



## RESULTS FOR ANNOUNCEMENT TO THE MARKET

# Amcom delivers another year of strong cash flow and earnings growth

21 August 2012

Australian Securities Exchange Limited

### Highlights

- Revenue \$136.0m – up 56%
- EBITDA\* \$34.0m – up 18%
- EBIT\* \$25.1m – up 24%
- Operating cash flow \$32.3m – up 30%<sup>1</sup>
- Free cash flow \$13.4m – up 82%<sup>2</sup>
- NPAT (reported) \$28.4m – up 10%
- NPAT before significant items (wholly owned operations)\* \$16.8m – up 22%
- Earnings per share (NPAT wholly owned operations before significant items)\* 7 cents – up 20%
- Final dividend per share 3.2 cents fully franked
- Targeting similar underlying earnings growth in FY13

Amcom Telecommunications Limited (“Amcom”) (ASX: AMM), a leading telecom and convergent IT solutions provider, today announced its financial results for the year ended 30 June 2012. Reported net profit after tax increased 10% to \$28.4m. Excluding one-off items, underlying net profit after tax from 100% owned operations\* increased 22% to \$16.8m.

The uplift in earnings was achieved due to strong organic sales growth from Amcom’s core data networks (fibre) and expanded business services offerings. Data network sales for FY 12 were 43% ahead of the previous financial year. The recurring revenue base for all annuity streams of the business now exceeds \$90m at year end.

Reported revenue increased 56% to \$136m including the revenue contribution from the recently acquired Amcom L7 Solutions. Notwithstanding the significant investment made in new operating capabilities, operating margins remain healthy with EBITDA up 18% to \$34.0m and EBIT up 24% to \$25.1m.

Operating cash flow grew strongly by 30% to \$32.3m<sup>1</sup> and free cash flow after capital expenditure jumped 82% to \$13.4m as the core data networks business continues to scale. Underlying earnings per share from wholly owned operations and before once off items increased 20% to 7 cents.

The statutory net profit after tax for the year included \$18.6m profit realised on the in specie distribution of the iiNet Ltd shares which occurred in the first half of the financial year and \$7.1m of non-recurring cost items. The non-recurring cost items included impairment charges for Amnet goodwill \$2.8m and network assets of \$3.5m.

The Board has declared a final dividend of 3.2 cents per share fully franked up from 3.0 cents in the previous financial year’s final dividend. This brings the full year dividend to 5 cents up from 4.8 cents in the previous financial year. The increase in dividend reflects the increased free cash flow in FY 12 despite no equity accounted earnings or dividend from iiNet occurring in FY 12. The final dividend is payable on 21 September 2012 to shareholders registered on 3 September 2012.

Commenting on the result Amcom Chairman Mr Tony Grist said “Management delivered the 10<sup>th</sup> consecutive year of growing underlying earnings in excess of 20% per annum. This financial year the strong profit result was also accompanied with an 82% increase in free cash flow. As a result, the Directors have increased the final dividend to 3.2 cents per share, bringing the dividend for the year to 5 cents. Over the past 7 months, shareholder value has been enhanced by a 50% increase in share price. I am also delighted to advise that the management team has achieved their long term incentive programme.”

*\*non IFRS financial information is reconciled to IFRS financial information at Annexure 1*

<sup>1</sup> excludes \$3.9m iiNet dividend from the financial year comparative.

<sup>2</sup> Operating cash flow less payments for property, plant and equipment and excluding the iiNet dividend in the previous financial year.

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Amcom's CEO Mr Clive Stein added "I am delighted with the performance of the company, particularly the significant improvement in free cash flow generation as the business scales. This result demonstrates again our consistent track record of organic business growth from the core data networks based business. The acquisition of L7 Solutions adds a new IT solutions capability to Amcom. It is a good fit with our existing businesses as we capitalise on opportunities in the rapidly evolving Cloud and Managed Services market."

"FY 12 has been a defining year in Amcom's ongoing evolution to become a leading convergent telecom and IT solutions provider. In August we distributed our iiNet shareholding to shareholders and in November we announced the strategic acquisition of L7. With a broadened and fully integrated product offering, strong customer relationships and a committed team of Amcom people we are well placed to take advantage of the convergence between telecommunications and IT solutions," said Mr Stein.

