

Vocus Communications Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Vocus Communications Limited
ABN:	96 084 115 499
Reporting period:	For the half-year ended 31 December 2013
Previous period:	For the half-year ended 31 December 2012

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	44.7% to	44,300,001
Underlying EBITDA *	up	49.5% to	14,646,001
Profit from ordinary activities after tax attributable to the owners of Vocus Communications Limited	up	22.4% to	5,123,977
Profit for the half-year attributable to the owners of Vocus Communications Limited	up	22.4% to	5,123,977
Underlying NPAT **	up	52.3% to	5,881,386
		31 Dec 2013 Cents	31 Dec 2012 Cents
Basic earnings per share		6.60	5.71
Diluted earnings per share		6.33	5.52
Underlying diluted earnings per share ***		7.26	5.09
<i>Dividends</i>			
		Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ending 30 June 2014 payable on 25 March 2014 to shareholders registered on 11 March 2014		0.800	0.800
Final dividend for the year ended 30 June 2013 paid on 24 September 2013		0.600	0.600

Comments

The profit for the Consolidated Entity after providing for income tax amounted to \$5,123,977 (31 December 2012: \$4,184,667).

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

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** Underlying earnings before interest expense, tax, depreciation and amortisation*

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Profit for the financial half-year	5,123,977	4,184,667
Add back: Income tax expense	2,004,907	1,611,992
Add back: Finance costs	850,645	661,990
Add back: Depreciation and amortisation	5,584,459	3,798,611
EBITDA	13,563,988	10,257,260
Other (gains) and losses associated with foreign currency exchange	1,082,013	(460,449)
Underlying EBITDA	<u>14,646,001</u>	<u>9,796,811</u>

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items.

*** Underlying net profit after tax*

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Profit for the financial half-year	5,123,977	4,184,667
Other (gains) and losses associated with foreign currency exchange	1,082,013	(460,449)
Tax effect on other gains and losses at 30%	(324,604)	138,135
Underlying NPAT	<u>5,881,386</u>	<u>3,862,353</u>

**** Underlying diluted earnings per share is calculated by excluding the after tax effect of the other gains/(losses) associated with foreign currency exchange.*

3. Net tangible assets

	31 Dec 2013	31 Dec 2012
	Cents	Cents
Net tangible assets per ordinary security	<u>(5.70)</u>	<u>(18.83)</u>

To operate and sell access to its global network, the Consolidated Entity has invested in capacity on revenue generating indefeasible right to use intercontinental submarine fibre optic cables with an expected useful life until November 2025. The cost of this asset has been capitalised as an intangible for the right to access and is amortised on a straight-line basis over its expected economic life.

Therefore, whilst revenue generating, the right to access is treated as an intangible asset and is excluded in net tangible assets. If it were included, asset backing would be 77.28 cents and 74.99 cents for the current and prior reporting periods respectively.

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4. Attachments

Details of attachments (if any):

The Financial Report of Vocus Communications Limited for the half-year ended 31 December 2013 is attached.

5. Signed

Signed

A handwritten signature in black ink, appearing to read 'J. Spenceley', is written over a horizontal line.

Date: 27 February 2014

James Spenceley
Director
Sydney



Vocus Communications Limited

ABN 96 084 115 499

Half-Year Financial Report - 31 December 2013

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the half-year ended 31 December 2013.

Directors

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

David Spence - Chairman

James Spenceley - Chief Executive Officer

Jon Brett

John Murphy

Nicholas McNaughton

Principal activities

Vocus Communications Limited is an ASX listed leading telecommunications provider of Data Centres, Dark Fibre and International Internet connectivity across Australia, New Zealand, Hong Kong, Singapore and the USA. The Consolidated Entity provides high performance, high availability, and highly scalable communications solutions, which allow enterprises and service providers to quickly and easily deploy services for their own use and for their own customer base.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$5,123,977 (31 December 2012: \$4,184,667).

Total revenue for the Consolidated Entity for the financial half-year ended 31 December 2013 was \$44,300,001 (31 December 2012: \$30,615,353).

Basic earnings per share and diluted earnings per share for the period were 6.60 cents and 6.33 cents respectively (31 December 2012: 5.71 cents and 5.52 cents respectively).

