ANNUAL REPORT 2015.

STRAIGHTFORWARD.

VOCUS communications

Vocus Communications Limited
ACN 084 115 499

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SUCCESS IN NUMBERS.

The 2015 financial year showed significant growth across the entire business. Here are a few highlights. All stats as of July 2015.

25 OFFICES ACROSS AUSTRALIA AND NEW ZEALAND

3,000+ ON-NET BUILDINGS

20,000+ NEAR-NET BUILDINGS

22 DATA CENTRES SERVICING AUSTRALIA AND NEW ZEALAND

11,000 KILOMETRES OF FIBRE OPTIC CABLE

4 BUSINESSES ACQUIRED; BENTLEY DC, FX NETWORKS, EDC & AMCOM

600 STAFF ACROSS AUSTRALIA AND NEW ZEALAND

STRAIGHTFORWARD.

EMPOWERING CULTURE AT VOCUS.

Our high performance network attracts new customers, but our people are the reason they stay. That's why we work to maintain a culture that rewards success and is underpinned by a core set of values.

We understand our people want to make a difference beyond their day-to-day work. We encourage staff to play an active role in Corporate and Social Responsibility initiatives we support, such as the Telco Together Foundation and Starlight Children's Foundation.

"Working at Vocus means working with the smartest people and helping some of Australia's fastest growing businesses solve complex challenges.

We're innovative, progressive and empowered to do our thing. Enjoying your work and kicking major goals while you're doing it. It doesn't get much better than that."

"It's exciting to work for a company that's jammed full of passion and purpose. I like that we're encouraged to think big and given the freedom to help our customers.

When I finish up at the end of a week, it's a good feeling to know you've genuinely contributed to something that's had a positive business impact."

This year we partnered with Starlight Children's Foundation to support and raise funds to aid in brightening the lives of sick kids across Australia.

We're a Silver Partner of the foundation which helps to develop and fund Indigenous Children's Health Program in regional Northern Territory.

We're proud to be the first corporate partner to support Starlight Children's Foundation Community Outreach Program in the NT.

We've been a supporter of the Telco Together Foundation since its early beginnings in 2012. The foundation has raised over $600,000 for programs that directly support some of the most disadvantaged communities in Australia.

This year three of our staff took on the foundation's biggest challenge by climbing the tallest freestanding mountain in the world, Mount Kilimanjaro. The challenge saw our team make lifelong friends and push themselves out of their comfort zone. Most importantly, we raised $30,000 for the foundation.

LETTER FROM THE CHAIRMAN.

DEAR SHAREHOLDERS,

In last year's annual report I suggested FY15 could be our most exciting year yet. My suggestion proved correct.

Our intention has always been to build a substantial, carefully risk-managed, independent business as fast as we can. In FY15 we executed that intention at unprecedented pace.

This letter explains how we did that and what we will do in FY16 to become the third force in corporate telecommunications.

A RECORD-BREAKING YEAR

In the past 12 months, we've gone from being an ASX 300 business with market capitalisation of $400 million to an ASX 200 business with a market capitalisation close to $1.4 billion. That means we're three years ahead of achieving the target we set in last year's annual report, which was to be valued at $1 billion by FY18. It also means we've become one of the fastest growing companies in the ASX 200.

A YEAR OF SIGNIFICANT ACQUISITIONS

In FY15 we completed a series of significant acquisitions which mean we are well positioned to create and respond to the opportunities open to us.

Highlights include:

Data centre business growth

Our acquisition of the Bentley Data Centre in Western Australia and Enterprise Data Corporation on the east coast built upon our already extensive data centre business.

Trans-Tasman offering

Our acquisition of FX Networks and joint venture with Spark New Zealand, Connect 8 strengthened our New Zealand operations and created a true end-to-end trans-Tasman offering.

Investing in our future

Against the odds, we won an historic battle to acquire Amcom Telecommunications – an acquisition that gives new and existing customers national scale, smarter solutions and excellent service. Soon after the acquisition we moved fast to capitalise on cost synergies whilst not disturbing the revenue and sales momentum established by both brands. I am pleased to report our integration is well ahead of internal expectations.

Investing in our future also saw us make a strategic investment by purchasing a 14.5 per cent stake in Macquarie Telecom Group. Macquarie has a strong government customer base.

A year of continued growth

Despite completing so many acquisitions, our relentless focus on being the telco that businesses want to deal with has seen us achieve considerable growth across all business areas.

- In the past 12 months we've signed up over 543 new customers.
- Our on-net activity is rapidly expanding and we see no sign of demand reducing.
- We've sought out organic opportunities to grow revenue, by aligning our offering with data demand, IT outsourcing and cloud computing trends.
- In FY15 Fibre/Ethernet products now make up 43%, IP Transit 29% and data centre products 18% of revenue.

David Spence, Chairman, Vocus Communications

EXECUTING OUR VISION TO BECOME A THIRD FORCE IN CORPORATE TELECOMMUNICATIONS

The Amcom acquisition was a game-changer for us and has created a major opportunity for us to deliver the telco service businesses want.

In the early part of FY16 we'll start to integrate the two companies – finding the best systems from within both and developing a structure that works efficiently.

An important part of our strategy is not to complicate the company with a multitude of solutions and different services but to focus on simple solutions at great prices that can be really well supported. Our strategy for integration will also see us develop smarter customer-facing systems so it remains easy for clients to deal with us.

Removing complexity is what makes us different and enables us to remain agile – it's also what our customers tell us they love about working with us.

In FY16 we'll also focus on growing our network and building brand awareness to cement our position as the third force in Australian corporate telecommunications.

ALL SET FOR ANOTHER EXCITING YEAR

For the incredible energy and commitment that went into making FY15 such a success, I'd like to thank James Spenceley, the executive leadership team and our CFO Rick Correll. I'd also like to thank all Vocus employees, old and new, for their tireless enthusiasm in working toward our vision.

To my past Board, especially Nick McNaughton, I would like to give thanks and also to my new Board for the way in which we have come together. Our ability to stress test ideas and opportunities very quickly and mostly successfully has been a key driver to Vocus's success.

Thank you for your investment and interest in Vocus Communications. We have another exciting year ahead. To keep across our news please access www.vocus.com.au/investors

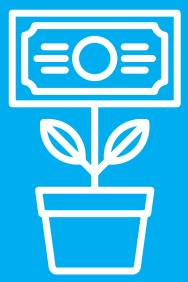
David Spence
Chairman

STRAIGHTFORWARD.

FINANCIAL HIGHLIGHTS.

