2010

AMCOM TELECOMMUNICATIONS ANNUAL REPORT

Contents

Amcom is a people business.
Our people make the difference.

CHAIRMAN'S REPORT

Anthony J Grist
Chairman

Dear Shareholder,

It is with great pleasure that I present Amcom Telecommunications Limited's annual report for 2010. The company's performance has again surpassed expectations with net profit after tax increasing by 43% for the 2010 financial year.

We have again been able to deliver an improved full year dividend to our shareholders of 1.4 cents, an increase of 75% over FY09. This has been achieved whilst maintaining a strong balance sheet and broad shareholder base.

Our business model is based solidly on recurring revenues that have maintained their upward trend, providing the platform for accelerated growth based on our successful bid for the Northern Territory Government business and the acquisition of the IP Systems business, both of which will contribute to earnings in FY11.

Capital Management

As a consequence of the expiry of options on 31 December 2009, shareholders exercised 178 million options raising $25.6 million (net of the option cancellation and transaction costs) and the company achieved a net cash surplus.

This was a very positive outcome, giving more certainty to Amcom's capital structure. The funds raised added further strength and flexibility to our balance sheet, and this has enabled the company to pursue further growth opportunities.

IP Systems Pty Ltd ("IP Systems")

IP Systems is a leading provider of converged voice, video and data solutions to the enterprise market, delivered over carrier-grade IP (internet protocol) based technology and fibre-optic networks.

This strategic acquisition expands Amcom's product range into the rapidly expanding enterprise hosted voice solutions market.

The acquisition was bedded down in the second half of the financial year, and has allowed Amcom to offer a broader range of products to its existing customers, as well as establish a stronger presence within key east coast markets.

Very importantly, the deal was structured to align the management of IP Systems with our shareholders, and deliver an earnings accretive outcome from the outset.

iiNet

Shareholders would be aware that we continue to have a strategic 23.4% holding in iiNet. This has been an excellent investment for Amcom, delivering a combination of capital growth and income. iiNet has had another strong year, marked by further acquisitions as well as organic growth, and as a result our investment continues to appreciate. We have also benefitted from the dividends which flow to Amcom from iiNet, which over the past year amounted to $2.7m.

Management

Amcom recognises that people are fundamental in making a good company a great company, and the Amcom team led by Clive Stein strives to achieve this goal by embracing a values based, customer focused culture as a key driver within the business. This recognition of people being either employees or customers is what sets Amcom apart from its competitors.

On behalf of the Board I would like to thank Clive and his team for their continued efforts in driving the business growth and for creating an environment that promotes innovation and dedication to customer service.

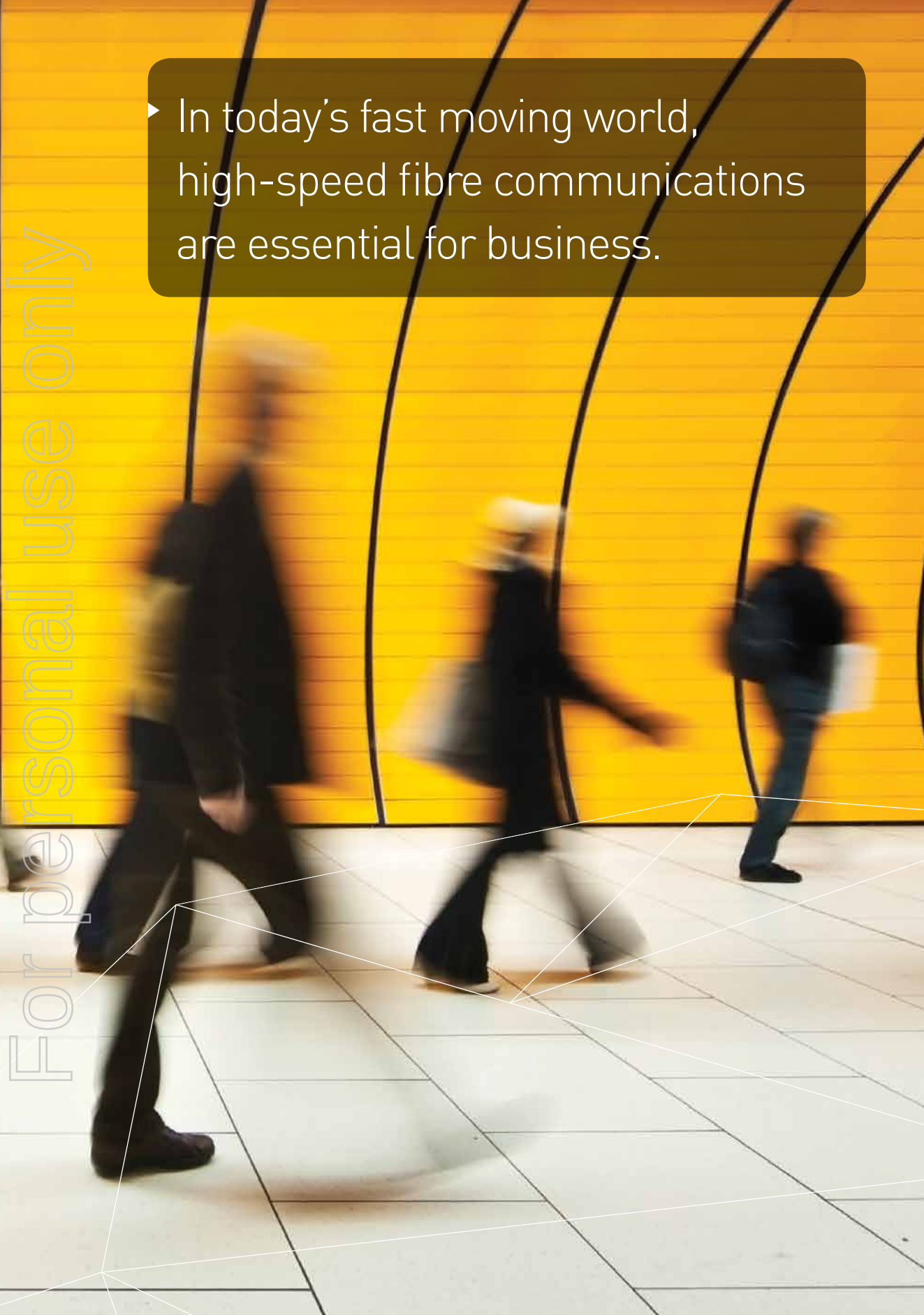
Outlook

The Board remains confident that the company is well placed to continue growing strongly, and our view is that continued double digit earnings growth is achievable into FY11.

Anthony J Grist
Chairman
24 September 2010

BEST
TELECOMMUNICATIONS
COMPANY
OF THE YEAR
2009

AUSTRALIAN telecom AWARDS 2009



In today's fast moving world, high-speed fibre communications are essential for business.

MANAGING DIRECTOR'S REPORT

Clive Stein
Managing Director
& CEO

I am pleased to report that Amcom has had another stand-out year. Over the past 12 months the company has grown its revenue, moved into new markets, expanded its product offerings and won significant contracts which will provide the platform for its continued success in the years ahead.

The financial performance has once again been very strong, with reported net profit after tax increasing by 43% to $17.3 million. This result is testament to the hard work and commitment of our team, combined with the strength of the Amcom business model which is enabling us to compete and win business in our key market of high speed data services.

The company has now delivered three years of strong growth. It is no coincidence that during this same three year period Amcom has undergone a major transformation of its corporate culture. We are now seeing the benefits of this process flow through to every part of the business, with a dynamic environment that empowers our people, encourages them to innovate and places customer service at the centre of everything we do.

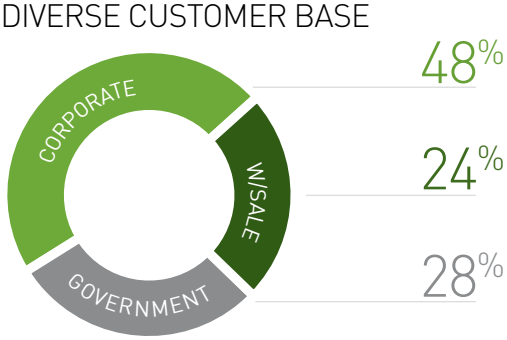
We are continuing to experience strong demand for our products from the corporate, government and wholesale sectors. Our strategy remains clear – to meet the needs of business and governments for fast, reliable data networks, and at the same time to introduce innovative new products. As a result of another year of excellent sales growth, Amcom's revenue grew 18% to $63 million.

A key driver of our continued growth and success has been the demand for data services, which business now regard as an essential utility. This demand is reflected in the growth of our annual recurring billing base and has positioned the company for sustained growth as we connect more businesses and buildings to our fibre networks. During the current year Amcom grew its recurring billing base by 14% to $58 million.

The company generated strong operating cash flow of $21 million, which has enabled re-investment in the business whilst maintaining a conservatively geared balance sheet. Capital expenditure was $24.1 million, which included $12.1 million for customer connections and $8.8 million for the building of an extensive fibre network in the Northern Territory.

$m	FY10	FY09	Var %
Revenue	63.1	53.4	▲ 18
EBITDA	22.4	18.4	▲ 22
NPAT (operating units)	10.6	7.9	▲ 34
Equity accounted earnings	7.8	5.8	▲ 36
Significant items	(1.2)	(1.6)	▲ 18
NPAT (reported)	17.3	12.1	▲ 43
EPS ¢	2.73	2.25	▲ 21
Dividend ¢	1.4	0.8	▲ 75

DIVERSE CUSTOMER BASE



Northern Territory Government

During the year the company secured a $20 million contract with the Northern Territory Government to provide high-speed fibre data carriage services to government agencies and schools in Darwin and Alice Springs over a five year period.

This has underpinned a major expansion of our fibre networks in the Northern Territory and the establishment of an office in Darwin to oversee both the government project, and to pursue further commercial opportunities, specifically providing new data services to local businesses which previously had limited access to high-speed fibre services.

This was a landmark win which highlights our position as a leading provider of high-speed fibre based telecommunications as well as our ability to compete successfully against the largest operators in our sector.

IP Systems

In May 2010 we settled on our acquisition of IP Systems Pty Ltd, a Melbourne-based company with 10 years' experience in deploying market-leading voice and communications technology.

IP Systems is highly complementary to our existing business, and enables Amcom to offer its customers a broader range of products in the growing IP voice solutions market. This acquisition will enable us to capture a greater share of our existing customers' telecommunications spend and gives us a national footprint to expand our core business across the nation.

The NT Government contract and the IP Systems acquisition form an important platform for Amcom's future growth. The benefits will flow into FY11 when the company's earnings will be supplemented by full year contributions from both these major initiatives.