Underlying earnings before interest expense, tax, depreciation and amortisation ('EBITDA') and excluding other gains and losses associated with foreign currency exchange for the Consolidated Entity for the financial half-year ended 31 December 2013 was \$14,646,001 (31 December 2012: \$9,796,811). This is calculated as follows:

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Profit for the financial half-year	5,123,977	4,184,667
Add back: Income tax expense	2,004,907	1,611,992
Add back: Finance costs	850,645	661,990
Add back: Depreciation and amortisation	5,584,459	3,798,611
EBITDA	13,563,988	10,257,260
Other (gains) and losses associated with foreign currency exchange	1,082,013	(460,449)
Underlying EBITDA	<u>14,646,001</u>	<u>9,796,811</u>

At the reporting date 31 December 2013, the consolidated cash holdings stood at \$7,698,144 (30 June 2013: \$14,169,121).

During the period, the Consolidated Entity deployed and expanded its Data Centre and Fibre infrastructure. New Data Centre facilities were launched in Auckland in October 2013 and in Melbourne in December 2013. The Consolidated Entity's Fibre network now exceeds 500 kilometres as at 31 December 2013 with over 800 buildings on its network. Strong demand for the Consolidated Entity's products continues, supported by the new and expanded facilities.

On 19 August 2013, the Consolidated Entity finalised the deferred consideration payable on its acquisition of Ipera Communications Pty Limited. The consideration of \$6,492,690 was settled by the issuance on 28 August 2013 of 1,863,565 ordinary shares in Vocus Communications Limited amounting to \$3,992,690 and a cash payment of \$2,500,000 on 28 February 2014. Ordinary shares of 834,390 included in the 1,863,565 above are subject to escrow for 12 months.

In December 2013, the Consolidated Entity modified its arrangements with Southern Cross Cables Limited ('SCCL') relating to the USD denominated Indefeasible Right to Use ('IRU') liability with SCCL. The modified arrangement terms included a repayment of 50% of the liability, which was funded through a new loan facility. The benefits of the modified arrangements include reducing the USD exposure of the IRU liability by half and receipt of a discount which will be amortised over the remaining loan term.

Significant changes in the state of affairs

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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

On behalf of the directors



James Spenceley
Director

27 February 2014
Sydney

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

27 February 2014

Dear Board Members

Auditor's Independence Declaration to Vocus Communications Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Vocus Communications Limited.

As lead audit partner for the review of the financial statements of Vocus Communications Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

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General information

The financial report covers Vocus Communications Limited as a Consolidated Entity consisting of Vocus Communications Limited and the entities it controlled during the period. The financial report is presented in Australian dollars, which is Vocus Communications Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Vocus Communications Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Vocus House
Level 1
189 Miller Street
North Sydney NSW 2060

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 February 2014. The directors have the power to amend and reissue the financial report.

Vocus Communications Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013



		Consolidated	
	Note	31 Dec 2013	31 Dec 2012
		\$	\$
Revenue	3	44,300,001	30,615,353
Other gains and losses	4	(983,580)	460,449
Expenses			
Network and service delivery		(18,874,156)	(12,429,315)
Employee benefits expense	5	(7,235,329)	(5,833,787)
Depreciation and amortisation expense	5	(5,584,459)	(3,798,611)
Administration and other expenses		(3,642,948)	(2,555,440)
Finance costs	5	(850,645)	(661,990)
Profit before income tax expense		7,128,884	5,796,659
Income tax expense		(2,004,907)	(1,611,992)
Profit after income tax expense for the half-year attributable to the owners of Vocus Communications Limited		5,123,977	4,184,667
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		624,850	(15,317)
Net movement on hedging transactions, net of tax		104,632	32,211
Other comprehensive income for the half-year, net of tax		729,482	16,894
Total comprehensive income for the half-year attributable to the owners of Vocus Communications Limited		5,853,459	4,201,561
		Cents	Cents
Basic earnings per share	17	6.60	5.71
Diluted earnings per share	17	6.33	5.52

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of financial position
As at 31 December 2013



		Consolidated	
	Note	31 Dec 2013	30 Jun 2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	7,698,144	14,169,121
Trade and other receivables		13,396,156	9,989,265
Derivative financial instruments		383,911	327,922
Other	7	1,719,388	929,650
Total current assets		<u>23,197,599</u>	<u>25,415,958</u>
Non-current assets			
Property, plant and equipment	8	57,999,214	50,776,973
Intangibles	9	85,836,624	87,677,199
Deferred tax		2,875,818	2,763,187
Other		1,740,365	1,069,505
Total non-current assets		<u>148,452,021</u>	<u>142,286,864</u>
Total assets		<u>171,649,620</u>	<u>167,702,822</u>
Liabilities			
Current liabilities			
Trade and other payables		12,850,228	12,896,918
Borrowings	10	9,187,700	13,846,454
Derivative financial instruments		117,654	-
Income tax		848,638	1,295,519
Provisions		3,137,871	7,742,859
Other		2,268,612	431,991
Total current liabilities		<u>28,410,703</u>	<u>36,213,741</u>
Non-current liabilities			
Borrowings	11	55,660,624	56,986,389
Derivative financial instruments		-	77,305
Deferred tax		2,795,328	2,147,783
Provisions		942,603	816,378
Other		2,484,847	392,326
Total non-current liabilities		<u>61,883,402</u>	<u>60,420,181</u>
Total liabilities		<u>90,294,105</u>	<u>96,633,922</u>
Net assets		<u>81,355,515</u>	<u>71,068,900</u>
Equity			
Contributed equity	12	50,580,086	46,068,659
Reserves		2,038,552	904,880
Retained profits		28,736,877	24,095,361
Total equity		<u>81,355,515</u>	<u>71,068,900</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of changes in equity
As at 31 December 2013