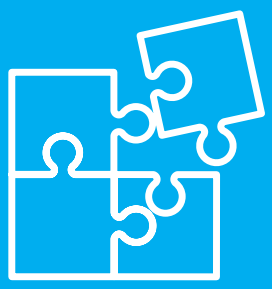
NEW PHASE OF GROWTH WITH INCREASED SCALE, CONSISTENT WITH LONG-TERM STRATEGY AND VISION.

AUSTRALIAN AND NEW ZEALAND FIBRE NETWORKS UNDERPINNED BY REGIONAL CONNECTIVITY TO HONG KONG, SINGAPORE AND THE UNITED STATES.

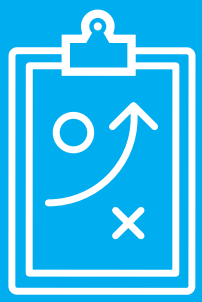


RECORD FINANCIAL RESULTS - REVENUE UP 62% AND UNDERLYING EBITDA UP 56%

ADMITTED TO THE ASX200 IN DECEMBER 2014, AFTER ONLY ONE YEAR IN THE ASX300



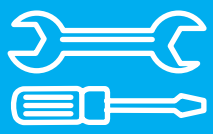
STRATEGIC ACQUISITIONS OF FX NETWORKS, BENTLEY DATA CENTRE AND EDC DATA CENTRES



SCHEME OF ARRANGEMENT FOR AMCOM APPROVED, COMPLETED ON 8 JULY 2015

SIGNIFICANT EXPANSION IN CORE BUSINESS AUGMENTED BY ACQUISITIONS.

Largest contributor to earnings - Fibre and Ethernet revenue up by $36.3m



Substantial increase in Australian metro Fibre network and New Zealand intercity Fibre network

22 Australian and New Zealand Data Centers across 17 sites, totaling 8,027m²

62%

REVENUE ($M)

FY15	149.8
FY14	92.3
FY13	66.9
FY12	45.3

56%

UNDERLYING EBITDA ($M)

FY15	51.6
FY14	33.1
FY13	22.4
FY12	16.7

39%

OPERATING CASH FLOW ($M)

FY15	42.6
FY14	30.6
FY13	15.3
FY12	12.4

Q&A WITH JAMES SPENCELEY, CEO.

This year has been about creating greater choice and competition and offering a better telco experience to all Australian businesses.

We are committed to improving telecommunications for the thousands of businesses frustrated by the legacy of the corporate duopoly and we're not afraid to make waves. We're collaborative, we put ourselves in the customers' shoes and we exceed expectations - that's what our business is all about.

WHAT WERE THE HIGHLIGHTS OF FY15?

FY15 was jam-packed with highlights but for me the most significant was our acquisition of Amcom. It's significant for many reasons but not least for the fact it happened at all.

Our intention to acquire Amcom was driven by a desire to shake-up the telco industry, create more competition and offer businesses greater choice. Our competitors didn't like the sound of that. That's why they put considerable energy and cash into blocking our bid.

We faced the fight of our lives but I'm glad we emerged victorious. The acquisition of Amcom means we've created a national, large-scale challenger that will deliver better telco experiences to Australian businesses.

The Amcom acquisition, combined with other important milestones including the acquisition of FX Networks in New Zealand, has put us in a great place to prove ourselves to the thousands of businesses frustrated by the legacy corporate telco duopoly.

HOW HAS FORMALISING THE VALUES CHANGED THE COMPANY 12 MONTHS ON?

In the past financial year we've taken the Vocus values from broad principles to formal values that our entire business lives and breathes. In a year of change, our values have remained constant and helped us stay focused on what really matters.

A year down the track, here's how that's happened:

One of our most important values is empowerment. At Vocus, everyone is empowered to do their job as they see fit. It's remarkable how much people can achieve when they're focused on purpose and outcomes instead of job titles and hierarchy.

I've been particularly delighted to see how this value has been embraced by the staff of businesses we've acquired in the past year. In recent months we've seen a genuine commitment by people to collaborate on all sides and at all levels, and to trial new things without fear of failure. I love that because that's what our business is all about.

James Spenceley, CEO, Vocus Communications

Another value we've focused on has been to 'put ourselves in the customer's shoes'. Whether it's meeting a prospective client for the first time, developing a solution to tackle challenges they face or executing that solution, we're always thinking from the customer perspective. For us that means working to get customers the best deal and exceeding their expectations for service – two things that have resulted in record client retention levels.

WHAT ARE YOU LOOKING FORWARD TO IN FY16?

The next 12 months will be a big year as we deliver on the acquisitions made in 2015. We've already made good progress integrating the Amcom business but there's a lot more to do – work we're keen to complete fast.

We've learnt a lot from previous acquisitions about how to integrate successfully and leverage efficiencies without deconstructing the acquired company and losing the value the business offered to begin with. We're applying these learnings as we work closely with the Amcom team to build one strong business.

More broadly, the corporate landscape in Australia is experiencing significant change. Businesses in all directions face disruption, the volume of data in and out of organisations is exploding and businesses are shifting to the cloud, while placing a greater emphasis on security. The needs of our customers are evolving and we're evolving along with them. It's an exciting time to be a business telco – enterprises expect more.

We're passionate about tackling those expectations and going the extra mile to be the telco businesses want to deal with.

It's going to be an eventful year.

James Spenceley
Chief Executive Officer

DIRECTORS REPORT.

The directors present their report, together with the financial statements, on Vocus (referred to hereafter as the 'Consolidated Entity' or 'Vocus') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the year ended 30 June 2015.

Directors

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

Name:	David Spence
Title:	Non-Executive Chairman
Qualifications:	B.Com, CA (SA)
Experience and expertise:	David has been involved in over 20 internet businesses, as Chairman, Chief Executive Officer ('CEO'), director, shareholder or advisor. Until February 2010, David held the role of CEO at Unwired Ltd. From 1995 until 2000, David held various positions with OzEmail, including Managing Director and CEO. He grew the business to become Australia's second largest ISP. David is a past Chairman of the Board of the Internet Industry Association.
Other current directorships:	AWA Limited, Hills Holdings Limited, SAI Global Limited, PayPal Australia Pty Limited (non-listed)
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Corporate Activity Committees
Interests in shares:	471,218 ordinary shares (indirectly)
Name:	James Spenceley
Title:	Chief Executive Officer
Experience and expertise:	James is the founder and CEO of Vocus and a genuine industry innovator because he believes in the critical importance of the network and its role in transforming business. This transformation is experienced in the technology, but also in the relationships that people and businesses need to have with their telecommunications providers. He's a popular speaker at industry events around the Asia Pacific region and is a passionate advocate for 'doing everything better.' He's been an active member of the communications community for over 18 years. James is an elected member of the APNIC Executive Council, a founding director of AusNOG, and for many years has successfully sourced and deployed switches to non-profit Internet exchanges around the world.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination Committee
Interests in shares:	4,200,000 ordinary shares (indirectly)

