,767	0.46%	18
Sandhurst Trustees Ltd ‹LMA A/C›	936,475	0.35%	19
Diversified Services Australia Pty Ltd	800,000	0.30%	20

COMPANY INFORMATION

Company Secretary
Mr. David Hinton

Registered office
Level 22
44 St Georges Terrace
Perth WA 6000

Principal administration office
Level 22
44 St Georges Terrace
Perth WA 6000

Share registry
Computershare Investor Services Pty Ltd
Level 2
Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Australian Securities Exchange listing
Amcom Telecommunications Ltd's ordinary shares are quoted on the Australian Securities Exchange
(ASX: AMM).

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Steve Floyd
Group Executive – Sales, Western Region

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