## Outlook

Amcom has commenced the new financial year in a strong financial position, with over \$90m of annuity revenue and considerable operating momentum. The existing data networks (fibre) business continues to grow as does the pipeline of opportunities in the Cloud (hosted IT) services market.

The company maintains a disciplined approach to winning new annuity style business and generating shareholder value. With low gearing levels and strongly growing cash flow generation the company has ample capacity to fund new growth initiatives while delivering ongoing attractive returns to shareholders.

The broadening of the product base and the positioning of the company to add annuity based IT services capability will drive earnings growth going forward. The business is on track to achieve similar underlying earnings growth in FY 13 as delivered in FY 12. A further update on the company's progress will be provided at the Annual General Meeting to be held in November 2012.

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## About Amcom

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

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

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

**Amcom Telecommunications Limited**  
**Results financial year ended 30 June 2012**

**1. Profit Summary**

The reported net profit after tax for the financial year ended 30 June 2012 was \$28.4m (FY11: \$25.9m), an increase of 10%. The reported net profit includes once off items of revenue and expense as detailed below.

\$ 000	FY 12	FY 11	%
Revenue	<b>135,967</b>	87,188	56%
EBITDA*	<b>34,008</b>	28,758	18%
EBIT*	<b>25,121</b>	20,196	24%
Interest expense (net)	<b>(1,206)</b>	(1,174)	
Profit before tax*	<b>23,915</b>	19,022	26%
Tax*	<b>(7,079)</b>	(5,186)	
<b>Net profit after tax before significant items* (wholly owned operations)</b>	<b>16,836</b>	13,836	22%
<b>Significant items:</b>			
Profit on in specie distribution (tax: nil)	<b>18,626</b>	-	
Acquisitions activity and associated expenses (tax: \$230)	<b>(794)</b>	-	
Asset impairment (tax: \$1,499)	<b>(3,496)</b>	-	
Goodwill impairment (tax: \$nil)	<b>(2,814)</b>	-	
Equity accounted earnings	-	7,762	
Profit on sale of investment (tax: nil)	-	4,255	
<b>Net profit after tax as reported</b>	<b>28,358</b>	25,853	10%
EPS basic (cents) before significant items	<b>7.0 c</b>	5.8 c	20%
EPS basic (cents) after significant items	<b>11.8 c</b>	10.8 c	9%

\*non IFRS financial information is reconciled to IFRS financial information at Annexure 1

For the financial year ended 30 June 2012 the following significant transactions occurred:

- The company distributed its 20.4% shareholding in iiNet Ltd to shareholders by way of an in specie distribution of \$71m. This realised a profit on distribution to the company of \$18.6m (tax: nil).
- On 22 November 2011, 100% of Amcom L7 Solutions Pty Ltd was acquired for \$15m.
- Following a review of the useful life of network assets an impairment charge of \$3.5m (tax: \$1.5m) was taken. As a result of the discontinuance of legacy data and voice products, associated network assets were considered obsolete.
- Amnet goodwill impairment charge of \$2.8m was taken due to declining revenue and margins as a result of the intense competition in the residential broadband market.

## 2. Cash flow

Amcom recorded a 30% increase in operating cash flow to \$32.3m for the financial year ended 30 June 2012.

\$ 000	Operating and Investing Cash flow		
	FY 12	FY 11 *	Δ %
<b>Operating cash flow</b>	<b>32,265</b>	<b>24,757</b>	30%
Growth capex - customer connections	( 10,613)	( 9,774)	
Growth capex - cloud	( 3,462)	( 400)	
Northern Territory Govt. build	-	( 2,800)	
Stay in business	( 4,773)	( 4,415)	
Total Capital expenditure	( 18,848)	( 17,389)	
<b>Free cash flow</b>	<b>13,417</b>	<b>7,368</b>	82%
<b>Free Cash Flow per share</b>	<b>5.6 c</b>	<b>3.1 c</b>	82%

\* excluding inet dividends of \$3.9m

Dividends paid during the financial year ended 30 June 2012 were \$11.5m (FY11:\$11.5m).