Name:	Steve Baxter
Title:	Non-Executive Director (appointed on 2 October 2014)
Experience and expertise:	Steve co-founded dark fibre and peering company PIPE Networks in 2001 and has invested in a number of tech startups. Steve is an active supporter of Australia's startup ecosystem, as a founding board member of advocacy group StartupAUS, the founder of Brisbane co-working community River City Labs, and the mission leader for Startup Catalyst.
Other current directorships:	Other Levels Limited and Indoor Skydive Australia Group Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Risk Committee and member of Corporate Activity Committee
Interests in shares:	25,000 ordinary shares (indirectly)
Name:	Paul Brandling
Title:	Non-Executive Director (appointed on 8 July 2015)
Qualifications:	BSc (Hons) Mech.Eng, MAICD
Experience and expertise:	Paul joined the Amcom Board in September 2013 before being appointed to the Vocus Board. He has more than 28 years experience in the information technology industry and was formerly Vice President and Managing Director of Hewlett-Packard South Pacific from 2002 until 2012 and prior to that was Vice President and Managing Director of Compaq South Pacific. Paul was a member of the International CEO Forum (Australia) from 2001–2012 and served as a Director of the Australian Information Industry Association (AIIA) from 2002–2011.
Other current directorships:	Integrated Research Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Remuneration Committee and member of Corporate Activity Committee
Interests in shares:	10,981 ordinary shares (indirectly)
Name:	Jon Brett
Title:	Non-Executive Director
Qualifications:	B.Acc, B.Com, M.Com, CA (SA)
Experience and expertise:	Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as managing director of a number of publicly listed companies and was also formerly the non-executive deputy president of the National Roads and Motoring Association. Jon is currently on the board of several unlisted companies and was a director of Investec Wentworth Private Equity Limited. In the mid 1990's, Jon was the CEO of Techway Limited which pioneered internet banking in Australia.
Other current directorships:	The PAS Group Limited and Godfreys Group Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Audit Committee and member of Remuneration and Corporate Activity Committees
Interests in shares:	400,000 ordinary shares (indirectly)
Name:	Anthony Davies
Title:	Non-Executive Director (appointed on 8 July 2015)
Qualifications:	B.A. (Hons), CA
Experience and expertise:	Anthony joined the Amcom Board in 2003 before being appointed to the Vocus Board. He was an executive of Elders Ltd from 1989 until 2004, and was their Chief Financial Officer for 11 years. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Risk and Audit Committees
Interests in shares:	169,180 ordinary shares (indirectly)

Name:	Tony Grist
Title:	Non-Executive Director (appointed on 16 July 2015)
Qualifications:	B.Com, A.Fin, FAICD
Experience and expertise:	After managing the corporate underwriting division of an Australian stockbroking firm, Tony formed what became Albion Capital Partners, a private investment group based in Perth in 1991. He formed what became Amcom Telecommunications Ltd in 1999 to acquire and finance the then start up telco, Amcom Pty Ltd. Tony led the acquisition of a major stake in iiNet Limited by Amcom in 2006 and joined the board of iiNet the same year. iiNet became the second largest broadband provider by customer number after a major period of expansion, and in 2011 Amcom divested its stake in iiNet via a distribution of the stake to Amcom shareholders. Tony left the board of iiNet in September 2011.
Other current directorships:	None
Former directorships (last 3 years):	Ore Corp Ltd (formerly Silverstone Resources Limited)
Special responsibilities:	Member of Risk, Nomination and Corporate Activity Committees
Interests in shares:	3,000,000 ordinary shares including 2,538,600 (indirectly)
Name:	John Murphy
Title:	Non-Executive Director
Qualifications:	B.Com, M.Com, FCPA, CA
Experience and expertise:	John has extensive experience in the areas of corporate recovery, corporate finance and mergers and acquisitions as well as extensive public company experience. John was the founder and Managing Director of Investec Wentworth Private Equity Limited from 2002 to 2012. He was a director of Investec Bank (Australia) Limited from 2004 to 2014 where he was a member of the Audit, Risk and Investment Committees. Prior to working in private equity, John spent 26 years with an international accounting firm where he held national and regional responsibilities.
Other current directorships:	Ariadne Australia Limited and Gale Pacific Limited
Former directorships (last 3 years):	Clearview Wealth Limited (resigned 22 October 2012), Kresta Holdings Limited (resigned 29 August 2014), Redflex Holdings Limited (resigned 13 March 2015)
Special responsibilities:	Member of Audit and Remuneration Committees
Interests in shares:	337,000 ordinary shares (indirectly)
Name:	Nicholas McNaughton
Title:	Former Non-Executive Director (resigned on 8 July 2015)
Qualifications:	B.A. (Hons), MBA, GAICD
Experience and expertise:	Nicholas has an MBA from the International Graduate School of Business from the University of South Australia, is a member of the Australian Institute of Company Directors, Deputy Chairman of Capital Angels and a founding member of Sydney Angels. In 2007, with backing from Japan, Nicholas established Blue Cove Ventures, a venture capital company committed to supporting gifted entrepreneurs in building prosperous technology companies. In addition, Nicholas is currently an Investment Director at ANU Connect Ventures Pty Limited. During his career he has been an integral member of the start-up teams of globally successful software companies including Allaire (listed on NASDAQ in 1998 and sold to Macromedia in 2001); Soulmates Technology (sold to NASDAQ: IACI in 2002) and Wily Technology (sold to NYSE: Computer Associates in 2006).
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Mark Simpson is the Company Secretary and General Counsel. Mark has been with Vocus since it listed in 2010 and is responsible for the legal and regulatory functions, as well as human resources management. Before joining Vocus, Mark worked as a corporate lawyer, with 18 years experience to director/partner level with major law firms in the UK and Australia. Specialising in mergers and acquisitions, Mark has broad experience in all aspects of corporate advisory and compliance work.

Principal activities

Vocus Communications Limited is an ASX listed leading telecommunications provider of Internet, Fibre, Data Centres and Unified Communications across Australia and New Zealand. Vocus 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.

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 1.00 cent per ordinary share (2014: 0.60 cents per ordinary share) paid on 23 September 2014	946	482
Interim dividend for the year ended 30 June 2015 of 1.20 cents per ordinary share (2014: 0.80 cents per ordinary share) paid on 18 March 2015	1,266	647
Special dividend for the year ended 30 June 2015 of 5.10 cents per ordinary share paid on 8 July 2015	5,381	–
	7,593	1,129

A fully-franked special dividend, as disclosed in the half-year financial report on 20 February 2015, of 5.10 cents per Vocus share was paid to shareholders on 8 July 2015 on implementation of the Scheme of Arrangement with Amcom Telecommunications Limited. The special dividend was paid to those shareholders who were on the register on 29 June 2015.