Consolidated	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2012	22,588,928	103,261	19,309,030	42,001,219
Profit after income tax expense for the half-year	-	-	4,184,667	4,184,667
Other comprehensive income for the half-year, net of tax	-	16,894	-	16,894
Total comprehensive income for the half-year	-	16,894	4,184,667	4,201,561
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	21,541,274	-	-	21,541,274
Share-based payments	-	195,412	-	195,412
Balance at 31 December 2012	<u>44,130,202</u>	<u>315,567</u>	<u>23,493,697</u>	<u>67,939,466</u>
Consolidated	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2013	46,068,659	904,880	24,095,361	71,068,900
Profit after income tax expense for the half-year	-	-	5,123,977	5,123,977
Other comprehensive income for the half-year, net of tax	-	729,482	-	729,482
Total comprehensive income for the half-year	-	729,482	5,123,977	5,853,459
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	4,511,427	-	-	4,511,427
Share-based payments	-	404,190	-	404,190
Dividends paid (note 13)	-	-	(482,461)	(482,461)
Balance at 31 December 2013	<u>50,580,086</u>	<u>2,038,552</u>	<u>28,736,877</u>	<u>81,355,515</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of cash flows
For the half-year ended 31 December 2013



	Consolidated	
Note	31 Dec 2013	31 Dec 2012
	\$	\$
Cash flows from operating activities		
Receipts from customers	45,909,760	31,933,071
Payments to suppliers and employees	(30,879,793)	(24,512,887)
	15,029,967	7,420,184
Interest received	159,964	259,348
Finance costs paid	(68,623)	(44,695)
Income taxes paid	(2,076,571)	(1,941,069)
Net cash from operating activities	13,044,737	5,693,768
Cash flows from investing activities		
Payments for purchase of businesses	(4,665,675)	-
Payments for property, plant and equipment	(13,122,715)	(8,670,380)
Payments for intangible assets	(1,033,949)	-
Payments for refundable deposits	(2,299,700)	(430,231)
Net cash used in investing activities	(21,122,039)	(9,100,611)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	5,164,058	21,345,807
Proceeds from/(repayment of) borrowings	(2,497,352)	(6,160,819)
Interest and other finance costs paid on borrowings	(705,887)	(541,933)
Proceeds from/(repayment of) leases	204,102	(275,673)
Interest paid on leases	(76,135)	(75,362)
Dividends paid	(482,461)	-
Net cash from financing activities	1,606,325	14,292,020
Net increase/(decrease) in cash and cash equivalents	(6,470,977)	10,885,177
Cash and cash equivalents at the beginning of the financial half-year	14,169,121	2,387,244
Cash and cash equivalents at the end of the financial half-year	<u>7,698,144</u>	<u>13,272,421</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity

The following Accounting Standards are most relevant to the Consolidated Entity:

AASB 10 Consolidated Financial Statements

The Consolidated Entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Consolidated Entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The Consolidated Entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense.

AASB 12 Disclosure of Interests in Other Entities

The Consolidated Entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The Consolidated Entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

Note 1. Significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The Consolidated Entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard

The Consolidated Entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The Consolidated Entity has applied AASB 2011-4 from 1 July 2013 and amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the annual directors' report.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The Consolidated Entity has applied AASB 2012-2 from 1 July 2013, which enhanced the disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') to provide information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The Consolidated Entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The Consolidated Entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Note 1. Significant accounting policies (continued)

Working capital management

At 31 December 2013, the consolidated statement of financial position reflected an excess of current liabilities over current assets of \$5,213,104 (30 June 2013: \$10,797,783). The working capital deficit is primarily caused by the classification of \$5,331,423 (30 June 2013: \$10,309,816) of IRU commitments within current liabilities (refer note 10) whilst the associated intangible asset is capitalised within non-current assets (refer note 9) and the inclusion of \$2,500,000 (30 June 2013: \$7,165,675) of deferred consideration as a current liability against associated non-current classified intangible assets. The IRU commitments relate to a contractual obligation to make monthly payments for the right to access submarine fibre optic cable capacity.