## 3. Review of operations

The results of these segments are summarised in the table below:

\$ 000	Revenue			EBITDA		
	FY 12	FY 11	Δ %	FY 12	FY 11	Δ %
Data networks - core	60,644	52,506		29,881	26,056	
Data networks - projects	4,093	2,392		600	488	
Data networks - total	64,737	54,898	18%	30,481	26,544	15%
EBITDA / Rev margin %	47%	48%				
Business services	60,182	20,437	194%	4,785	2,798	71%
Amnet - consumer	10,515	11,397		1,612	1,789	
Corporate	533	456		(2,870)	(2,373)	
<b>Totals</b>	<b>135,967</b>	<b>87,188</b>	56%	<b>34,008</b>	<b>28,758</b>	18%
EBITDA / Rev margin %	25%	33%				

Revenue from the Data networks segment (formerly known as Fibre) increased 18% to \$64.7m and EBITDA increased by 15% to \$30.5m.

The Business services segment increased revenue by 194% to \$60.2m and increased EBITDA by 71% to \$4.8m. Amcom L7 Solutions Pty Ltd that was acquired in November 2011 contributed \$36.5m of revenue and \$1.5m of EBITDA.

The Amnet consumer segment experienced an 8% decrease in revenue and a 10% reduction in EBITDA against a background of intense competition in the residential broadband market.

**4. Balance Sheet**

\$ 000	30-Jun-12	Dec-11	30-Jun-11
Shareholders' equity	111,837	113,877	163,882
Cash	24,242	19,623	22,051
Borrowings	32,200	32,253	15,303
Net debt /(cash)	7,958	12,630	(6,748)
iiNet - investment	-	-	52,011
NTA	76,133	76,351	140,150
Gearing (%) #	7%	10%	n/a
NTA per share (c)	31.5 c	31.6 c	58.3 c

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

Balance sheet movements of significance are:

- Shareholders' equity reduced to \$111.8m from \$163.9m as at 30 June 2011. The overall reduction was due to the in specie distribution of iiNet shares of \$71m, dividend paid of \$11.6m less the profit for the financial year of \$28.4m.

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**Amcom Telecommunications Limited**  
**Results financial year ended 30 June 2012**

The Directors believe that the presentation of non-IFRS financial information is useful for readers of this document to provide information of the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the IFRS based profit result included in the Statement of Comprehensive Income appearing in the attached Appendix 4E to the non-IFRS Profit Summary appearing above.

\$ 000	FY 12	FY 11
<b>Net Profit after tax</b>	<b>28,358</b>	25,853
Income tax expense	5,350	5,186
Profit on in specie distribution -iiNet	(18,626)	-
Profit on sale of investment in an associate -iiNet	-	(4,255)
Share of profits of associates - iiNet	-	(7,762)
Impairment of goodwill	2,814	-
Impairment of assets (tax effect \$1,499)	4,995	-
Acquisitions activity and other expenses* (tax effect \$230)	1,024	-
Depreciation & amortisation	8,887	8,562
Interest revenue	(533)	(456)
Finance costs	1,739	1,630
<b>EBITDA *</b>	<b>34,008</b>	28,758
Depreciation & amortisation	(8,887)	(8,562)
<b>EBIT *</b>	<b>25,121</b>	20,196
Interest revenue	533	456
Finance costs	(1,739)	(1,630)
Profit before tax	<b>23,915</b>	19,022
Income tax expense	(7,079)	(5,186)
<b>Net profit after tax before significant items * (wholly owned operations)</b>	<b>16,836</b>	13,836

\* non AIFRS financial information

**Preliminary Final Report**  
**Appendix 4E**  
**Results for announcement to the market**  
**Amcom Telecommunications Ltd (ACN 062 046 217)**

*This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ending 30 June 2012

Previous Corresponding Period: Financial Year ending 30 June 2011

**Results**

		<b>Percentage Change %</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2011 \$'000</b>
Revenue	up	56	135,967	87,188
Net profit after tax attributable to members	up	10	28,358	25,853
Earnings per share – basic (cents)	up	9	11.76	10.77
Net tangible assets per share (cents)	down	46	31.5	58.3