On 27 August 2015, the directors declared a final dividend for the year ended 30 June 2015 of 2.0 cents per ordinary share. The final dividend is to be paid on 24 September 2015 to shareholders registered on 10 September 2015. The dividend will be fully franked.

Review of operations

Vocus was founded in 2007, launched in 2008 and listed on the Australian Securities Exchange in 2010. James Spenceley was the original founder of the business and is the Chief Executive Officer. Since launch, Vocus has transformed from a primarily wholesale internet and voice business to a successful direct and wholesale provider of telecommunications including Fibre and Ethernet, Internet, Data Centre and Voice services.

Total revenue for the financial year ended 30 June 2015 was $149,799,000 (2014: $92,302,000). The profit for Vocus after providing for income tax amounted to $19,850,000 (2014: $12,925,000).

The increase was attributable principally to the following:

- Strong demand for Vocus' products, supported by acquired and expanded Data Centre facilities;
- Growth in delivery of Internet and Fibre/Ethernet services to direct and wholesale customers;
- Contribution from FX Networks Limited; and
- Increasing operational leverage and asset utilisation within the core business.

Basic earnings per share for the financial year ended 30 June 2015 was 19.31 cents (2014: 15.86 cents).

Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA') and excluding other gains and losses associated with derivatives, foreign currency exchange, early borrowing repayments, acquisition, integration and other costs for the financial year ended 30 June 2015 was $51,570,000 (2014: $32,975,000). The underlying EBITDA calculation for 2014 has been presented on a basis consistent with 2015. This is calculated as follows:

	Consolidated	
	2015 $'000	2014 $'000
Profit for the year	19,850	12,925
Add back: Income tax expense	8,435	5,609
Add back: Net finance costs	5,278	1,821
Add back: Depreciation and amortisation	18,684	11,712
	52,247	32,067
Gains associated with early repayment of borrowings	(5,477)	(634)
Gains on total return swaps	(7,486)	–
Acquisition and integration costs	10,400	1,403
Gains/losses associated with foreign exchange	629	237
Other gains and losses	1,257	(98)
Underlying EBITDA	51,570	32,975

During the year Vocus produced net cash inflows from operating activities of $42,610,000 (2014: $30,580,000). A significant amount of this has been reinvested in the network through customer connections, data centre expansion and upgrades to the network core to support growth. There was also $13,597,000 net cash inflow (2014: $31,544,000 – inflow) from financing activities and dividend payments of $2,212,000 (2014: $1,129,000).

At the reporting date 30 June 2015, the consolidated cash holdings stood at $15,170,000 (2014: $44,557,000). The gearing ratio for Vocus for the year ended 30 June 2015 was 35% (2014: 4%), as measured by net debt divided by net debt plus equity. Net debt and gearing is a result of Vocus' investment in acquired data centre assets in Perth, Sydney, Melbourne and its acquisition of FX Networks Limited. These changes are described below. The Group's bank facility at 30 June 2015 consists of a $131,235,000 senior finance facility (2014: $45,934,000) drawn to $106,235,000. Interest on the facility is recognised at the aggregate of the bank bill rate plus a margin. During the current and prior year, there were no defaults or breaches in relation to the utilised bank facility.

Expenses – consolidated

The following table summarises the key expenses:

	2015 $'000	2014 $'000	$'000	Change %
Network and service delivery	64,538	36,831	27,707	75.2%
Employee benefits expense	25,919	16,560	9,359	56.5%
Depreciation and amortisation expense	18,684	11,712	6,972	59.5%
Administration and other expenses	7,502	6,790	712	10.5%
Finance costs	6,073	2,370	3,703	156.2%
Total	122,716	74,263	48,453	65.2%

All of the key expenses above have increased as a result of the acquisition of FX Networks Limited and data centre businesses along with strong organic growth described in 'significant changes in state of affairs' in this Directors' report.

Network and service delivery

In addition to acquisitions, voice revenue increased substantially causing increases to network and service delivery costs for voice cost of sales.

Employee benefits expense

Staff numbers increased from 140 to 259 during FY15 as a result of acquisitions and core growth.

Depreciation and amortisation expense

Increased depreciation and amortisation expense during the year results from investment in long-term fibre infrastructure, combined with the acquisitions completed during the period.

Administration and other expenses

The small increase in administration and other expenses are as a result of the business realising scale benefits.

Finance costs

Increase in finance costs reflects the acquisition of data centre assets in Perth, Sydney and Melbourne and the acquisition of FX Networks, which have been funded via a combination of new syndicated debt facilities and share issuance.

Statement of financial position

	2015 $'000	2014 $'000	$'000	Change %
Current assets	41,930	56,068	(14,138)	(25.2%)
Non-current assets	341,414	155,754	185,660	119.2%
Total assets	383,344	211,822	171,522	81.0%
Current liabilities	40,878	26,331	14,547	55.2%
Non-current liabilities	146,227	48,367	97,860	202.3%
Total liabilities	187,105	74,698	112,407	150.5%
Net assets	196,239	137,124	59,115	43.1%
Equity	196,239	137,124	59,115	43.1%

As with movement in key expenses, the statement of financial position changed mainly as a result of the acquisition of FX Networks Limited and the data centre assets during the period.

Current assets

Current assets declined principally from the use of cash for acquisitions and early repayment of IRU borrowings.

Non-current assets

Increase in plant and equipment and other intangible assets are primarily due to core network and data centre investment, in addition to acquisitions.

Current and non-current liabilities

Increases in liabilities principally results from refinancing of debt and other liabilities associated with the FX Networks Limited acquisition.