AMCOM
TELECOMMUNICATIONS LIMITED
(ASX : AMM)

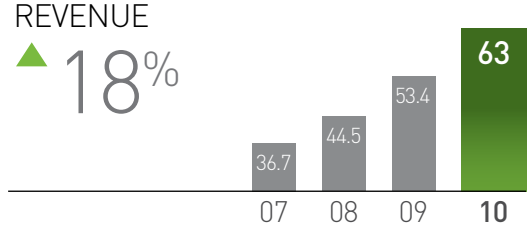
amcom TELECOM 100%

amnet BROADBAND 100%

iinet 23%

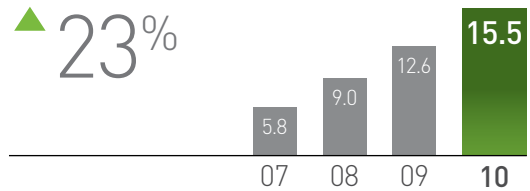
REVENUE

▲ 18%



EBIT

▲ 23%



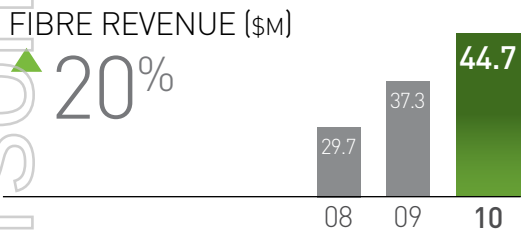
OPERATIONAL REVIEW

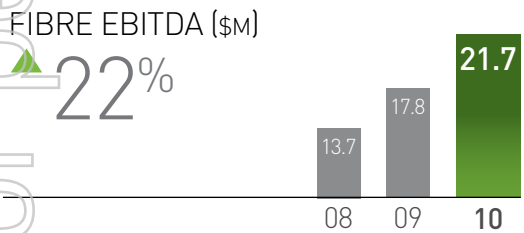
Fibre

Fibre remains the powerhouse of our business. Over the past year the fibre division has continued to grow strongly, with revenue of $44.7 million which is up 20% over the previous year. EBITDA has increased by 22% to $21.7 million, with an improvement in margin to 49%.

Australian businesses are becoming increasingly reliant on having fast, reliable data networks. For Amcom it is a case of being 'in the right place at the right time' to meet this demand via our own fibre optic networks in Perth, Adelaide and Darwin. Amcom's fibre products are differentiated through the simplicity of our offering, competitive pricing and service levels that remain consistently ahead of our competitors.

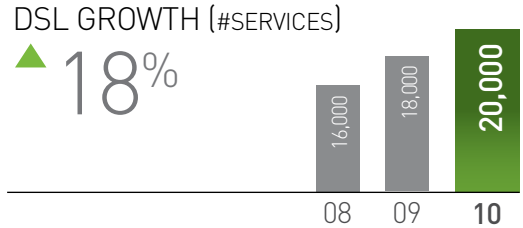
Our strength in fibre is the platform that allows us to enter new markets, most notably the IP voice market via our recent acquisition of IP Systems.





Amnet

Our internet service provider, Amnet, has grown its customer base over the past year and now has more than 20,000 broadband services, most of which are in Western Australia. Amnet's revenue was $12.2 million for FY10, an increase of 3%, while EBITDA increased by 45% to $2.6 million. In industry surveys Amnet continues to rate highly for customer service and reliability.



National Broadband Network

The Federal Government's plans for a National Broadband Network (NBN) have generated considerable interest in fibre and the benefits it can deliver. Full roll-out of the NBN nationally is expected to take approximately eight years. NBN is a mass market offering, aimed at providing improved broadband speeds for residential customers. Amcom's focus, on the other hand, is on larger businesses and government customers, with a service that is available "here and now".

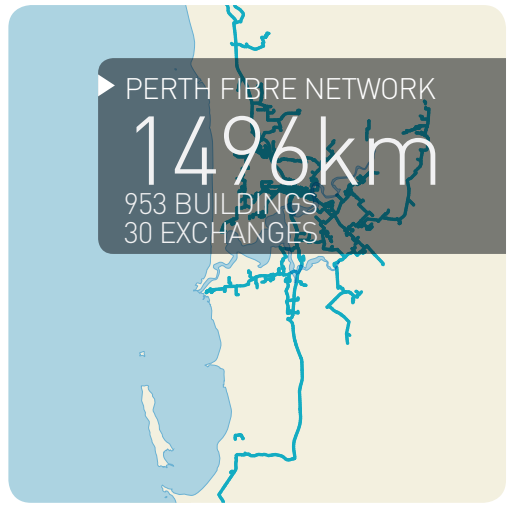
Outlook

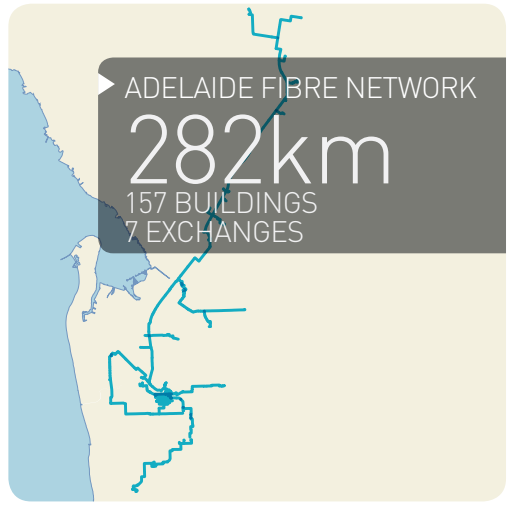
This year has seen Amcom establish itself as a national organisation with a greatly expanded product range. We also see strong emerging opportunities in areas such as cloud computing, which is enabling organisations to shift away from making major IT infrastructure purchases and instead buy computing power and software on demand.

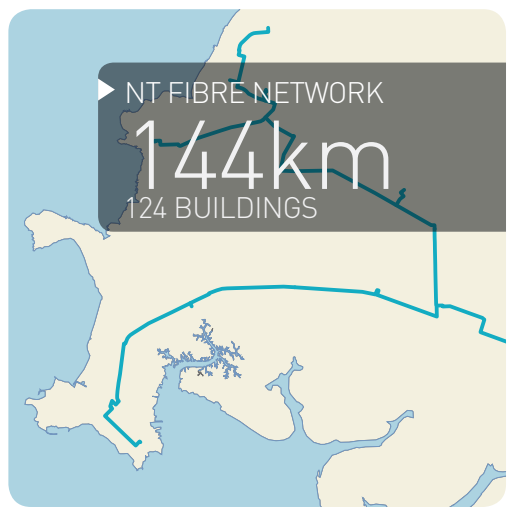
We have a highly competent, hard-working team of people who are focused on delivering outstanding customer service and taking the business forward. I would like to personally commend the entire Amcom team for their contribution to achieving the strong performance we have seen over the past 12 months. Their passion and commitment to strengthening the Amcom culture is undoubtedly the defining factor in our success.

As we look forward, shareholders can be confident that the company's business strategy, financial position and track record of growing our recurring earnings place Amcom in a strong position to continue to achieve future growth.

Clive Stein
Managing Director
and Chief Executive Officer
24 September 2010







Amcom staff are actively involved in a number of charities and other worthwhile community groups as part of the company's commitment to corporate and social responsibility.

THE 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
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
3.3	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

	Recommendation	Comply
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
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 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	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	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 2010.

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 3.7% in the company, receives additional fees (as discussed at note 33 of the financial statements) and had a former executive role. 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 of 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 has a 7.6% 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.

Mr Warner is a Director of Cape Bouvard Pty Ltd, a company that is under common control with Osson Pty Ltd, a company that has a 8.2% shareholding in the company. Notwithstanding this relationship, Mr Warner is considered independent as he has no financial interest in Cape Bouvard Pty Ltd or its related companies, and that he holds his position as Director of the company personally which pre-dates Osson Pty Ltd as a shareholder of the company.

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

Peter Clifton

Craig Coleman

Anthony Davies

Ian Warner

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

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.

Trading Policy

The Company's share 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 officers of the Company.

The restrictions and procedures in relation to the Company's shares apply equally to trading in all types of the Company's securities.

Additional restrictions on trading by Directors and Senior Executives/ Management

Directors and Senior Executives/Management may only deal in the Company's securities for a period of six weeks after:

- The announcement of the Company's full year results or half year results;
- The Company's Annual General Meeting; and
- Any rights trading period applying in respect of a prospectus issued by the Company,other than in exceptional circumstances.

Before trading in the Company's shares, the person must:

- Advise the Company Secretary of their intention to trade in the Company's shares;
- Confirm that they do not hold unpublished inside information; and
- Have been advised by the Company Secretary that there is no known reason to preclude the trading in the Company's shares.

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 and ethical standards to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. 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

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 and the chief executive officer and executive team. The Board has established a Remuneration and Nomination Committee, comprising three non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

Craig Coleman (Chairman)
Peter Clifton
Ian Warner

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the 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 Committee is currently developing a diversity policy.

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.

Remuneration and Nomination Committee (cont'd)

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 who in turn report 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 2001, 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 financial statements and notes comply with Accounting Standards in all material respects and give a true and fair view.

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.

Directors

The directors of Amcom Telecommunications Ltd submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Joined the Board in 1997. After managing the corporate underwriting division of a Corporate Member of the Australian Stock Exchange, Mr. Grist formed a private investment group based in Perth, Western Australia, in 1991. He is also a director of iiNet Limited and a principal of Albion Capital Partners.

Mr. Ian WARNER
non-executive Deputy Chairman

Joined the Board in 1994. Mr. Warner has practiced as a commercial lawyer for over 25 years. He is also a Director of Australia Post and Cape Bouvard Investments Pty Ltd. 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's previous positions included various senior management roles in leading computer and electronic companies. His career, which commenced in the electronics industry in South Africa, has also included a number of engineering positions. Mr. Stein was appointed to the role of Managing Director and Chief Executive Officer on 1 July 2007.

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 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. 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, as the 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.

Mr. Craig COLEMAN
non-executive Director

He is a Non-Executive Director and Senior Advisor to the Wyllie Group, a private investment company based in Perth, Western Australia. 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.

Mr. Coleman's other current directorships include Bell Financial Group Ltd, Southern Cross Equities Ltd, Amadeus Energy Ltd, Pulse Health Group Ltd and he is the Chairman of Rubik Financial Ltd and Private Equity fund manager Viburnum Funds. Mr Coleman is also chairman of the Remuneration and Nomination 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	Alto Energy Ltd	January 2006 to 8 August 2007
	iiNet Ltd	Since July 2006
Mr. C Coleman	Bell Financial Group Ltd	Since July 2007
	Amadeus Energy Ltd	Since July 2008
	Rubik Financial Ltd	Since December 2006
	Pulse Health Group Ltd	Since January 2010

Company Secretary

Mr. David Hinton

Company Secretary

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 Chartered Secretaries Australia Ltd. Mr. Hinton was previously Group Financial Controller of Elders Ltd and prior to that held senior finance positions in Perth and London.