	<b>Amount per security ¢</b>	<b>Franked amount per security ¢</b>
Dividend (final)	3.2	3.2

**Key Dates:**

Annual Report	27 September 2012
Dividend record date	3 September 2012
Dividend payment date	21 September 2012
Annual General Meeting	21 November 2012

## Amcom Telecommunications Ltd

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
<b>Continuing Operations</b>			
Revenue	2	135,967	87,188
Profit on sale of investment in an associate		-	4,255
Profit on in specie distribution	3	18,626	-
Network costs and cost of hardware sold		(55,210)	(26,242)
Occupancy expenses		(3,707)	(3,068)
Depreciation and amortisation expenses		(8,887)	(8,562)
Employee benefits expenses		(33,737)	(20,611)
Finance costs		(1,739)	(1,630)
Marketing related expenses		(1,560)	(1,280)
Repairs and maintenance expenses		(1,306)	(1,268)
Impairment of network infrastructure	4	(4,995)	-
Impairment of goodwill	4	(2,814)	-
Other expenses		(6,930)	(5,505)
Share of profits of associates using the equity method	9	-	7,762
<b>Profit from continuing operations before income tax expense</b>		<b>33,708</b>	<b>31,039</b>
Income tax expense		(5,350)	(5,186)
<b>Net Profit attributable to members of Amcom Telecommunications Ltd</b>		<b>28,358</b>	<b>25,853</b>
<b>Other comprehensive income</b>			
Cash flow hedge – gain taken to equity		55	252
<b>Total comprehensive income attributable to members of Amcom Telecommunications Ltd</b>		<b>28,413</b>	<b>26,105</b>
<b>Earnings per share from continuing operations</b>			
Basic (cents per share)	7	11.76	10.77
Diluted (cents per share)	7	11.52	10.60



# Amcom Telecommunications Ltd

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents		24,242	22,051
Trade and other receivables		15,531	7,235
Inventories		1,791	1,759
Other		2,055	1,299
Investment in associate -held for distribution	9	-	52,011
<b>Total current assets</b>		43,619	84,355
<b>Non-current assets</b>			
Property, plant and equipment		108,849	102,878
Goodwill		34,472	23,126
Other intangible assets		1,232	607
<b>Total non-current assets</b>		144,553	126,611
<b>Total assets</b>		188,172	210,966
<b>Current liabilities</b>			
Trade and other payables		23,030	12,092
Deferred revenue		11,308	7,870
Borrowings		100	121
Income tax payable		2,057	2,149
Derivative financial liability		-	55
Provisions		2,449	2,150
<b>Total current liabilities</b>		38,944	24,437
<b>Non-current liabilities</b>			
Borrowings		32,100	15,182
Provisions		733	425
Deferred revenue		882	362
Deferred consideration		-	3,000
Deferred tax liabilities		3,676	3,678
<b>Total non-current liabilities</b>		37,391	22,647
<b>Total liabilities</b>		76,335	47,084
<b>Net assets</b>		111,837	163,882
<b>Equity</b>			
Contributed equity	6	107,787	132,222
Reserves		(1,410)	(2,295)
Retained profits		5,460	33,955
<b>Total equity</b>		111,837	163,882

# Amcom Telecommunications Ltd

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		147,888	94,453
Payments to suppliers and employees		(108,769)	(65,655)
Interest received		533	452
Interest and other costs of finance paid		(1,739)	(1,629)
Income tax paid		(5,648)	(2,864)
Dividends received		-	3,910
Net cash provided by operating activities	10	<u>32,265</u>	<u>28,667</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(18,848)	(17,389)
Payment for acquisition of controlled entity, net of cash acquired	8	(13,116)	-
Payment for acquisition of equity investment		-	(4,127)
Proceeds from sale of equity investment		-	11,925
Net cash (used in) investing activities		<u>(31,964)</u>	<u>(9,591)</u>
<b>Cash flows from financing activities</b>			
Repayment of loans		80	80
Payment of deferred consideration		(3,128)	-
Proceeds from borrowings		38,015	8,800
Repayment of borrowings		(21,519)	(13,887)
Dividends paid		(11,558)	(11,536)
Net cash provided by/ (used in) financing activities		<u>1,890</u>	<u>(16,543)</u>
<b>Net increase in Cash and cash equivalents</b>		2,191	2,533
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>22,051</u>	<u>19,518</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u><u>24,242</u></u>	<u><u>22,051</u></u>