Significant milestones and changes in the state of affairs

July 2014	➜ Entered into agreements to acquire 100% of the issued capital of FX Networks Limited, a New Zealand fibre infrastructure owner. The transaction completed in September 2014. ➜ Agreed terms to renew the contract with Vocus' then largest IP Transit customer, Vodafone New Zealand. The contract was renewed for a period of 24 months. ➜ Repaid USD denominated IRU vendor finance liability following on from the partial repayment made in December 2013. The repayment was funded using existing cash resources and included a prepayment discount. As a result of the liability being repaid in full, all gains relating to the two repayments have been taken to the income statement in the current period.
August 2014	➜ Expanded data centre presence in Western Australia by purchase of the Bentley Data Centre from ASG Group Limited. ➜ Vocus shareholders approve the acquisition of FX Networks Limited at an Extraordinary General Meeting.
October 2014	➜ Announced acquisition of a 10% relevant interest in Amcom Telecommunications Limited ('Amcom') and approached Amcom with a proposal to combine the two businesses
December 2014	➜ Admitted to the ASX 200 index by S&P Dow Jones Indices, making Vocus one of the 200 largest companies in Australia by float-adjusted market capitalisation. ➜ Announced the acquisition of Amcom via scheme of arrangement (unanimously recommended by the Amcom Board) where Vocus would issue 0.4614 Vocus shares for each Amcom share, with group debt refinanced through an underwritten syndicated debt facility.
February 2015	➜ Agreed to form a joint venture with Spark New Zealand Trading Limited under which Vocus would sell its New Zealand Construction division into Connect 8 Limited and hold 50% of the new entity, in return for an upfront payment and agreed levels of annual construction spend by both entities. ➜ Agreed to purchase data centre assets in Sydney and Melbourne from Enterprise Data Corporation Pty Limited for a total purchase price of $23.5 million. The transaction completed in April 2015. ➜ Agreed to a long-term purchase programme with Southern Cross Cables Limited for additional submarine cable capacity. Capacity will be allocated and made available to Vocus in six annual equal allotments from December 2015. The total purchase price of US$58,500,000 will be paid over a six year period from 31 December 2015. ➜ Declared a fully-franked interim dividend for the year ended 30 June 2015 of 1.2 cents paid on 18 March 2015 to shareholders.
April 2015	➜ Acquired relevant interest of 14.5% in Macquarie Telecommunications Group Limited via a physically-settled equity swap transaction. The equity swap is scheduled to settle on 30 June 2016, but can be extended by mutual agreement. At 30 June 2015, Vocus' interest was 16% following additional on-market purchases.
May 2015	➜ Disposed of 10% relevant interest in Amcom Telecommunications Limited.
June 2015	➜ Scheme of Arrangement with Amcom approved by the Federal Court of Australia, with the Scheme Implementation Date of 8 July 2015. ➜ Fully-franked special dividend arising from the Scheme of Arrangement being approved was declared and was paid on 8 July 2015.

There were no other significant milestones or changes in the state of affairs of Vocus during the financial year.

Matters subsequent to the end of the financial year

Amcom Telecommunications Limited

On 8 July 2015, Vocus acquired 100% of the share capital of Amcom Telecommunications Limited for the total consideration of $686,661,392, settled by the issue of 124,482,876 shares and 364,511 performance rights in the Company.

The acquisition combines two geographically diverse, complementary businesses to create a major Trans-Tasman telecommunications provider.

Goodwill of $525,459,000 represents the residual value of the purchase price of the Company over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis.

As the acquisition was completed subsequent to 30 June 2015, it did not contribute to the financial results of Vocus in the financial year 2015. As a stand-alone entity, Amcom Telecommunications Limited had provisional and unaudited revenue for the year of $165,974,000 which drove unaudited underlying EBITDA and unaudited net profit after tax, excluding one-off items, of $48,692,000 and $22,787,000, respectively.

As part of the acquisition, Vocus entered into new syndicated banking facilities with a consortium of Australian and international banks. The facilities total $280,000,000, of which $190,000,000 was drawn on implementation of the Scheme. The drawn funds were used to refinance existing indebtedness and fund transaction costs. Undrawn facilities of $75,000,000 are intended to support the Company's growth initiatives.

Apart from matters discussed above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect Vocus' operations, the results of those operations, or Vocus' state of affairs in future financial years.

Likely developments and expected results of operations

Continued demand for data and trends to outsource data infrastructure management are expected to underpin Vocus' financial performance in financial year 2016.

Environmental regulation

Vocus is not subject to any significant environmental regulation under Australian Commonwealth or state law.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
D Spence	20	21	–	–	–	–
J Spenceley	21	21	–	–	–	–
S Baxter	14	15	–	–	2	2
J Brett	21	21	2	2	2	2
J Murphy	20	21	2	2	2	2
N McNaughton	21	21	2	2	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

At a Board meeting held on 24 March 2015, the Audit and Risk Committee and Nomination and Remuneration Committee were separated out into four Committees: Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee. No meetings of the separate Committee's were held from this date to 30 June 2015. Subsequent to 30 June 2015, the Board also established a Corporate Activity Committee.

Remuneration Report

Dear Shareholder

The 2015 financial year has been another successful year for Vocus. We experienced continued revenue growth across most product categories and continued work to extract synergies from recent acquisitions. In particular we spent significant time integrating the FX Networks team and business into our company and are happy with the results of these efforts. Looking ahead we again will be dependent on our leadership team to integrate the Amcom acquisition into the broader group and extract synergies and drive growth from our larger company.

Last year the Remuneration Committee put a lot of time and effort into the construction of a remuneration framework for our key staff that ensured that we comply with out legal obligations and shareholder expectations. This framework ensures we:

1. Meet and improve on our governance and disclosure obligations;
2. Deliver compensation plans with an appropriate mix of base, short term incentives ('STI') and long term incentives ('LTI') for our key executives;
3. Offer compensation plans which allows us to retain the industry's best talent;
4. Tie the remuneration framework to delivering our business strategy;
5. Ensure our compensation packages are within acceptable levels of those of our peers;
6. Ensure our Director compensation allows us to attract and retain the best talent for our Board, benchmarked against our industry peers;
7. Ensure we create long term shareholder value; and
8. Promote engagement with shareholders and shareholder representatives to seek their feedback on our remuneration practices and reporting.

Our on–going success is dependent on the focus and efforts of all Vocus employees. We set challenging but realistic performance hurdles that are aligned with both our short-term and long-term objectives as well as providing real incentives for the achievement of our high growth strategy. We continue to welcome the feedback we receive on our remuneration practices and continue to work hard to improve on our compensation framework and reporting. Our intention is to deliver a framework that is substantive, clear and aligns the interests of our senior executive team with the long-term interests of our shareholders. The STI component of remuneration includes both financial and non-financial measures focused on the delivery of our critical business objectives.

It is our intent given the successful combination with Amcom, that the Board and its Remuneration Committee in particular re-examines its incentive plans to ensure it continues to evolve in the best interests of Vocus' shareholders.