Principal activities

Amcom Telecommunications Ltd is a leading Australian owned and operated telecommunications company, specialising in meeting the growing needs of business and government for data, internet, voice and related services over its own extensive fibre optic network.

Review of Operations

Refer to the Managing Director's Report.

Changes in state of affairs

There were no material changes in the state of affairs, except for during the year 177,990,395 options were exercised at 17c per option and 81,175,585 options were cancelled at 4c per option generating net proceeds of $25.6m. The company also acquired 100% of the issued capital in IP Systems Pty Ltd.

Future developments

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.

Shares under option or issued on exercise of options

Details of shares or interests issued during or since the end of the financial year are:

	Number of shares	Number of options
Opening Balance	538,857,752	271,921,795
Exercised	177,990,395	(177,990,395)
Cancelled	-	(81,175,585)
Lapsed	-	(12,755,815)
Converting shares	4,114,286	-
Unlisted employee series B	56,122	-
Closing Balance	721,018,555	-

	Number of shares
Ordinary fully paid shares	712,812,103
Converting shares	4,114,286
Unlisted employee series A shares	41,146
Unlisted employee series B shares	51,020
Restricted shares	4,000,000
	721,018,555
Performance Rights	6,650,000

Performance Rights

During the year 6,650,000 Performance Rights were issued as part of the executive long term incentive plan.

Employee Share Ownership Plan

The Company has an employee share ownership plan in place. Under the plan employees are offered up to $1,000 of shares as part of the short term incentive scheme.

Shares issued under the plan are unlisted and subject to a 3 year holding lock. Should the employee leave the employment of the company the holding lock is removed and application is made for the shares to be listed.

During the year 56,122 unlisted employee shares were issued.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretaries, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability 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, 20 Board meetings, 4 Remuneration and Nomination Committee meetings and 5 Audit and Risk Committee meetings were held.

Directors	Board of Directors		Remuneration and Nomination Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A Grist	20	20	-	-	-	-
Mr. I Warner	20	20	4	4	5	5
Mr. C Stein	20	20	-	-	-	-
Mr. C Coleman	20	18	4	4	-	-
Mr. P Clifton	20	20	4	4	5	5
Mr. A Davies	20	20	-	-	5	5

Directors' shareholdings

The following table sets out each director's relevant interest in the share capital of the Company as at 30 June 2010. Further details are included in note 33 to the financial statements.

Directors	Fully paid ordinary shares
Mr. A Grist	26,749,575
Mr. I Warner	200,000
Mr. C Stein	2,311,000
Mr. P Clifton	3,750,000
Mr. A Davies	1,100,000
Mr. C Coleman	4,300,000

Value of options exercised during the year

During the financial year, directors and executives have exercised options to acquire 11,871,948 shares in Amcom Telecommunications Limited at an exercise price of $0.17 per share.

Dividends

In respect of the financial year ended 30 June 2009, as detailed in the directors' report for that financial year, a final dividend of 0.5 cents per share fully franked was paid to the holders of fully paid ordinary shares on 11 November 2009.

Directors paid a fully franked interim dividend of 0.4 cents per share on 16 April 2010.

Subsequent to year end, the Directors have declared a final dividend of 1.0 cent per share fully franked to be paid on 10 November 2010.

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 outlined 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)

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. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the consolidated entity receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, and secretary of the parent and the consolidated entity.

1. 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.

2. Remuneration philosophy

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 executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

3. Remuneration structure

In accordance with good practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

3.1. Non-executive director remuneration

Objective

The Board 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 Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 23 November 2007 when shareholders approved an aggregate remuneration up to $600,000 per year.

The fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director, except as otherwise noted, receives a fee for being a director of the Company. An additional fee is also paid for the Chairman and to any director that sits on a Board committee. The payment of additional fees for Board Committees were discontinued on 1 July 2010.

The remuneration of non-executive directors is detailed in this report.

3.2. Executive remuneration

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration – performance based short and long term incentive plans.

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Company so as to:

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

Structure

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

Fixed Remuneration

Objective

Fixed compensation is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of company wide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Fixed Remuneration (cont)

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

Variable Remuneration – Short Term Incentive Plan

Objective

The Short Term Incentive Plan (STI) was commenced as of 1 July 2007 and operates on an annual basis. The objective of the STI Plan is to link the achievement of the company's targets with the annual compensation received by the senior executives and general staff charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to achieve profit and operational targets such that the cost to the company is reasonable in the circumstances.

Structure

Employees (including the Chief Executive Officer) are entitled to a Short Term Incentive if the Company achieved its profit target for the year to 30 June 2010. The amount of Short Term Incentive paid to employees, including the Chief Executive Officer, is calculated also having regard to performance against pre-determined financial and operational targets.

For the 2010 financial year the profit target for the determination of the STI is earnings before equity accounting, interest, tax, depreciation and amortisation (EBITDA), which was determined by the Directors as the most appropriate performance basis upon which to set the hurdle for the purpose of STI. The aggregate maximum STI payable in respect of the year ending 30 June 2010 was $1,891,000.

Variable Remuneration – Long Term Incentive Plan

A Performance Rights based Long Term Incentive Plan was implemented during the year. The participants are the Chief Executive Officer and senior executives of the company.

Under the plan a total of 6,650,000 Performance Rights were issued of which 2,150,000 were issued to the CEO, Mr Stein following shareholder approval on 29 April 2010.

Performance Rights will vest and convert into ordinary shares should the 20 day volume weighted average share price reach or exceed 50 cents at any time between 31 March 2012 and 31 December 2012 inclusive.

The performance rights enable the participants to acquire ordinary shares in Amcom. 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 or cannot be satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted. Should there be a change in control, the performance rights will vest and the participants will be issued with a corresponding number of ordinary shares. Participants who leave the employment of the company prior to vesting will forfeit their performance rights.

The number of shares that can be issued have been capped at 5% of the Company's issued share capital.

The cost of the plan for 2010 is $100,000, which has been taken into account in the financial results for the year ended 30 June 2010.

Performance rights awarded:

	Awarded number	Award date/Grant date	Fair value at award date (per right) cents	Expiry date	First exercise date	Last exercise date
Executive director						
C Stein	2,150,000	29/4/2010	20.5	31/12/2012	31/03/2012	31/12/2012
Other key management personnel						
D Hinton	900,000	26/03/2010	14.6	31/12/2012	31/03/2012	31/12/2012
M Knee	900,000	26/03/2010	14.6	31/12/2012	31/03/2012	31/12/2012
R Whiting	900,000	26/03/2010	14.6	31/12/2012	31/03/2012	31/12/2012
M Fiorini	900,000	26/03/2010	14.6	31/12/2012	31/03/2012	31/12/2012
A Smit	900,000	26/03/2010	14.6	31/12/2012	31/03/2012	31/12/2012
	6,650,000					

The Board does not have a policy in relation to a person limiting his or her exposure to risks in relation to these securities.

4. Employment contracts

Chief Executive Officer

Mr. Stein is on a three year employment contract with the company commencing December 2008.

Either party can terminate the contract with three months written notice. Should the Company provide such notice then Mr Stein will become entitled to 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. In the event of a change in control, where Mr Stein does not become the CEO of the merged or continuing entity, either party may provide three months notice of termination and Mr Stein will become entitled to nine months annual remuneration as a termination payment in addition to any accrued benefits.

Other Executives

The executives are employed under permanent contracts with a one month notice period, except Mr. Knee with a three month notice period.

There are no termination provisions in respect of the above employment contracts.

Director and executive details

The directors of Amcom Telecommunications Ltd during the year were:

Mr. A Grist	Chairman, non-executive
Mr. I Warner	Deputy Chairman, non-executive
Mr. C Stein	Managing Director/Chief Executive Officer
Mr. P Clifton	Director, non-executive
Mr. A Davies	Director, non-executive
Mr. C Coleman	Director, non-executive

The five highest paid executives of Amcom Telecommunications Ltd during the year were:

Mr. D Hinton	Chief Financial Officer and Company Secretary
Mr. M Knee	Group Executive – People and Service Delivery
Mr. R Whiting	Group Executive – Networks and Technology
Mr. A Smit	Group Executive – Sales and Marketing
Mrs. M Fiorini	Group Executive – Carriers, South Australia and Northern Territory

5. Key Management Personnel Compensation

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

2010	Short Term			Post employment	Share based payment (iii)	Totals	% Performance based
	Salary & fees	Cash bonus (i)	Non-monetary benefits (ii)	Superannuation			
	$	$	$	$	$	$	
Non-executive directors							
Mr. A. Grist	140,004	-	-	-	-	140,004	-
Mr. I Warner	-	-	-	63,000	-	63,000	-
Mr. P Clifton	69,000	-	-	-	-	69,000	-
Mr. A Davies	26,758	-	-	43,242	-	70,000	-
Mr. C Coleman	54,587	-	-	4,912	-	59,499	-
	290,349	-	-	111,154	-	401,503	-
Executive directors							
Mr. C Stein	348,115	240,644	113,014	27,311	36,729	765,813	36.22%
Executives							
Mr. D Hinton	249,053	151,448	10,412	20,426	15,768	447,107	37.40%
Mr. M Knee	119,000	101,995	13,304	14,681	15,768	264,748	44.48%
Mr. R Whiting	207,110	141,351	51,357	18,640	15,768	434,226	36.18%
Mr. A Smit	185,000	56,000	11,246	16,650	15,768	284,664	25.21%
Mrs. M Fiorini	165,000	99,162	8,421	14,850	15,768	303,201	37.91%
Mr. J Driscoll (iv)	134,146	-	2,922	14,229	-	151,297	0%
	1,407,424	790,600	210,676	126,787	115,569	2,636,866	-
Total	1,697,773	790,600	210,676	237,941	115,569	3,052,559	-

(i) The bonuses were accrued at balance date, but only allocated subsequent to that date.
(ii) Non-monetary benefits comprise car parking, insurance and rent benefits.
(iii) Share based payment comprises the performance rights issued during the year as described above. This has been determined based upon the fair value of the Performance Right multiplied by the number of Performance Rights held by that individual on a pro-rata basis over the vesting period.
(iv) To 30 April 2010

5. Key Management Personnel Compensation – (cont'd)

The compensation of each member of the key management personnel of the consolidated entity and company for 2009 is set out below:

2009	Short Term			Post employment	LTI Bonus (ii)	Totals	% Performance based
	Salary & fees	Cash bonus (i)	Non-monetary benefits	Superannuation			
	$	$	$	$	$	$	
Non-executive directors							
Mr. A Grist	140,004	-	-	-	-	140,004	-
Mr. I Warner	-	-	-	63,000	-	63,000	-
Mr. P Clifton	69,000	-	-	-	-	69,000	-
Mr. A Davies	64,220	-	-	5,780	-	70,000	-
Mr. C Coleman	37,664	-	-	3,390	-	41,054	-
Mr. C Ferguson	15,462	-	-	1,392	-	16,854	-
Mr. L Wozniczka	-	-	-	-	-	-	-
	326,350	-	-	73,562	-	399,912	-
Executive directors							
Mr. C Stein	305,520	91,131	72,371	38,975	155,777	663,774	37.20%
Executives							
Mr. D Hinton	225,299	54,679	7,800	25,198	112,812	425,788	39.34%
Mr. M Knee	120,000	39,733	7,800	-	80,483	248,016	48.47%
Mr. R Whiting	206,806	54,679	29,418	23,534	95,848	410,285	36.69%
Mr. A Smit	155,116	54,679	7,800	18,882	-	236,477	23.12%
Mrs. M Fiorini	121,449	36,452	7,800	14,211	-	179,912	20.26%
	828,670	240,222	60,618	81,825	289,143	1,500,478	-
Total	1,460,540	331,353	132,989	194,362	444,920	2,564,163	-

(i) The bonuses were accrued at 30 June 2009, but only allocated subsequent to that date.
(ii) The payment of this incentive was made in July 2010.