# Amcom Telecommunications Ltd

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Equity	Equity – Settled Benefits Reserve	Cash Flow Hedge Reserve	Option Cancellation Reserve	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>At 30 June 2010</b>	132,142	526	(307)	(3,366)	19,638	148,633
Profit for the year	-	-	-	-	25,853	25,853
Other comprehensive income	-	-	252	-	-	252
<b>Total comprehensive income</b>	-	-	252	-	25,853	26,105
Share based payment	-	600	-	-	-	600
Repayment of shareholders loan	80	-	-	-	-	80
Dividends paid	-	-	-	-	(11,536)	(11,536)
<b>At 30 June 2011</b>	<u>132,222</u>	<u>1,126</u>	<u>(55)</u>	<u>(3,366)</u>	<u>33,955</u>	<u>163,882</u>
Profit for the year	-	-	-	-	28,358	28,358
Other comprehensive income	-	-	55	-	-	55
<b>Total comprehensive income</b>	-	-	55	-	28,358	28,413
Repayment of shareholders loan	80	-	-	-	-	80
Shares issued	985	-	-	-	-	985
Transaction costs on share issue	(7)	-	-	-	-	(7)
In specie distribution (Note 3)	(25,493)	-	-	-	(45,295)	(70,788)
Share based payment	-	830	-	-	-	830
Dividends paid	-	-	-	-	(11,558)	(11,558)
<b>At 30 June 2012</b>	<u>107,787</u>	<u>1,956</u>	<u>-</u>	<u>(3,366)</u>	<u>5,460</u>	<u>111,837</u>

# Amcom Telecommunications Ltd

## Notes to the Financial Statements For the Financial Year Ended 30 June 2012

### 1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the consolidated financial report of 30 June 2011.

### 2. Revenue

	2012 \$'000	2011 \$'000
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Rendering of services	111,969	82,867
Sale of hardware	19,372	1,473
Project revenue	4,093	2,392
Interest income – bank deposits	533	456
	<u>135,967</u>	<u>87,188</u>

### 3. Profit on in specie distribution

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

### 4. Impairment of assets

	2012 \$'000	2011 \$'000
Goodwill	2,814	-
Network infrastructure	4,995	-
	<u>7,809</u>	-
Tax benefit	(1,499)	-
	<u>6,310</u>	-

Following a review of the useful life of network assets an impairment charge of \$5.0m (tax benefit: \$1.5m) was taken. As a result of the discontinuance of legacy data and voice products, associated network assets were considered obsolete.

An Amnet goodwill impairment charge of \$2.8m was taken due to declining revenue and margins as a result of the intense competition in the residential broadband market.

## Amcom Telecommunications Ltd

### Notes to the Financial Statements For the Financial Year Ended 30 June 2012

#### 5. Dividends fully franked

	Date dividend paid / payable	Amount per security ¢	\$'000
<b>2012</b>			
Final	21 September 2012	3.2	7,728
Interim	30 March 2012	1.8	4,348
		<u>5.0</u>	<u>12,076</u>
<b>2011</b>			
Final	20 October 2011	3.0	7,210
Interim	4 April 2011	1.8	4,326
		<u>4.8</u>	<u>11,536</u>