David Spence
Chairman

Remuneration report (audited)

The remuneration report outlines the director and executive remuneration arrangements for Vocus and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The key management personnel of Vocus consisted of the following Directors of Vocus Communications Limited:

- David Spence — Non-Executive Chairman
- James Spenceley — Chief Executive Officer
- Jon Brett — Non-Executive Director
- John Murphy — Non-Executive Director
- Steve Baxter — Non-Executive Director (appointed on 2 October 2014)
- Paul Brandling — Non-Executive Director (appointed on 8 July 2015)
- Anthony Davies — Non-Executive Director (appointed on 8 July 2015)
- Tony Grist — Non-Executive Director (appointed on 16 July 2015)
- Nick McNaughton — Former Non-Executive Director (resigned on 8 July 2015)

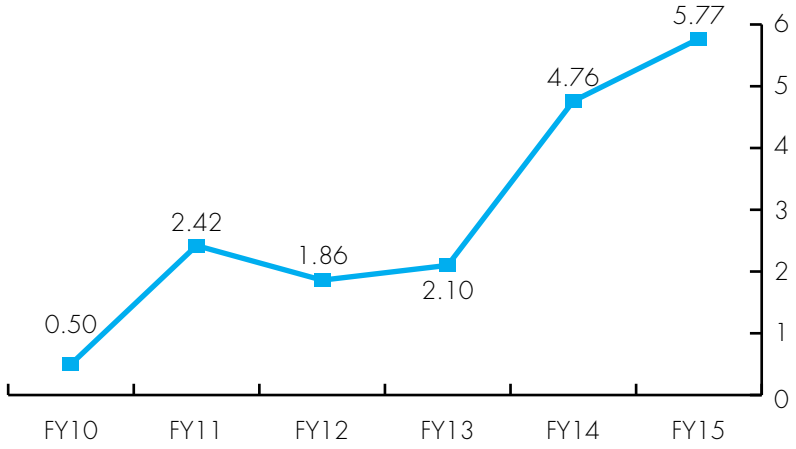
And the following persons:

- Richard Correll — Chief Financial Officer
- Christopher Deere — Deputy Chief Executive Officer
- Mark Simpson — General Counsel and Company Secretary

Vocus' remuneration framework ties the remuneration received by executives to increased shareholder wealth over the longer term. A summary of key Vocus' performance metrics and 4-year share price history is shown below.

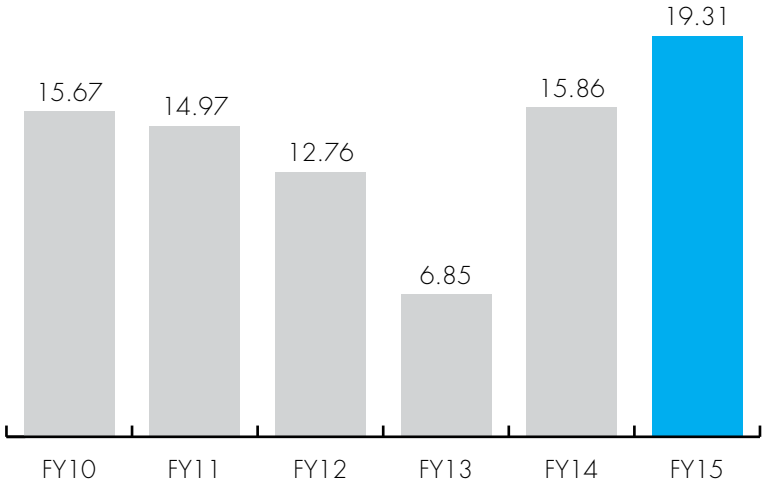
Share Price History

21% increase over FY14



Basic Earnings Per Share (cps)

22% increase over FY14



The earnings of Vocus for the five years to 30 June 2015 are summarised below:

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Sales revenue	149,799	92,302	66,910	45,285	30,979
EBITDA	51,570	32,067	17,020	15,722	13,485
EBIT	32,886	20,355	8,155	10,514	10,523
Profit after income tax	19,850	12,925	5,098	7,775	8,115

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012	2011
Share price at financial year end ($)	5.77	4.76	2.10	1.86	2.42
Total dividends, excluding special dividends (cents per share)	2.20	1.80	1.00	–	–
Basic earnings per share (cents per share)	19.31	15.86	6.85	12.76	14.97

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of Vocus. Bonus and incentive payments for key executives are dependent on financial and non-financial hurdles and on share price targets being met or exceeded, over the long term.

The remainder of the remuneration report is set out under the following main headings:

- Remuneration governance
- Executive remuneration strategy
- Non-executive directors' remuneration
- Remuneration tables
- Share-based compensation
- Service agreements
- Additional disclosures relating to key management personnel

Remuneration governance

Role of the Remuneration Committee

The Remuneration Committee is responsible for ensuring Vocus has remuneration strategies and frameworks that fairly and responsibly reward executives with regard to performance, the law and corporate governance.

Further detail on the Remuneration Committee's responsibilities is set out in the Corporate Governance section of www.vocus.com.au.

The Remuneration Committee continuously strives to ensure Vocus' remuneration strategy and outcomes are directly connected to the business strategy and performance supporting increased shareholder wealth over the long term.

The Committee is made up of three independent non-executive Directors:

- Paul Brandling (Chairman, appointed on 8 July 2015)
- John Murphy
- Jon Brett (appointed on 4 July 2014)
- Nicholas McNaughton (Former Chairman, resigned on 8 July 2015)

Use of remuneration advisors

During the financial year ended 30 June 2015, Vocus engaged Egan Associates Pty Limited ('Egan'), remuneration consultants, to provide advice on an appropriate framework and indicative rewards structure following the Scheme of Arrangement with Amcom and the resulting significant increase in scale of Vocus Communications. This has resulted in establishing fixed remuneration rewards at or around the market median which have been subsequently implemented by the Board with effect from 1 July 2015.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. Egan declared their advice was made free from undue influence by member or members of key management personnel. The Board is satisfied that these protocols were followed and as such there was no undue influence.

The fees paid to Egan for the remuneration recommendations were $67,683.

Voting and comments made at Vocus' 2014 Annual General Meeting ('AGM')

At the last AGM 92% of the shareholders who voted, in person or by proxy, voted to adopt the remuneration report for the year ended 30 June 2014. Vocus did not receive any specific feedback at the AGM regarding its remuneration practices.

Executive remuneration strategy

The Board has established a remuneration strategy that supports and drives the achievement of Vocus' business strategy. The Board believes the remuneration framework aligns the key management personnel with shareholder interests. The Board is currently focused on investing in growth and achieving synergies. The remuneration framework sets out to achieve outcomes aligned with growth and strategy by balancing fixed remuneration with short term and long term incentives (vesting in 3 to 5 years) to increase shareholder return.

Remuneration framework

Fixed remuneration	Short-term incentive (STI)	Long-term incentive (LTI)
Set using benchmark data of senior executive roles against peer group data points.	Aligned to achievement of Vocus' business objectives over a 12-month term.	Aligned to the achievement of increased shareholder wealth over the longer term: ➜ Shareholder return over a three year period measured by per annum share price increase
Consideration is given to the employee's experience and skills.	Focus is on financial and non-financial hurdles based on individual specific goals consisting of: ➜ 65% financial objectives (e.g. budgets) ➜ 20% internal targets (e.g. projects, rollout, delivery) ➜ 15% personal targets	

In all cases, remuneration has been set and aligned to shareholders' interests including:
- ➜ profit as a core component of plan design;
- ➜ sustainable growth in shareholder wealth; and
- ➜ attracting and retaining high calibre personnel.