5. Key Management Personnel Compensation – (cont'd)

In addition to the remuneration, 2 directors were provided interest free loans in a prior year to purchase shares in the company. Details of these loan balances and repayments are provided in Note 5.

Company performance

The table below shows the performance of the consolidated entity over the last five years.

	2006	2007	2008	2009	2010
Net Profit ($'000)	4,796	7,947	10,143	12,118	17,252
Share Price at Balance Date	14c	23c	16c	16c	32c

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
24 September 2010

2010

ANNUAL FINANCIAL REPORT

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

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

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 2010, 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

Ernst & Young

P McIver
Perth
Partner
24 September 2010

PM:MB:AMCOM:036

ERNST & YOUNG

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

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

Independent audit report to members of Amcom Telecommunications Limited

Report on the Financial Report

We have audited the accompanying financial report of Amcom Telecommunications Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

PM:MB:AMCOM:035

Auditor's Opinion

In our opinion:

1. 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 at 30 June 2010 and of 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*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 24 to 30 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Amcom Telecommunications Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
24 September 2010

PM:MB:AMCOM:035

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

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of 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;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;

(d) 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 2010;

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 30 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
24 September 2010

Statement of Comprehensive Income for the Year Ended 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Continuing operations			
Income			
Revenue	3 (a)	63,098	53,441
Share of profits of associates using the equity method	11	7,850	5,779
Profit on sale of investment in an associate		868	-
Expenses			
Network expenses		(15,884)	(14,921)
Employee benefits expenses	3 (b)	(15,676)	(12,780)
Occupancy expenses		(1,790)	(1,676)
Marketing related expenses		(958)	(880)
Finance costs	3 (b)	(1,585)	(1,857)
Repairs and maintenance expenses		(1,042)	(718)
Share buy-back and sell down expenses	3 (b)	-	(2,207)
Acquisitions activity expenses	3 (b)	(2,325)	-
Depreciation & amortisation expenses	3 (b)	(6,789)	(5,766)
Other expenses		(4,500)	(3,776)
Profit from continuing operations before tax		21,267	14,639
Income tax expense	4 (a)	(4,015)	(2,521)
Net Profit attributable to members of Amcom Telecommunications Ltd		17,252	12,118
Other comprehensive income			
Cash flow hedge – gain/(loss) taken to equity		396	(703)
Total comprehensive income attributable to members of Amcom Telecommunications Ltd		17,648	11,415
Earnings per share from continuing operations			
Basic (cents per share)	24	2.73	2.25
Diluted (cents per share)	24	2.70	2.25

Notes to the financial statement are included on pages 40-96

	Note	Consolidated 2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	34(a)	19,518	14,798
Trade and other receivables	7	6,191	5,009
Inventories	8	1,462	1,316
Other	9	1,101	1,011
Total current assets		28,272	22,134
Non-current assets			
Investment in associates	10	51,683	47,221
Property, plant and equipment	12	93,680	74,467
Goodwill	13	33,473	14,615
Other intangible assets	14	485	80
Total non-current assets		179,321	136,383
Total assets		207,593	158,517
Current liabilities			
Trade and other payables	16	10,763	9,912
Deferred revenue		7,273	6,403
Borrowings	17	389	2,076
Income tax payable		1,805	914
Derivative financial liability	18	249	484
Provisions	20	1,708	1,100
Total current liabilities		22,187	20,889
Non-current liabilities			
Borrowings	19	20,027	25,944
Trade and other payables	16	330	-
Provisions	20	295	219
Deferred revenue		520	351
Deferred consideration	29	13,842	-
Deferred tax liabilities	4(c)	1,701	1,355
Derivative financial liability	18	58	219
Total non-current liabilities		36,773	28,088
Total liabilities		58,960	48,977
Net assets		148,633	109,540
Equity			
Contributed equity	21	132,142	101,792
Reserves	22	(3,147)	(277)
Retained profits	23	19,638	8,025
Total equity		148,633	109,540

Notes to the financial statement are included on pages 40-96

Statement of Changes in Equity for the Year Ended 30 June 2010

	Contributed equity	Equity – settled benefits reserve	Cash flow hedge reserve	Option Cancellation Reserve	Retained profits/ (losses)	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
At 30 June 2008	101,739	426	-	-	(321)	101,844
Profit for the year	-	-	-	-	12,118	12,118
Other comprehensive income	-	-	(703)	-	-	(703)
Total comprehensive income	-	-	(703)	-	12,118	11,415
Exercise of options	1	-	-	-	-	1
Repayment of shareholders loan	45	-	-	-	-	45
Issue of shares to employees	7	-	-	-	-	7
Dividends paid	-	-	-	-	(3,772)	(3,772)
At 30 June 2009	**101,792**	**426**	**(703)**	**-**	**8,025**	**109,540**
Profit for the year	-	-	-	-	17,252	17,252
Other comprehensive income	-	-	396	-	-	396
Total comprehensive income	-	-	396	-	17,252	17,648
Exercise of options	30,258	-	-	-	-	30,258
Option cancellation	-	-	-	(3,366)	-	(3,366)
Option underwriting fee	(1,280)	-	-	-	-	(1,280)
Repayment of shareholders loan	45	-	-	-	-	45
Issue of securities to employees	11	100	-	-	-	111
Issue of converting shares	1,316	-	-	-	-	1,316
Dividends paid	-	-	-	-	(5,639)	(5,639)
At 30 June 2010	**132,142**	**526**	**(307)**	**(3,366)**	**19,638**	**148,633**

Notes to the financial statement are included on pages 40-96

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		67,272	52,851
Payments to suppliers and employees		(45,883)	(32,024)
Interest received		877	306
Interest and other costs of finance paid		(1,585)	(1,717)
Income tax paid		(2,431)	(1,831)
Dividends received		2,722	2,431
Net cash provided by operating activities	34(c)	20,972	20,016
Cash flows from investing activities			
Payment for property, plant and equipment		(24,067)	(14,221)
Payment for acquisition of controlled entity, net of cash acquired	29	(4,770)	-
Payment of transaction costs for acquisition of controlled entity		(1,081)	-
Payment for acquisition of equity investments		-	(608)
Proceeds from sale of equity investment		1,785	1,692
Net cash (used in) investing activities		(28,133)	(13,137)
Cash flows from financing activities			
Proceeds from issues of equity securities		30,269	46
Share buy-back and sell down costs		-	(2,207)
Option cancellation and underwriting fees		(4,646)	-
Proceeds from borrowings		9,000	14,800
Repayment of borrowings		(17,103)	(10,165)
Dividends paid		(5,639)	(3,772)
Net cash provided by/(used in) financing activities		11,881	(1,298)
Net increase in cash and cash equivalents		4,720	5,581
Cash and cash equivalents at the beginning of the financial year		14,798	9,217
Cash and cash equivalents at the end of the financial year	34(a)	19,518	14,798

Notes to the financial statement are included on pages 40-96

Corporate Information

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

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 2010 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 for the fair valuation of derivatives. 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 28) as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group.

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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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.

Investments in subsidiaries held by Amcom Telecommunications Limited are accounted for at cost in the separate financial statements of the parent entity less allowance for any impairment.

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 circumstance, 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 a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was $33,473,000 (2009: $14,615,000), refer to note 13.

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.

IPS acquisition deferred consideration

On 24 May 2010, the company acquired IP Systems Pty Ltd. As part of the transaction, the company recognised a deferred consideration of $13,842,000 (Note 29). This obligation has been determined based on projected earnings of IP Systems Pty Ltd.

Share based payments

The company issued 6,650,000 performance rights to the CEO and executives. The charge booked in 2010 of $100,000 has been based on an external valuation using Geometric Brownian Motion Modelling and applying Monte Carlo simulation in order to determine fair value (Note 31).

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.

1. Summary of accounting policies

(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.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to 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.

1. Summary of accounting policies (continued)

(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.

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 net 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 as part of business combination. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period. Refer also note (j).

(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. Goodwill 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.

1. Summary of accounting policies (continued)

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.

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. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a 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.

1. Summary of accounting policies (continued)

(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 assets 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 assets 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 and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition and installation of the item, including labour costs. 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 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:

1. Summary of accounting policies (continued)

Network Infrastructure	3 – 20%
Leasehold Improvements	5 – 25%
Plant and Equipment	10 – 25%
Furniture and Fittings	7 – 25%
Motor Vehicles	20%

(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 next period, recognised as deferred revenue in the balance sheet. Fees charged for the establishment of new fibre services are brought to account as revenue over a two year period, should the amount exceed $500.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to a 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) 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, further details of which are given in note 31.

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 or Company 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.

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 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.

1. Summary of accounting policies (continued)

- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity. The expense recognised by the Group is the total expense associated with all such awards.

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 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 24).

(s) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(t) 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.

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".

(u) 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, 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 and dilutive potential ordinary shares, adjusted for any bonus element.

(v) AASB accounting standards issued but not yet effective

Standards and Interpretations in issue not yet adopted

As at 30 June 2010, a number of Standards and Interpretations including those Standards and Interpretations issued by the IASB / IFRIC where an Australian equivalent has not been made by the AASB, were in issue but not yet effective.