The directors are satisfied that the Consolidated Entity is able to meet its working capital liabilities through the normal cyclical nature of receipts and payments.

Note 2. Operating segments

Vocus Communications Limited is operating under one segment, being the provision of Data Centre, Dark Fibre and International Internet Connectivity. The breakdown of revenue has been disclosed geographically and by product set below.

Major customers

During the half-year ended 31 December 2013 approximately 11.5% of the Consolidated Entity's external revenue was derived from sales to one customer (31 December 2012: 13.7% and one customer).

Revenue by product set

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Internet	17,824,827	12,675,240
Data Centre	9,231,171	7,592,373
Fibre and Ethernet	13,211,852	5,788,421
Voice	3,878,395	4,266,162
	<u>44,146,245</u>	<u>30,322,196</u>

Revenue by geographical area

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Australia	29,540,614	18,589,949
New Zealand	14,033,260	11,562,753
United States	572,371	169,494
	<u>44,146,245</u>	<u>30,322,196</u>

Note 3. Revenue

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
<i>Sales revenue</i>		
Rendering of services	44,146,245	30,322,196
<i>Other revenue</i>		
Interest	153,756	293,157
Revenue	<u>44,300,001</u>	<u>30,615,353</u>

Note 4. Other gains and losses

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Net foreign currency (losses)/gains	(1,082,013)	460,449
Other gains	98,433	-
Other gains and losses	<u>(983,580)</u>	<u>460,449</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	118,813	150,415
Network equipment	2,464,364	1,318,019
Total depreciation	2,583,177	1,468,434
<i>Amortisation</i>		
IRU capacity	2,629,222	2,094,141
Software	152,355	24,760
Customer contracts	159,173	190,563
Other intangibles	60,532	20,713
Total amortisation	3,001,282	2,330,177
Total depreciation and amortisation	5,584,459	3,798,611
<i>Finance costs</i>		
Interest and finance charges paid/payable	850,645	661,990
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,134,754	730,907
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	417,294	301,952
Share-based payment expense	404,190	195,412
Other employee benefits expense	6,413,845	5,336,423
Total employee benefits expense	7,235,329	5,833,787

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Cash at bank	4,066,095	2,491,854
Cash on deposit	3,632,049	11,677,267
	<u>7,698,144</u>	<u>14,169,121</u>

Note 7. Current assets - other

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Prepayments	<u>1,719,388</u>	<u>929,650</u>

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

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Plant and equipment - at cost	1,458,928	1,677,041
Less: Accumulated depreciation	(407,667)	(541,874)
	<u>1,051,261</u>	<u>1,135,167</u>
Network equipment - at cost	66,225,695	56,107,207
Less: Accumulated depreciation	(9,277,742)	(6,465,401)
	<u>56,947,953</u>	<u>49,641,806</u>
	<u><u>57,999,214</u></u>	<u><u>50,776,973</u></u>

Reconciliations

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

Consolidated	Plant and equipment \$	Network equipment \$	Total \$
Balance at 1 July 2013	1,135,167	49,641,806	50,776,973
Additions	187,496	9,080,956	9,268,452
Disposals	-	(8,107)	(8,107)
Exchange differences	17,941	613,170	631,111
Transfers in/(out)	(170,530)	84,492	(86,038)
Depreciation expense	(118,813)	(2,464,364)	(2,583,177)
Balance at 31 December 2013	<u><u>1,051,261</u></u>	<u><u>56,947,953</u></u>	<u><u>57,999,214</u></u>

Note 9. Non-current assets - intangibles

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Goodwill - at cost	16,454,622	16,454,622
IRU capacity - at cost	78,824,736	78,824,736
Less: Accumulated amortisation	(13,610,993)	(10,981,771)
	<u>65,213,743</u>	<u>67,842,965</u>
Software - at cost	2,536,432	1,451,787
Less: Accumulated amortisation	(266,604)	(110,907)
	<u>2,269,828</u>	<u>1,340,880</u>
Customer contracts - at cost	2,753,683	2,704,470
Less: Accumulated amortisation	(1,223,858)	(1,032,546)
	<u>1,529,825</u>	<u>1,671,924</u>
Other intangibles - at cost	486,146	423,020
Less: Accumulated amortisation	(117,540)	(56,212)
	<u>368,606</u>	<u>366,808</u>
	<u><u>85,836,624</u></u>	<u><u>87,677,199</u></u>