Vocus aims to reward key management personnel with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The STI program is designed to align the targets of the business with the targets of key management personnel responsible for achieving those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. Each year KPIs aligned to long term business targets are selected, using both financial and non-financial measures of performance. These KPIs are the drivers of shareholder value creation. All KPIs are based on the long-term business strategy but are adjusted to reflect individual roles. For the period to which STI apply, payments are made after assessment of performance by the Board following its approval of the annual accounts.

LTIs are exclusively share-based. Shares are awarded to executives and vest over a period of three years beginning three years after the grant date, assuming certain share price increases have occurred.

Chief Executive Officer

The Board has put in place a compensation package that aligns the CEO's performance with the company's strategic objectives. The full package is expected to be about $1,400,000, if fully earned, apportioned 54% fixed remuneration inclusive of superannuation, 25% STI and approximately 21% LTI.

Base salary is reviewed by the Board and with reference to market data. Fixed remuneration reflects a 50% increase over the prior year. The Remuneration Committee considered the following factors in arriving at this outcome:
- ➜ Vocus has historically been conservative with its base salaries for key management personnel;
- ➜ Vocus is now an ASX 200 company and needs to be competitive to keep its key staff;
- ➜ Vocus has performed well and grown significantly over the last 4 years; and
- ➜ Following the acquisition of Amcom the base salary is comparable with similar sized companies in its relative peer group.

The Remuneration Committee assesses the CEO's performance against the KPIs set at the beginning of the year and recommends the STI payment outcome to the Board for approval subsequent to the conclusion of the financial year.

The STI portion of $350,000 is subject to key performance indicators determined by the Board at the commencement of the year. The KPIs relate directly to Vocus' business strategy. The STI is reviewed annually by the Board.

The LTI portion is also $300,000 of share value per year based on market value at grant date (funded through the company's Loan Funded Share Plan – LFSP). Consistent with previous years' practice, the shares will vest in thirds, subject to the company's share price increasing by at least 7.5% in each year after the grant date. In response to shareholder requests, the Remuneration Committee has extended the vesting dates for each tranche so that they vest on the third, fourth and fifth anniversaries of the grant date, assuming share price targets have been met. During the vesting period and where shares have already been issued, these will be consolidated in arriving at the incremental shares to be issued to meet the annual LTI portion.

Other key management personnel remuneration

The Board has put in place a compensation package for other key management personnel based on the annual remuneration recommended by the CEO that targets approximately 40% of the annual remuneration to short term incentives and long-term incentives. For these personnel, the annual incentive pool is $845,000. Additional LTI's and STI's for executives including the CEO may be considered from time to time depending on the Company's performance and corporate activity.

Non-executive directors' remuneration

The Board sets non-executive director remuneration at a level that enables the attraction and retention of directors of the highest calibre, while incurring a cost that is acceptable to shareholders. The Board on recommendation from the Nomination and Remuneration Committee within a maximum fee pool determines the remuneration of the non-executive directors.

Non-executive directors receive a base fee and statutory superannuation contributions. Non-executive directors do not receive any performance based pay.

A shareholder-approved pool caps the maximum amount of fees that can be paid to non-executive directors. At the 2013 Annual General Meeting, shareholders approved the current fee pool of $500,000 per annum.

Prior to 2015, board and committee fees had not been increased since the company listed in 2010. In determining the appropriate level of fees, the Board compared fee levels to similar sized companies to Vocus in its peer group. As a result of this review, the Board approved an increase to the Vocus Board and Committee fees, to come into force on 1 July 2014, to reflect the increased responsibilities and workload of the directors since 2010. To reflect the enlarged board and the size of the Company following the acquisition of Amcom, the Board has proposed that a $1,100,000 pool is established as the maximum amount of fees within a cap that can be paid to non-executive directors. The proposal will be put to shareholders at the Company's AGM. The following table outlines the main Board and Committee fees as at 1 July 2015. Nomination and Corporate Activity committees do not accrue fees.

	2016 $	2015 $
Chairman	200,000	150,000
Director	100,000	75,000
Chair of Committee	30,000	20,000
Member of Committee	5,000	–
Number of Non-executive Directors	7	5

Remuneration tables

Amounts of remuneration

Details of the remuneration of the directors and other key management personnel are set out in the following tables. The amounts shown are equal to the amount expensed in the company's financial statements.

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
2015	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Employee leave $	Equity-settled* $	Total $
Non-Executive Directors:							
D Spence	136,986	–	–	13,014	–	–	150,000
J Brett***	92,846	–	–	8,820	–	–	101,666
J Murphy	73,373	–	–	1,627	–	–	75,000
S Baxter**	56,250	–	–	–	–	–	56,250
N McNaughton	95,000	–	–	–	–	–	95,000
Executive Directors:							
J Spenceley	481,217	250,000	–	18,783	27,810	96,341	874,151
Other Key Management Personnel:							
R Correll	366,061	150,000	–	35,000	5,986	66,985	624,032
M Simpson	287,000	120,000	–	30,000	5,012	54,687	496,699
C Deere	211,217	50,000	–	18,783	38,690	35,589	354,279
	1,799,950	570,000	–	126,027	77,498	253,602	2,827,077

* Includes share-based payments accounting expense for loan funded shares.
** Remuneration disclosed is from date of appointment as a director (2 October 2014).
*** Includes $6,667 in fees and super for representation of Vocus on the board of its New Zealand construction joint venture Connect 8 Limited.

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Employee leave $	Equity-settled** $	Total $
Non-Executive Directors:							
D Spence	109,840	–	–	10,160	–	1,217	121,217
J Brett*	54,224	–	–	776	–	–	55,000
J Murphy	45,767	–	–	4,233	–	–	50,000
N McNaughton	55,000	–	–	–	–	–	55,000
Executive Directors:							
J Spenceley	380,988	200,000	–	17,775	24,370	173,090	796,223
Other Key Management Personnel:							
R Correll	293,842	157,500	–	25,000	3,988	62,432	542,762
M Simpson	240,000	100,000	–	22,200	3,407	45,297	410,904
	1,179,661	457,500	–	80,144	31,765	282,036	2,031,106

* Director fees for J Brett were paid or payable to Investec Wentworth Private Equity Limited until May 2014 at which point fees were directly paid to J Brett.
** Includes share-based payments accounting expense for both options and loan funded shares.

The proportion of remuneration where linked to performance is detailed below. All other directors and executives are 100% fixed.