1. Summary of accounting policies (continued)

(v) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	The amendments are not expected to have any material impact on the group's financial report.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (AASB 2)	This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	1 January 2010	The amendments are not expected to have any impact on the group's financial report.	1 July 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.	1 January 2010	The amendments are not expected to have any impact on the group's financial report.	1 July 2010

1. Summary of accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132)	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The amendments are not expected to have any impact on the group's financial report.	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • Two categories for financial assets being amortised cost or fair value. • Removal of the requirement to separate embedded derivatives in financial assets. • Strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the	1 January 2013	The group is yet to assess the full impact of these changes on the financial report.	1 July 2013

1. Summary of accounting policies (continued)

(v) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		instrument is to collect the contractual cash flows. • An option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition. • Reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. • Changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.			

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 resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2013	The group is yet to access the full impact of these changes on the financial report	1 July 2013
AASB 124 (revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.	1 January 2011	The amendments are not expected to have any impact on the group's financial report.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052)	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 January 2011	The group have not yet determined the extent of the impact of the amendments.	1 July 2011

1. Summary of accounting policies (continued)

(v) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 (AASB 1)	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The amendments are not expected to have any impact on the group's financial report.	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14).	1 January 2011	The amendments are not expected to have any impact on the group's financial report.	1 July 2010

1. Summary of accounting policies (continued)

(v) AASB accounting standards issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139)	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.	1 July 2010	The group have not yet determined the extent of the impact of the amendments.	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13)	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.	1 January 2011	The group have not yet determined the extent of the impact of the amendments.	1 July 2011
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.	1 July 2010	The amendments are not expected to have any impact on the group's financial report.	1 July 2010

2. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank 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 in cash flow hedges:

	Consolidated	
	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents	19,518	14,798
Financial liabilities		
Borrowings	4,725	11,310
Net exposure	14,793	3,488

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

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

2. Financial risk management objectives and policies (continued)

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)	
	2010 $'000	2009 $'000
Consolidated		
+ .5% (50 basis points)	52	20
- .5% (50 basis points)	(52)	(20)

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 an ongoing 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 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, finance leases and committed available lines. At 30 June 2010, 2% of the Group's debt will mature in less than one year (2009: 7%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as of 30 June 2010. The respective 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 2010.

The remaining contractual maturities of the group's financial liabilities are:

Year ended 30 June 2010	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial liabilities					
Trade & other payables	10,763	-	330	-	11,093
Borrowings	195	194	20,027	-	20,416
Derivative financial liability	119	130	58	-	307
	11,077	324	20,415	-	31,816

2. Financial risk management objectives and policies (continued)

Year ended 30 June 2009	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial liabilities		-			
Trade and other payables	9,912	-	-	-	9,912
Borrowings	183	1,893	25,944	-	28,020
Derivative financial liability	283	201	219	-	703
	10,378	2,094	26,163	-	38,635

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

Year ended 30 June 2010	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial assets					
Cash & cash equivalents	19,518	-	-	-	19,518
Trade & other receivables	6,191	-	-	-	6,191
	25,709	-	-	-	25,709
Consolidated financial liabilities					
Trade & other payables	10,763	-	330	-	11,093
Borrowings	195	194	20,027	-	20,416
Derivative financial liability	119	130	58	-	307
	11,077	324	20,415	-	31,816
Net maturity	14,632	(324)	(20,415)	-	(6,107)

2. Financial risk management objectives and policies (continued)

Maturity analysis of financial assets and liability based on management's expectation (continued).

Year ended 30 June 2009	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial assets					
Cash and cash equivalents	14,798	-	-	-	14,798
Trade & other receivables	5,009	-	-	-	5,009
	19,807	-	-	-	19,807
Consolidated financial liabilities					
Trade and other payables	9,912	-	-	-	9,912
Borrowings	183	1,893	25,944	-	28,020
Derivative financial liability	283	201	219	-	703
	10,378	2,094	26,163	-	38,635
Net maturity	9,429	(2,094)	(26,163)	-	(18,828)

3. Profit from operations

	Consolidated	
	2010 $'000	2009 $'000
(a) Revenue from continuing operations		
An analysis of the group's revenue for the year is as follows:		
Rendering of services	60,635	51,016
Project revenue	1,586	2,040
	62,221	53,056
Other revenue	-	79
Interest income – bank deposits	877	306
	63,098	53,441

3. Profit from operations (continued)

	Consolidated	
	2010 $'000	2009 $'000
(b) Profit before income tax		
Profit on sale of investment in associate	868	-
Net bad & doubtful debts - trade receivables	(458)	(138)
Finance costs:		
Other interest expense	(1,585)	(1,857)
Depreciation of non current assets	(6,705)	(5,676)
Amortisation of non current assets	(84)	(90)
	(6,789)	(5,766)
Operating lease rental expenses:		
Minimum lease payments	(1,865)	(1,771)
Employee benefit expense:		
Defined contribution plans	(1,232)	(1,067)
Salary and wages	(17,752)	(14,833)
Performance Rights	(100)	-
	(19,084)	(15,900)
Capitalised to property, plant and equipment	3,408	3,120
	(15,676)	(12,780)
Share buy-back and sell down expenses	-	(2,207)
Acquisitions activity expenses (i)	(2,325)	-

(i) Acquisitions activity expenses reflect non-recurring costs associated with the acquisition of IP Systems Pty Ltd and other acquisition activities which were discontinued.

4. Income Tax

	Consolidated	
	2010 $'000	2009 $'000
The major components of income tax expense are:		
(a) Income tax recognised in profit or loss		
Current income tax:		
Current income tax expense	3,698	2,390
Adjustment in respect of current income tax of previous year	(379)	(449)
Deferred income tax:		
Relating to origination and reversal of temporary differences	702	298
Deferred income tax of previous years	(6)	282
Income tax expense reported in the income statement	4,015	2,521
(b) Income tax recognised directly in equity		
Deferred income tax related to items charged or credited directly to equity		
Income tax reported in equity	-	-
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting profit before income tax from continuing operations	21,267	14,639
At the Group's statutory income tax rate of 30% (2009: 30%)	6,380	4,392
Adjustment in respect of current income tax of previous years	(427)	(150)
Expenditure not allowable for income tax purposes	417	13
Income not assessable for income tax purposes – share of profits of associate using the equity method	(2,355)	(1,734)
	4,015	2,521

4. Income Tax (continued)

	Balance sheet		Income statement	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(c) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Accrued sales taxable in future years	-	-	-	(57)
Intangible assets	-	(24)	(24)	(12)
Depreciable assets	(3,823)	(2,615)	1,208	1,222
	(3,823)	(2,639)		
Deferred tax assets				
Provisions	553	419	(134)	(159)
Expenses tax deductable over time	1,219	865	(355)	(800)
Unearned revenue	50	-	(50)	386
Tax losses from acquisitions	300	-	-	-
Gross deferred tax assets	2,122	1,284		
Net deferred tax (liabilities)	(1,701)	(1,355)		
Deferred tax expense			696	580

Tax consolidation system

Relevance of tax consolidation to the consolidated entity

The company and its wholly owned Australian resident entities have formed a tax–consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity and its entities within the tax consolidated entity are identified in note 28.

Nature of tax funding arrangements

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 has 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. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Tax Losses

The consolidated entity has capital tax losses for which no deferred tax asset is recognised in the statement of financial position of $11,800,000 (2009: $9,700,000) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant income tax legislation.

5. Share Options

31 December 2009 17c Options

The following reconciles the outstanding share options granted to shareholders at the beginning and end of the financial year:

	2010		2009	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	271,921,795	0.17	271,925,395	0.17
Exercised during the financial year	(177,990,395)	0.17	(3,600)	0.17
Cancelled	(81,175,585)	0.04	-	-
Lapsed	(12,755,815)	-	-	-
Balance at end of the financial year	-	-	271,921,795	0.17
Exercisable at end of the financial year	-	-	271,921,795	0.17

In-substance share options:

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. 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 any sale of the Amcom shares. 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 33(c). No additional in-substance options were granted within either the current or prior year.

5. Share Options (continued)

	Balance at beginning $	Repayment $	Balance at end $
Shareholder's loans			
2010			
Mr A. Grist	405,000	38,000	367,000
Mr C. Stein	103,750	7,000	96,750
	508,750	45,000	463,750
2009			
Mr A. Grist	443,000	38,000	405,000
Mr C. Stein	110,750	7,000	103,750
	553,750	45,000	508,750

6. Remuneration of Auditors

	Consolidated	
	2010 $'000	2009 $'000
(a) Auditor of the parent entity		
Audit or review of the financial report		
- Ernst & Young	113,250	100,000
Other non-audit services - Ernst & Young		
- tax services	78,460	148,901
- corporate services - pre acquisition due diligence	425,395	-
	617,105	248,901
(b) Auditor of subsidiary		
- Deloitte Touche Tohmatsu	-	41,600

7. Trade and other receivables

	Consolidated	
	2010 $'000	2009 $'000
Trade receivables	6,537	5,071
Allowance for impairment loss	(346)	(62)
	6,191	5,009

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms.
Movements in the allowance for impairment loss were as follows:

Opening Balance	62	36
Charge for the year	458	138
Amounts written off	(174)	(112)
Closing Balance	346	62

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

Ageing analysis of trade 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*
2010								
Consolidated	6,537	5,293	726	-	86	-	86	346
2009								
Consolidated	5,071	4,099	477	-	222	-	211	62

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

Past due not impaired receivables

Each operating unit 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. Collateral is not held as security.

8. Inventories

	Consolidated	
	2010 $'000	2009 $'000
Spares and consumables - at cost	1,462	1,316

9. Other

	Consolidated	
	2010 $'000	2009 $'000
Prepayments	891	874
Deposits	28	12
Other	182	125
	1,101	1,011

10. Investment in Associates

	Consolidated	
	2010 $'000	2009 $'000
Investment in associates – equity method		
iiNet Limited	51,683	46,642
Metro IX (Belmont) Pty Ltd	-	579
	51,683	47,221

Name of entity	Principal activity	Country of incorporation	Ownership interest		Published fair value	
			2010 %	2009 %	2010 $'000	2009 $'000
Associate- listed						
iiNet Ltd	Internet Service Provider	Australia	22.4	22.5	99,316	58,841
Associate- unlisted						
Metro IX (Belmont) Pty Ltd	Data Centre Provider	Australia	-	20	N/A	N/A

11. Investment accounted for using the equity method

	Consolidated	
	2010 $'000	2009 $'000
Summarised financial information in respect of the Group's associates is set out below:		
Financial position:		
Total assets	370,951	319,724
Total liabilities	145,644	115,336
Net assets	225,307	204,388
Group's share of associates' net assets	50,469	45,919
Financial performance:		
Total revenue	475,920	420,772
Total profit for the year	34,994	25,484
Group's share of associates' profit	7,850	5,779

Dividends received from associate

During the year, the Group received dividends of $2,722,000 (2009: $2,431,000) from iiNet Ltd.