#### 6. Contributed Equity

	Number of shares	\$'000	
<b>Fully paid ordinary shares</b>			
Opening balance	240,341,533	132,222	
Issue of ordinary shares	1,165,680	985	
Transaction costs on share issue	-	(7)	
In specie distribution	-	(25,493)	
Repayment of share based loan to Directors	-	80	
Closing balance	<u>241,507,213</u>	<u>107,787</u>	
<b>Securities on issue</b>			
Listed ordinary shares	241,491,904		
Unlisted fully paid ordinary employee shares	15,309		
Performance rights – Tranche A	2,349,995		
Performance rights – Tranche B	480,000		
Performance rights – Tranche C	1,480,000		
<b>Movement in performance rights</b>	<b>Tranche A</b>	<b>Tranche B</b>	<b>Tranche C</b>
Opening balance	2,183,330	480,000	-
Issued in year	199,998	-	1,480,000
Lapsed	(33,333)	-	-
Closing balance	<u>2,349,995</u>	<u>480,000</u>	<u>1,480,000</u>

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# Amcom Telecommunications Ltd

## Notes to the Financial Statements For the Financial Year Ended 30 June 2012

### Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds \$1.14 (Share price target) at any time between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply. Upon vesting the conversion ratio to ordinary shares is 1:1.3165 ordinary shares. The fair value of the rights granted during the year was 50.4 cents per right. Subsequent to year-end the Share price target was achieved and the performance rights vested.

### Tranche B

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

### Tranche C

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. A third of the performance rights will vest at 30 June 2014; a further 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR equals or exceeds 110% of the S&P ASX 300 Accumulation Index. Unvested Performance Rights will lapse on 30 June 2014 or if employment is terminated. Change of control provisions also apply. The fair value of the rights granted during the year was in the range of 51.9 cents – 61.5 cents per right.

## 7. Earnings per Share

	<b>2012</b>	<b>2011</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Basic EPS	11.76	10.77
Diluted EPS*	11.52	10.60

  

	<b>2012</b>	<b>2011</b>
	<b>No. '000</b>	<b>No. '000</b>
Weighted average number of ordinary shares		
– Basic EPS	241,044	240,342
– Diluted EPS*	246,250	243,848

The dilution is as a result of performance rights on issue (note 6).

# Amcom Telecommunications Ltd

## Notes to the Financial Statements For the Financial Year Ended 30 June 2012

### 8. Acquisition of Controlled Entity

On 22 November 2011, Amcom Telecommunications Ltd acquired 100% of Amcom L7 Solutions Pty Ltd for a consideration of \$15,000,000. The consideration comprised an issue of shares in Amcom Telecommunications Ltd of \$985,000 and cash consideration of \$14,015,000.

Since acquisition to 30 June 2012 Amcom L7 Solutions Pty Ltd has contributed \$36,499,000 to the consolidated revenue of the group and \$502,000 to operating profit after tax.

The revenue and net profit after tax for 2011 were \$40,621,165 and \$1,057,671 respectively.

The Group has provisionally recognised the fair values of the acquired identifiable assets and liabilities of Amcom L7 Solutions Pty Ltd based upon the best information available as of the reporting date. The assessment will be finalised upon completion of the tax consolidation calculation. The provisional fair value accounting of the business combination is as follows:

	<b>Provisional Fair Value at acquisition date \$'000</b>
Cash & cash equivalents	1,158
Trade receivables	4,849
Plant and Equipment	557
Inventories and other	1,505
	<hr/> 8,069
Trade payables	(5,436)
Borrowings	(410)
Provisions and other	(1,383)
	<hr/> (7,229)
Provisional fair value of identifiable net assets	840
Goodwill arising on acquisition	14,160
	<hr/> <hr/> 15,000
Acquisition-date fair-value of consideration transferred:	
Shared issued, at fair value	985
Cash paid	14,015
	<hr/> <hr/> 15,000

The provisional goodwill of \$14,159,703 arising from the acquisition is allocated to the Business Services segment.