Reconciliations

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

	Goodwill	IRU	Software	Customer	Other	Total
	\$	capacity	\$	contracts	intangibles	\$
Consolidated		\$				
Balance at 1 July 2013	16,454,622	67,842,965	1,340,880	1,671,924	366,808	87,677,199
Additions	-	-	986,065	-	47,884	1,033,949
Exchange differences	-	-	9,200	17,074	14,446	40,720
Transfers in/(out)	-	-	86,038	-	-	86,038
Amortisation expense	-	(2,629,222)	(152,355)	(159,173)	(60,532)	(3,001,282)
Balance at 31 December 2013	<u>16,454,622</u>	<u>65,213,743</u>	<u>2,269,828</u>	<u>1,529,825</u>	<u>368,606</u>	<u>85,836,624</u>

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Bank loans	2,732,000	2,540,000
IRU liability	5,331,423	10,309,816
Lease liability	1,124,277	996,638
	<u>9,187,700</u>	<u>13,846,454</u>

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Bank loans	33,644,000	10,260,000
IRU liability	20,828,229	45,614,457
Lease liability	1,188,395	1,111,932
	<u>55,660,624</u>	<u>56,986,389</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Bank loans	36,376,000	12,800,000
Lease liability	2,312,672	2,108,570
	<u>38,688,672</u>	<u>14,908,570</u>

Note 12. Equity - contributed equity

	Consolidated			
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>78,590,366</u>	<u>76,223,420</u>	<u>50,580,086</u>	<u>46,068,659</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2013	76,223,420		46,068,659
Issue of shares for consideration of Ipera Communications Pty Ltd	22 August 2013	1,863,565	\$2.14	3,992,690
Issue of shares on conversion of options	5 November 2013	220,668	\$0.50	110,344
Issue of shares on conversion of options	27 November 2013	76,668	\$0.50	38,334
Issue of shares on conversion of options	27 November 2013	71,667	\$2.00	143,334
Loan funded share plan	10 December 2013	15,000	\$2.17	32,550
Loan funded share plan	10 December 2013	119,378	\$1.71	204,136
Less: Share issue transaction costs, net of deferred tax				(9,961)
Balance	31 December 2013	<u>78,590,366</u>		<u>50,580,086</u>

Note 13. Equity - dividends

Dividends paid during the financial half-year were as follows:

Consolidated	
31 Dec 2013	31 Dec 2012
\$	\$

Final dividend for the year ended 30 June 2013 of 0.6 cents per ordinary share paid on 24 September 2013

<u>482,461</u>	<u>-</u>
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On 25 February 2014, the directors declared an interim dividend for the year ending 30 June 2014 of 0.8 cents per ordinary share. The interim dividend is payable on 25 March 2014 to shareholders registered on 11 March 2014. The dividend is fully franked.

Note 14. Fair value measurement

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Forward foreign exchange contracts	-	383,911	-	383,911
Total assets	-	383,911	-	383,911
<i>Liabilities</i>				
Forward foreign exchange contracts	-	117,654	-	117,654
Total liabilities	-	117,654	-	117,654
Consolidated - 30 Jun 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Forward foreign exchange contracts	-	327,922	-	327,922
Total assets	-	327,922	-	327,922
<i>Liabilities</i>				
Forward foreign exchange contracts	-	77,305	-	77,305
Total liabilities	-	77,305	-	77,305

There were no transfers between levels during the financial half-year.

Note 15. Contingent liabilities

The Consolidated Entity has the following bank guarantees for property leases and other performance contracts:

	Consolidated	
	31 Dec 2013	30 Jun 2013
	\$	\$
Guarantees	<u>966,788</u>	<u>833,234</u>

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 17. Earnings per share

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Profit after income tax attributable to the owners of Vocus Communications Limited	<u>5,123,977</u>	<u>4,184,667</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	77,672,967	73,233,310
Adjustments for calculation of diluted earnings per share:		
Loan Funded Share Plan	2,307,070	596,512
Options	<u>986,218</u>	<u>2,035,872</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>80,966,255</u>	<u>75,865,694</u>
	Cents	Cents
Basic earnings per share	6.60	5.71
Diluted earnings per share	6.33	5.52

Vocus Communications Limited
Directors' declaration
31 December 2013

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



James Spenceley
Director

27 February 2014
Sydney

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

We have reviewed the accompanying half-year financial report of Vocus Communications Limited, which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 4 to 19.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Communications Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vocus Communications Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 27 February 2014