Commitments for expenditure	Consolidated	
	2010 $'000	2009 $'000
Group's share of associate's capital expenditure commitments	2,251	702
Group's share of associate's lease commitments		
(i) Finance leases (minimum lease payments)	1,004	257
(ii) Non cancellable operating leases	21,699	22,772
Group's share of associate's other expenditure commitments	3,701	2,737
Group's share of unquantified contingent liabilities		

iiNet Copyright Matter

The matter refers to an appeal by the Australian Federation Against Copyright Theft (AFACT) against the decision in Roadshow Films Pty Ltd v iiNet Limited (No 3) [2010] FCA 24. This appeal was heard in August 2010 by the Full Court of the Federal Court of Australia of which the outcome is still pending. This matter is not capable of being quantified and does not give rise to any liability to Amcom Telecommunications Limited.

12. Property, Plant and Equipment

	Consolidated					
	Network Infra - structure	Leasehold Improve - ments	Plant and equipment	Furniture and fittings	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 30 June 2008	85,353	1,277	2,039	4,021	144	92,834
Additions	13,338	330	499	51	3	14,221
Balance at 30 June 2009	98,691	1,607	2,538	4,072	148	107,056
Additions	22,701	6	93	1,282	0	24,082
Disposals	0	(14)	0	(67)	0	(81)
Acquisition of subsidary	2,913	113	105	1,476	6	4,613
Balance at 30 June 2010	124,306	1,711	2,736	6,762	154	135,670
Accumulated depreciation						
Balance at 30 June 2008	22,279	813	1,056	2,677	87	26,912
Depreciation expense	4,605	167	697	189	18	5,676
Balance at 30 June 2008	26,884	980	1,753	2,867	105	32,589
Additions	5,506	194	285	702	18	6,705
Disposals	0	0	0	(67)	0	(67)
Acquisition of subsidary	1,766	10	69	914	3	2,763
Balance at 30 June 2010	34,157	1,184	2,107	4,417	126	41,990
Net carrying amount						
As at 30 June 2009	71,807	627	785	1,205	43	74,467
As at 30 June 2010	90,149	527	630	2,346	28	93,680

13. Goodwill

	Consolidated	
	2010	2009
	$'000	$'000
Net carrying amount		
Opening Balance	14,615	14,615
Other	(16)	-
Acquisition of subsidary (note 29)	18,874	-
Closing Balance	33,473	14,615

Allocation of goodwill to cash-generating units

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

	Consolidated	
	2010	2009
	$'000	$'000
Fibre Unit	11,285	11,301
Amnet DSL	2,314	3,314
Business Services	18,874	-
	33,473	14,615

The recoverable amounts of the Fibre unit and Amnet DSL 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 discount rate of 18.6% (2009:17%). Growth rates beyond the two year period are extrapolated over the following eight years using the assumptions outlined below. The period used reflects the minimum period of expected sustainable growth of the business unit. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

13. Goodwill (continued)

Impairment testing of goodwill

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

	2010		2009	
Key assumptions (i)	**Fibre**	**Amnet**	**Fibre**	**Amnet**
Revenue growth	10% pa	5%pa	9% pa	1% pa
Expense growth	5.3%pa	4.6%pa	6.5% pa	6.5% pa

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

The goodwill allocated to Business Services reflects that arising on the acquisition of IP Systems Pty Ltd during the year and reflects the fair value paid on acquisition. Management believe that there have been no significant events that have led to the impairment of this goodwill since the acquisition in May 2010 and the year end.

14. Other Intangible assets

	Consolidated		
	Brand name	**Customer base**	**Total**
	$'000	**$'000**	**$'000**
Gross carrying amount			
Balance at 1 July 2008	62	257	319
Balance at 30 June 2009	62	257	319
Acquisition of business (note 29)	-	460	460
Balance at 30 June 2010	62	717	779
Accumulated amortisation			
Balance at 1 July 2008	20	180	200
Amortisation expense (i)	-	39	39
Balance at 30 June 2009	20	219	239
Amortisation expense (i)	-	55	55
Balance at 30 June 2010	20	274	294
Net carrying amount			
As at 30 June 2009	42	38	80
As at 30 June 2010	42	443	485

(i) Amortisation expense is included in the line "depreciation and amortisation expenses" in the income statement.

15. Assets pledged as Security

In accordance with the security arrangements of bank borrowings, as disclosed in notes 17 and 19 to the financial statements, a fixed and floating charge has been registered over all the assets and undertakings of the consolidated entity, excluding the assets of IP Systems Pty Ltd, although the investment in IP Systems Pty Ltd is the subject of the charges. These charges are supported by a cross deed of guarantee and indemnity provided by all entities in the consolidated entity (except IP Systems Pty Ltd) in favour of the bank.

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

16. Trade and other payables

	Consolidated	
	2010 $'000	2009 $'000
Trade payables (i)	6,003	6,789
Accruals	5,090	3,056
Others	-	67
	11,093	9,912
Current	10,763	9,912
Non-current	330	-
	11,093	9,912

(i) Trade payables are 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 these are short term in nature.

Interest rate and liquidity risk

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

17. Borrowings - current

	Consolidated	
	2010 $'000	2009 $'000
Secured:		
Finance lease liabilities Corporation (i) (note 26)	389	366
Loan - ZTE Corporation	-	1,710
	389	2,076

(i) Secured by assets under lease.

18. Derivative Financial Liability

	Consolidated	
	2010 $'000	2009 $'000
Current liability		
Interest rate swap contract-cash flow hedge	249	484
Non-current liability		
Interest rate swap contract-cash flow hedge	58	219

Derivative financial instruments are used by the Group in order to hedge exposure to fluctuation in interest rates.

In order to protect against movements in interest rates the Group has entered into an interest rate swap contract. In terms of this contract, it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap in place is for $15m and is timed to expire at the maturity date of the facility in December 2011. The fixed interest rate is 6.59% and the variable rate is 0.75% above the 30 day bank bill rate, which at balance date was 4.7 % (2009: 3.2%).

The interest rate swap requires settlement of net interest receivable or payable each 30 days. The settlement rates coincide with the dates on which interest is payable on the underlying debt. The swap is considered highly effective. The swap is measured at fair value and movements in fair value are taken directly to equity.

The group uses various methods in estimating the fair value of a financial instrument. The interest rate swap is valued using the hierarchy of Level 2 which means that the fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The swap is valued using standard market valuation techniques.

19. Borrowings - non current

	Consolidated	
	2010 $'000	2009 $'000
Secured:		
At amortised cost		
Bank Debt (i)	19,725	25,725
Finance lease liabilities (note 26)(ii)	302	219
	20,027	25,944

(i) The consolidated entity has a facility to 31 December 2011, secured by a fixed and floating charge over all assets and undertakings, with cross guarantees provided by all group companies, excluding IP Systems Pty Ltd. The current weighted average effective interest rate on the bank loan is 4.7%.

(ii) Secured by the assets under lease.

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.

20. Employee Benefits

	Consolidated	
	2010 $'000	2009 $'000
The aggregate employee benefits liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current	1,708	1,100
Non-current	295	219
	2,003	1,319
	2010 No.	2009 No.
Number of full time equivalent employees at the end of financial year	188	144

21. Contributed Equity

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of financial year	101,792	101,739
Partial repayment of share based loan to directors	45	45
Option underwriting fee	(1,280)	-
Issue of shares to employees	11	7
Issue of converting shares	1,316	-
Proceeds - Exercise of Options (note 5)	30,258	1
Balance at end of financial year	132,142	101,792

	Consolidated	
	2010 No.	2009 No.
Fully paid ordinary shares		
Balance at beginning of financial year	538,857,752	538,801,250
Exercise of options (note 5)	177,990,395	3,600
Converting Shares	4,114,286	-
Issue of shares to employees	56,122	52,902
Balance at end of financial year	721,018,555	538,857,752

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

The total options on issue at year-end are Nil (2009: 271,921,795).

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.

Capital consists of shareholder's equity of $148,633,000 (2009: $109,540,000).

During 2010, the company paid dividends of $5,639,000 (2009: $3,772,000) (refer to note 25).

21. Contributed Equity (continued)

The gearing ratios based on continuing operations at 30 June 2010 and 2009 were as follows:

	Consolidated	
	2010 $'000	2009 $'000
Total borrowings	20,416	28,020
Less cash and cash equivalents	19,518	14,798
Net debt	898	13,222
Total equity	148,633	109,540
Total capital	149,531	122,762
Gearing ratio	0.6%	11%

22. Reserves

	Consolidated	
	2010 $'000	2009 $'000
Equity-settled benefits reserve *(i)*	526	426
Cash flow hedge reserve *(ii)*	(307)	(703)
Option cancellation reserve *(iii)*	(3,366)	-
	(3,147)	(277)

	Consolidated	
(i) Equity-settled Benefits Reserve	2010 $'000	2009 $'000
Balance at beginning of financial year	426	426
Performance rights issued (Note 31)	100	-
Balance at end of financial year	526	426

This reserve is used to record the value of the share based payments provided to employees including Key Management Personnel as part of their remuneration.

	Consolidated	
	2010 $'000	2009 $'000
(ii) Cash Flow Hedge Reserve		
Balance at beginning of financial year	(703)	-
Net (losses) / profits on cash flow hedges	396	(703)
Balance at end of financial year	(307)	(703)

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

22. Reserves (continued)

	Consolidated	
	2010 $'000	2009 $'000
(iii) Option Cancellation Reserve		
Balance at beginning of financial year	-	-
Options Cancelled	(3,247)	-
Costs incurred with option cancellation	(119)	-
Balance at end of financial year	(3,366)	-

During the year 81,175,585 options were cancelled at 4c per option.