	<b>\$'000</b>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	1,158
Transaction costs paid	(259)
Cash paid *	(14,015)
	<hr/> <hr/> (13,116)

\* Funded by an increase in borrowings

## Amcom Telecommunications Ltd

### Notes to the Financial Statements For the Financial Year Ended 30 June 2012

#### 9. Details of Associates

Name of Entity	Ownership interest		Contribution to net profit	
	2012 %	2011 %	2012 \$'000	2011 \$'000
iiNet Limited (listed)	-	20.4	-	7,762
			-	7,762
			<b>2012</b>	<b>2011</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Listed investment</b>				
Carrying value			-	52,011
Market value at reporting date			-	81,033

#### 10. Reconciliation of Profit to Operating Cash Flow

	2012 \$'000	2011 \$'000
Profit before tax	33,708	31,039
Tax paid	(5,648)	(2,864)
Depreciation and amortisation	8,887	8,562
Share of associate's profits (net of dividends)	-	(3,852)
Profit on sale of investment	-	(4,255)
Profit on in specie distribution	(18,626)	-
Share based payment expense	830	600
Impairment of network infrastructure	4,995	-
Impairment of goodwill	2,814	-
Other	(654)	(352)
<b>Movement in working capital</b>		
Receivables	(3,431)	(1,242)
Inventory	200	(297)
Deferred revenue	3,881	441
Trade creditors, provisions and other	5,309	515
Total movement in working capital	5,959	(211)
<b>Operating cash flow</b>	<b>32,265</b>	<b>28,667</b>



## Amcom Telecommunications Ltd

### Notes to the Financial Statements For the Financial Year Ended 30 June 2012

#### 11. Operating Segments

<b>30 June 2012 \$'000</b>	<b>Data Networks</b>	<b>Amnet</b>	<b>Business Services</b>	<b>Corporate Overheads</b>	<b>Total</b>
Revenue from external customers	64,737	10,515	60,182	-	135,434
Total segment revenue	64,737	10,515	60,182	-	135,434
Other revenue					533
Total revenue					<u>135,967</u>
Earnings before interest, tax, depreciation and amortisation	30,481	1,612	4,785	(2,870)	34,008
Depreciation and amortisation	(7,060)	(793)	(1,024)	(10)	(8,887)
Segment result (EBIT)	23,421	819	3,761	(2,880)	25,121
Interest (net)					(1,206)
Profit on in specie distribution					18,626
Impairment of goodwill					(2,814)
Impairment of network infrastructure					(4,995)
Acquisition expenses and other items					(1,024)
Net profit before tax					33,708
Tax expense					(5,350)
Net profit after tax					<u>28,358</u>
<b>30 June 2011 \$'000</b>	<b>Data Networks</b>	<b>Amnet</b>	<b>Business Services</b>	<b>Corporate Overheads</b>	<b>Total</b>
Revenue from external customers	54,898	11,397	20,437	-	86,732
Total segment revenue	54,898	11,397	20,437	-	86,732
Other revenue					456
Total revenue					<u>87,188</u>
Earnings before interest, tax, depreciation and amortisation	26,544	1,789	2,798	(2,373)	28,758
Depreciation and amortisation	(6,818)	(839)	(894)	(11)	(8,562)
Segment result (EBIT)	19,726	950	1,904	(2,384)	20,196
Interest (net)					(1,174)
Profit on sale of investment					4,255
Share of profit of associates					7,762
Net profit before tax					31,039
Tax expense					(5,186)
Net profit after tax					<u>25,853</u>

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## Amcom Telecommunications Ltd

### Notes to the Financial Statements For the Financial Year Ended 30 June 2012

	Assets	
	2012 \$'000	2011 \$'000
Data Networks	120,849	114,397
Amnet	4,300	7,710
Business Services	38,781	14,797
Total of all segments	163,930	136,904
Investment in Associate	-	52,011
Cash and cash equivalents	24,242	22,051
Statement of financial position	188,172	210,966

#### Identification of Reportable Segments

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

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

#### Types of Services

##### Data Networks

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

##### Amnet

Consumer DSL services.

##### Business Services

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

## 12. Material Contingent Liabilities

No material change

## 13. Subsequent Events

Subsequent to year-end the vesting conditions of the Tranche A Performance Rights were achieved which will result in the company issuing 3,049,888 Ordinary shares to employees under the Amcom Executive Long Term Incentive Plan. These rights were issued in 2010 and the issuance of the shares represents 1.2% of the expanded number of shares on issue.

## 14. Information on Audit or Review

This preliminary final report is based on financial statements that are in the process of being audited.