23. Retained Profits

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of financial year	8,025	(321)
Dividends paid (note 25)	(5,639)	(3,772)
Net profit after tax attributable to members of the parent entity	17,252	12,118
	19,638	8,025

24. Earnings per Share

	Consolidated	
	2010 Cents per Share	2009 Cents per Share
Basic earnings per share	2.73	2.25
Diluted earnings per share	2.70	2.25

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

	Consolidated	
	2010 $'000	2009 $'000
Basic earnings per share		
Earnings (a)	17,252	12,118
Weighted average number of shares for the purposes of basic earnings per share	632,584,943	538,843,422

24. Earnings per Share (continued)

(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:

	Consolidated	
	2010 $'000	2009 $'000
Net Profit after tax and used in calculation of basic EPS.	17,252	12,118

Diluted earnings per share

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

	Consolidated	
	2010 $'000	2009 $'000
Earnings	17,252	12,118
Weighted average number of ordinary shares (b)	639,234,943	538,843,422

(b) Weighted average number of ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2010 No.	2009 No.
Weighted average number of ordinary shares used in calculation of basic EPS	632,584,943	538,843,422
Performance rights issued	6,650,000	-
Weighted average number of ordinary shares used in calculation of diluted EPS	639,234,943	538,843,422

25. Dividends

	2010		2009	
	Cents per Share $'000	Total $'000	Cents per Share $'000	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	0.5	2,771	0.4	2,155
Interim dividend	0.4	2,868	0.3	1,617
		5,639		3,772
Fully franked to 30% (prior year: 30%)				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend payable to November 2010				
	1.0	7,210	0.5	2,695
Fully franked to 30% (prior year: 30%)				

	2010 $'000	2009 $'000
Franking account balance as at 30 June	3,801	2,664
Impact on franking account balance of dividends not recognised	(3,090)	(1,078)
Impact on franking account balance of income tax payable at 30 June	1,805	914
Adjusted franking account balance	2,516	2,500

26. 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 for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
No later than 1 year	437	404	389	366
Later than 1 year and not later than 5 years	346	229	302	219
Minimum lease payments	783	633	691	585
Less future finance charges	(92)	(48)	-	-
Present value of minimum lease payments	691	585	691	585
Included in the financial statements as:				
Current interest-borrowings (note 17)	-	-	389	366
Non-current interest-borrowings (note 19)	-	-	302	219
	-	-	691	585

(ii) Operating lease arrangements

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

26. Commitments (continued)

	Consolidated	
	2010 $'000	2009 $'000
Operating lease commitments		
Non-cancellable operating leases		
Not longer than 1 year	2,621	2,176
Longer than 1 year and not longer than 5 years	11,616	4,451
Longer than 5 years	13,771	3,448
	28,008	10,075

Sub-leases

For non cancellable sub-leases, the total of future minimum lease payments expected to be received is Nil (2009: $ Nil).

27. Contingent liabilities

(a) Financial Guarantees

The reporting entity has issued bank guarantees in favour of third parties to the value of $1,074,839.

The parent entity has provided guarantees to third parties guaranteeing 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 Director's assessment of the fair value at 30 June 2010.

(b) ASIC Class Order 98/1418

The Closed Group consists of all the entities listed in note 28, except for IP Systems Pty Ltd.

Pursuant to Class Order 98/1418, the Company and each of its controlled entities except for IP Systems Pty Ltd 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 and each controlled entity has also given a similar guarantee in the event of the winding up of the Company.

27. Contingent liabilities (continued)

The consolidated income statement and statement of financial position of the entities that are members of the Closed Group are as follows:

Statement of Financial Position	2010 $'000	2009 $'000
Current Assets		
Cash and cash equivalents	18,677	14,798
Trade and other receivables	5,189	5,009
Inventories	1,462	1,316
Other	966	1,011
Total current assets	26,294	22,134
Non-current assets		
Investment in associates	51,683	47,221
Investment in subsidiaries	21,786	-
Property, plant and equipment	91,939	74,467
Goodwill	14,615	14,615
Other intangible assets	23	80
Total non-current assets	180,046	136,383
Total assets	206,340	158,517
Current liabilities		
Trade and other payables	9,699	9,912
Deferred revenue	6,780	6,403
Borrowings	196	2,076
Income tax payable	1,792	914
Derivative financial liability	249	484
Provisions	1,234	1,100
Total current liabilities	19,950	20,889
Non-current liabilities		
Borrowings	19,740	25,944
Trade payables	330	-
Provisions	241	219
Deferred Revenue	519	351
Other financial liabilities	1,000	-
Deferred consideration	13,842	-
Deferred tax liabilities	2,046	1,355
Derivative financial liability	58	219
Total non-current liabilities	37,776	28,088
Total liabilities	57,726	48,977
Net assets	148,614	109,540
Equity		
Contributed equity	132,142	101,792
Reserves	(3,147)	(277)
Retained profits	19,619	8,025
Total Equity	148,614	109,540

27. Contingent liabilities (continued)

Statement of Comprehensive Income	2010 $'000	2009 $'000
Profit from continuing operations before income tax	21,235	14,639
Income tax expense	(4,002)	(2,521)
Net profit	17,233	12,118
Retained earnings at the beginning of the period	8,025	(321)
Dividends paid	(5,639)	(3,772)
Retained earnings at the end of the period	19,619	8,025

28. Subsidaries

Name of Entity	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %
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 Centre Pty Ltd (ii)	Australia	100	100
Ezesoftwrite Pty Ltd (ii)	Australia	100	100
IP Systems Pty Ltd (ii) (iii)	Australia	100	N/A

(i) Amcom Telecommunications Ltd is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

(iii) Acquired on 24 May 2010.

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 controlled entities are small proprietary companies as described by the Corporations Act 2001 except for Amcom Pty Ltd.

29. Business Combination

Initial acquisition of IP Systems Pty Ltd

On 24 May 2010, Amcom Telecommunications Limited acquired 100% of the voting shares of IP Systems Pty Ltd, an unlisted company based in Australia specialising in providing converged IP voice and video sections.

The consideration was $21,786,403 and comprised an issue of equity instruments, cash and a contingent consideration component. The Group issued 4,114,286 unlisted converting shares with a fair value of $0.32 each, based on the quoted price of ordinary shares of Amcom Telecommunications Limited at the date of exchange.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of IP Systems Pty Ltd based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	Consolidated	
	Fair Value at acquisition date $000	Carrying Value $000
Plant and equipment	1,850	1,850
Deferred tax asset	346	-
Cash and cash equivalents	1,858	1,858
Trade receivables	940	940
Existing customer contracts	460	-
Other receivables	19	19
	5,473	4,667
Trade payables	(753)	(753)
Interest bearing liabilities - current	(208)	(208)
Interest bearing liabilities - non-current	(298)	(298)
Provisions	(505)	(505)
Deferred Revenue	(797)	(797)
	(2,561)	(2,561)
Provisional fair value of identifiable net assets	2,912	
Goodwill arising on acquisition (Note 13)	18,874	
	21,786	
Acquisition-date fair-value of consideration transferred:		
Shares issued, at fair value	1,316	
Cash paid	6,628	
Deferred consideration liability	13,842	
Consideration estimated to be transferred	21,786	
Direct costs relating to the acquisition	1,381	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	1,858	
Cash paid	(6,628)	
Net consolidated cash outflow	(4,770)	

29. Business Combination (continued)

The consolidated statement of comprehensive income includes revenue and net profit after tax for the year ended 30 June 2010 of $1,382,000 and $33,040 respectively, as a result of the acquisition of IP Systems Pty Ltd. Had the acquisition of IP Systems Pty Ltd occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $11,927,903 and $103,914 respectively. Goodwill of $18,874,000 has been recorded.

The deferred consideration is deferred with the quantum dependent upon the earnings before interest and tax (EBIT) contributed by IP Systems Pty Ltd over the three financial years to 30 June 2012 subject to a minimum of a further $3m and a maximum of a further $14m to be paid. This deferred consideration will be settled in the issuance of ordinary shares annually. The number of ordinary shares to be issued will be based upon the volume weighted average price at which Amcom shares trade on the ASX during the 20 trading days following the announcement of the annual results. The Group has forecast several scenarios, and probability weighted each to determine a fair value for this contingent payment arrangement, which has been included in the determination of the consideration transferred. Future changes in estimates of this amount will be recorded directly in the statement of comprehensive income in the periods in which they occur.

30. Parent Entity Information

Information relating to Amcom Telecommunications Ltd: Information relating to Amcom Telecommunications Ltd:

	2010 $'000	2009 $'000
Current assets	1	450
Total assets	138,064	86,051
Current liabilities	2,912	1,201
Total liabilities	24,173	656
Contributed Equity	132,142	101,792
Retained (losses)	(15,310)	(16,823)
Employee Equity-settled Benefits Reserve	426	426
Option Cancellation Reserve	(3,367)	-
Total shareholders' equity	113,891	85,395
Profit of the parent entity	1,512	4,927
Total comprehensive income of the parent entity	1,512	4,927

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 that of the parent. Refer to note 27 for further details.

31. Share-based payment plans

a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	2010 $'000	2009 $'000
Expense arising from equity-settled share-based payment transactions (Note 22)	100	-

b) Type of share-based payment plans

Performance Rights plan.

Performance Rights are granted to senior executives. The plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. Under the plan, the Performance Rights will vest and convert into ordinary shares should the 20 day volume weighted, average share price reach or exceed 50 cents at any time between 31 March 2012 and December 2012 inclusive. Performance Rights will also vest if there is a change in control of the company.

The Performance Rights enable the participants to acquire 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 can not be transferred and will be forfeited if vesting conditions are not or cannot be satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted.

c) Summaries of Performance Rights granted

The following table illustrates the number (No.) and movements in Performance Rights issued during the year:

	2010 No.
Outstanding at beginning of the year	0
Granted during the year	6,650,000
Outstanding at the end of the year	6,650,000

d) Weighted average remaining contractual life

The weighted average remaining contractual life for the Performance Rights outstanding at 30 June 2010 is 2.67 years (2009: 0 years).

31. Share-based payment plans (continued)

e) 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, to fair value the Performance Rights. The model takes into account the historic dividends and share price volatilities of the Company.

The following table lists the inputs to the models used for the year ended 30 June 2010:

	Executive Performance Rights	CEO Performance Rights
Grant date	26 March 2010	29 April 2010
Hurdle date	31 March 2012	31 March 2012
Share price at grant date	$0.283	$0.338
Dividend Yield	3.13%	2.78%
Volatility	56.40%	56.12%
Risk Free Rate	5.67%	5.56%

32. Segment Information

Operating segments

Segment results, asset and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing loans, 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.

Products and services within each business segment

For management purposes, the consolidated entity is organised into three major operating entities. These segments are the basis on which the consolidated entity reports its segment information. The principal products and services of each of these divisions are as follows:

- Fibre — Provision of high speed fibre based connectivity services. Development of high speed technology links and the supply of last mile fibre optic network connections.
- Amnet — Consumer DSL services.
- Business Services — Voice Services, data centre management and managed IT services.

32. Segment Information (continued)

30 June 2010 $'000	Fibre	Amnet	Business Services	Corporate	Total
Revenue from external customers	44,720	12,191	5,310	-	62.221
Total segment revenue	44,720	12,191	5,310	-	62.221
Other revenue					877
Total revenue per the statement of comprehensive income					63,098
Earnings before interest, tax, depreciation and amortisation	21,759	2,568	1,635	(3,591)	22,371
Depreciation and amortisation	(5,619)	(837)	(319)	(14)	(6,789)
Segment result (EBIT)	16,140	1,730	1,316	(3,605)	15,582
Interest (net)					(708)
Acquisitions activity expenses					(2,325)
Profit on sale of investment					868
Share of profit of associates					7,850
Net profit before tax					21,267
Tax expense					(4,015)
Net profit after tax					17,252

30 June 2009 $'000	Fibre	Amnet	Business Services	Corporate	Total
Revenue from external customers*	37,288	11,835	3,922	-	53,056
Total segment revenue	37,288	11,835	3,922	-	53,056
Other revenue					385
Total revenue per the statement of comprehensive income					53,441
Earnings before interest, tax, depreciation and amortisation*	17,805	1,765	2,005	(3,191)	18,384
Depreciation and amortisation	(4,712)	(896)	(144)	(14)	(5,766)
Segment result (EBIT)	13,093	869	1,861	(3,205)	12,618
Interest (net)					(1,551)
Share buy-back and sell down expenses					(2,207)
Share of profit of associates					5,779
Net profit before tax					14,639
Tax expense					(2,521)
Net profit after tax					12,118

* Voice is now included in the Business Services segment whereas previously part of Amnet. The comparative information has been restated. The financial impact is an increase in Business Services revenue of $1,278k and EBITDA of $509k and a corresponding reduction in Amnet revenue and EBITDA respectively.

32. Segment Information (continued)

Segment assets and liabilities	Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Fibre	108,372	92,984	16,502	21,101
Amnet	9,073	10,623	2,117	3,114
Business Services	25,188	1,617	2,996	899
Total of all segments	142,633	105,224	21,615	25,114
Unallocated	64,960	53,293	37,345	23,863
Consolidated	207,593	158,517	58,960	48,977

33. Related party disclosures

(a) Equity interests in related parties

Equity interests in controlled entities and in associate

Details of the percentage of ordinary shares held in controlled entities and associates are disclosed in notes 10 and 28 to the financial statements.

(b) Key management personnel compensation

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

	Consolidated	
	2009 $'000	2008 $'000
Short-term employee benefits	2,699,049	1,924,881
Post-employment benefits	237,941	194,362
Other long-term benefits	-	444,920
Share-based payments	115,569	-
	3,052,559	2,564,163

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

33. Related party disclosures (continued)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Amcom Telecommunications Ltd

	Balance at 1 July No.	Exercise of options No.	Net other change (*) No.	Balance at 30 June No.
2010				
Mr. A Grist	21,777,627	4,971,948	-	26,749,575
Mr. C Stein	1,300,000	1,000,000	11,000	2,311,000
Mr. A. Davies	100,000	1,000,000	-	1,100,000
Mr. P Clifton	3,000,000	750,000	-	3,750,000
Mr. I Warner	100,000	100,000	-	200,000
Mr. C Coleman	300,000	4,000,000	-	4,300,000
Mr. M Knee	190,000	-	-	190,000
Mr. D Hinton	550,000	-	-	550,000
Mr. R Whiting	100,000	50,000	50,000	200,000
Total	**27,417,627**	**11,871,948**	**61,000**	**39,350,575**
2009				
Mr. A Grist	18,577,627	-	3,200,000	21,777,627
Mr. C Stein	1,000,000	-	300,000	1,300,000
Mr. A. Davies	100,000	-	-	100,000
Mr. P Clifton	2,813,555	-	186,445	3,000,000
Mr. I Warner	100,000	-	-	100,000
Mr. C Coleman	-	-	300,000	300,000
Mr. M Knee	190,000	-	-	190,000
Mr. D Hinton	150,000	-	400,000	550,000
Mr. R Whiting	100,000	-	-	100,000
Total	**23,031,182**	**-**	**4,386,445**	**27,417,627**

* transactions on same terms and conditions as transactions with other shareholders.

33. Related party disclosures (continued)

(c) Key management personnel equity holdings (Continued)

17 & 31 December 2009 listed Options issued by Amcom Telecommunications Ltd

	Balance at 1 July No.	Net other change (*) No.	Balance at 30 June No.
2010			
Mr. A Grist	12,471,948	(12,471,948)	-
Mr. C Stein	1,000,000	(1,000,000)	-
Mr. A. Davies	1,000,000	(1,000,000)	-
Mr. P Clifton	3,313,555	(3,313,555)	-
Mr. I Warner	100,000	(100,000)	-
Mr. C Coleman	6,000,000	(6,000,000)	-
Mr. R Whiting	50,000	(50,000)	-
Total	**23,935,503**	**(23,935,503)**	**-**
2009			
Mr. A Grist	34,261,671	(21,789,723)	12,471,948
Mr. C Stein	1,000,000	-	1,000,000
Mr. A. Davies	1,000,000	-	1,000,000
Mr. P Clifton	3,313,555	-	3,313,555
Mr. I Warner	100,000	-	100,000
Mr. C Coleman	-	6,000,000	6,000,000
Mr. R Whiting	50,000	-	50,000
Total	**39,725,226**	**(15,789,723)**	**23,935,503**

* transactions on same terms and conditions as transactions with other shareholders.

(d) Other transactions with key management personnel

(i) The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, for services provided by Albion Capital Partners, a corporate advisory group of which Mr A Grist is one of the principals:

	2010 $'000	2009 $'000
Sell down - arrangement fee	-	289,000
Consultancy fee paid	168,000	176,000
Total recognised as expenses	168,000	465,000

33. Related party disclosures (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000
(ii) Bank guarantee issued in support of external borrowings of Mr C Stein. Mr Stein pays an annual fee of $2,125 per annum to the company	170,000	-

(e) Transactions with other related parties

During the financial year, the following transactions occurred between the consolidated entity and its related parties:

Related party		Revenue with related parties $'000	Purchases from related parties $'000	Other transactions with related parties
Associate:				
iiNet Limited – services	2010	864	-	-
	2009	638	-	-
iiNet Limited – dividends	2010	-	-	2,722
	2009	-	-	2,431
Perth IX (Belmont) Pty Ltd – services	2010	417	55	-
	2009	209	285	-

All transactions with related parties are completed at an arms length on normal commercial terms.

34. Notes to the 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 2010 $'000	Consolidated 2009 $'000
Cash and cash equivalents- available	19,018	14,798
Cash and cash equivalents- restricted	500	-
	19,518	14,798

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

34. Notes to the statement of cash flows (continued)

(b) Bank Financing Facilities**

Commercial Advance Facility

	Consolidated	
	2010 $'000	2009 $'000
Drawn	19,725	25,725
Undrawn	7,775	1,775
	27,500	27,500
Working Capital Facility *		
Drawn	674	481
Undrawn	1,826	2,019
	2,500	2,500
	30,000	30,000

* Subject to annual review

** Expiry date: December 2011

34. Notes to the statement of cash flows (continued)

	Consolidated	
	2010 $'000	2009 $'000
(c) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	17,252	12,118
Other	-	81
Depreciation and amortisation of non-current assets	6,789	5,761
Share of associates' profits (net of dividend received)	(5,128)	(3,348)
Profit on sale of investment in an associate	(868)	-
Share buy-back and sell down expenses	-	2,207
Share based payment booked to equity	99	-
Acquisition activity expenses	1,081	-
Provision for doubtful debts	458	138
(Increase) in assets:		
Current receivables	(700)	(681)
Current inventories	(146)	(97)
Other	(54)	(198)
Increase in liabilities:		
Payables and provisions	57	2,289
Deferred revenue	548	1,063
Deferred and current tax	1,584	678
Net cash provided by operating activities	20,972	20,016

34. Notes to the cash flow statement (continued)

	Consolidated	
	2010	2009
(d) Non-cash financing and investing activities	$'000	$'000
Settlement of subsidiary purchase with shares (Note 29)	1,316	-
Share-based payments (Note 31)	100	-
Issue of shares under employee share scheme (Note 21)	11	7

35. 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.

Registered office

Level 18
44 St Georges Terrace
Perth WA 6000
Tel : (08) 9244 6000

Principal administration office

Level 18
44 St Georges Terrace
Perth WA 6000
Tel : (08) 9244 6000

Additional Securities Exchange Information

Distribution Of Holders Of Equity Securities

	Fully Paid Listed Ordinary Shares
1-1,000	280,244
1,001-5,000	3,614,870
5,001-10,000	5,616,143
10,001-100,000	65,821,600
100,001 and over	641,479,246
	716,812,103
Number of shareholders holding less than a marketable parcel	0

Substantial Shareholders

Details per notices

	Fully Paid	
Ordinary Shareholders	Number	Percentage
Acorn Capital Limited	83,619,215	11.67
Osson Pty Ltd	58,823,530	10.92
Wyllie Group Pty Ltd	54,439,543	7.59
AJA Super IW Pty Ltd	45,820,432	8.50

Twenty Largest Holders of Quoted Equity Securities AMM

As At 7 September 2010

Name	Holder Balance as at 7/9/10	%	Rank
National Nominees Limited	113,173,081	15.79	1
ASA Super IW Pty Ltd	62,660,156	8.74	2
Osson Pty Ltd <Private A/C>	58,823,530	8.21	3
Wyllie Group Pty Ltd	54,439,543	7.59	4
Bell Potter Nominees Ltd <BP Nominees A/C>	35,396,311	4.94	5
JP Morgan Nominees Australia Limited	22,897,375	3.19	6
Oaktone Nominees Pty Ltd <The Grist Investment A/C>	22,749,575	3.18	7
Citicorp Nominees Pty Limited	19,164,158	2.67	8
Cogent Nominees Pty Limited	17,580,221	2.45	9
ANZ Nominees Limited <Cash Income A/C>	17,154,983	2.39	10
HSBC Custody Nominees (Australia) Limited	9,285,051	1.30	11
UBS Wealth Management Australia Nominees Pty Ltd	8,527,019	1.19	12
Gwynvill Trading Pty Limited	8,135,425	1.13	13
Escor Investments Pty Ltd	8,000,000	1.12	14
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCust A/C>	7,491,447	1.05	15
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	6,583,412	0.92	16
Mr Danny Kontos	5,750,000	0.80	17
Mr Jamie Phillip Boyton	5,500,000	0.77	18
Clifton Super (WA) Pty Ltd <The Clifton Super Fund A/C>	4,000,000	0.56	19
Mr Anthony Grist	4,000,000	0.56	20
Top 20 Subtotal	491,311,287	68.55	

Number of shareholders at 7th September 2010 4,463

Company secretary

Mr. David Hinton

Registered office

Level 18

44 St Georges Terrace

Perth WA 6000

Principal administration office

Level 18

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 listings

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

amcom
TELECOM

LEVEL 18, 44 ST GEORGES TERRACE PERTH WA 6000 | GPO BOX 2541 PERTH WA 6001
08 9244 6000 | INVESTOR@AMCOM.COM.AU | AMCOM.COM.AU | ABN: 20 062 046 217