	Fixed remuneration		At risk - STI		At risk - LTI*	
Name	2015	2014	2015	2014	2015	2014
Non-Executive Directors:						
D Spence	100%	99%	–	–	–	1%
Executive Directors:						
J Spenceley	57%	50%	29%	25%	14%	25%
Other Key Management Personnel:						
R Correll	64%	59%	24%	29%	12%	12%
M Simpson	64%	64%	24%	24%	12%	12%
C Deere	65%	–	14%	-%	21%	-%

* The LTI above refers to share-based payments.

The proportion of the cash bonus paid and forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2015	2014	2015	2014
Executive Directors:				
J Spenceley	100%	100%	–	–
Other Key Management Personnel:				
R Correll	100%	100%	–	–
M Simpson	100%	100%	–	–
C Deere	100%	–	–	–

The above STI payments were paid or payable based the successful achievement of business objectives for the period to 30 June 2015.

Share-based compensation

Issue of shares

During the year, shares were issued to Vocus Blue Pty Limited, a wholly owned subsidiary of Vocus Communications Limited as part of Vocus' Loan Funded Share Plan ('LFSP') remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for the employee beneficiaries ('participants' in the LFSP). The participants are granted a loan by Vocus to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. The shares issued will progressively become unrestricted over a three year period, subject to continuous employment with Vocus. Shares issued to key management personnel during the year reflect the new executive remuneration strategy and vest in three to five years and require the Company's share price rising by 7.5% in each year following the grant date.

At 30 June 2015, Vocus Blue Pty Limited held 2,511,710 (2014: 1,111,111) shares in trust under the Loan Funded Share Plan remuneration scheme in relation to key management personnel. For the year ended 30 June 2015 a share-based payment expense of $917,000 (2014: $486,000), of which $253,602 (2014: $162,000) pertained to key management personnel, has been recognised in relation to the Loan Funded Share Plan remuneration scheme.

Details of shares issued to Directors and other key management personnel during the year ended 30 June 2015 (30 June 2014: nil) are set out below:

Name	Date	Shares	Issue price	$
J Spenceley	18 December 2014	560,599	$5.71	3,201,020
R Correll	15 July 2014	336,000	$5.05	1,696,800
M Simpson	15 July 2014	280,000	$5.05	1,414,000
C Deere	15 July 2014	224,000	$5.05	1,131,200

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2015.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	Agreement commenced	Agreement expires	Notice of termination by company	Notice of termination by employee
J Spenceley	1 July 2010	Ongoing	6 months	6 months
R Correll	1 July 2010	Ongoing	3 months	3 months
M Simpson	1 July 2010	Ongoing	3 months	3 months
C Deere	18 January 2013	Ongoing	3 months	3 months

Should the above key management personnel be made redundant, they qualify for additional notice periods varying from three to six months.

Additional disclosures relating to key management personnel

In accordance with Class Order 14/632 issued by the Australian Securities and Investments Commission relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the Company or its subsidiaries.

Shareholding

The number of shares in Vocus held during the financial year by each Director and other members of key management personnel of Vocus, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
D Spence	471,218	–	–	–	471,218
J Spenceley	4,200,000	560,599	–	(560,599)	4,200,000
S Baxter	–	–	25,000	–	25,000
P Brandling*	–	–	10,981	–	10,981
J Brett	400,000	–	–	–	400,000
A Davies*	–	–	169,180	–	169,180
T Grist*	–	–	3,000,000	–	3,000,000
J Murphy	675,313	–	–	(338,313)	337,000
R Correll	350,807	336,000	–	(116,889)	569,918
M Simpson	325,439	280,000	–	(70,000).	535,439
C Deere	2,172,348	224,000	–	–	2,396,348
N McNaughton**	627,598	–	–	(627,598)	–
	9,222,723	1,400,599	3,205,161	(1,713,399)	12,115,084

* Additions represent existing shareholding at date of appointment as a director or key management person
** No longer a director or key management person, not necessarily a disposal of holding

Transactions with related parties

The Company purchased corporate entertainment packages totalling $14,400 from Wollongong Hawks Pty Ltd, a company related to James Spenceley. The packages were on commercial terms and approved by the Board.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Vocus Communications Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 October 2010	30 September 2017	$0.50	135,000
13 May 2011	12 May 2018	$2.00	6,666
1 August 2011	31 July 2018	$2.50	46,668
11 May 2012	10 May 2019	$2.00	42,167
			230,501

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Vocus Communications Limited were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
13 May 2011	$2.00	13,332
15 August 2011	$2.00	50,000
11 May 2012	$2.00	96,498
25 February 2014	$2.60	16,666
		176,496

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors, the Company secretary and all executive officers of the Company and 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 liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 40 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial 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.

The Directors are of the opinion that the services as disclosed in note 40 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former audit partners of Deloitte Touche Tohmatsu.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

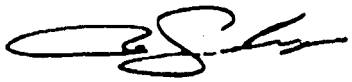
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



James Spenceley
Director

27 August 2015
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

27 August 2015

Dear Board Members

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 audit of the financial statements of Vocus Communications Limited for the financial year ended 30 June 2015, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner

Deloitte Touche Tohmatsu

STRAIGHTFORWARD.

FINANCIAL REPORT

CONTENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
Revenue	3	149,799	92,302
Share of profits of joint ventures accounted for using the equity method	20	525	–
Other gains and losses	4	677	495
Expenses			
Network and service delivery		(64,538)	(36,831)
Employee benefits expense	5	(25,919)	(16,560)
Depreciation and amortisation expense	5	(18,684)	(11,712)
Administration and other expenses		(7,502)	(6,790)
Finance costs	5	(6,073)	(2,370)
Profit before income tax expense		28,285	18,534
Income tax expense	24	(8,435)	(5,609)
Profit after income tax expense for the year attributable to the owners of Vocus Communications Limited		19,850	12,925
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(217)	612
Net movement on hedging transactions, net of tax		508	330
Other comprehensive income for the year, net of tax		291	942
Total comprehensive income for the year attributable to the owners of Vocus Communications Limited		20,141	13,867

		Cents	Cents
Basic earnings per share	6	19.31	15.86
Diluted earnings per share	6	18.56	15.30

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	27	15,170	44,557
Trade and other receivables	13	22,682	9,771
Derivative financial instruments	23	1,027	–
Prepayments		3,051	1,740
Total current assets		41,930	56,068
Non-current assets			
Property, plant and equipment	21	204,619	63,384
Intangibles	22	125,394	84,859
Deferred tax	25	5,443	3,114
Investment in joint venture		3,708	–
Other	15	2,250	4,397
Total non-current assets		341,414	155,754
Total assets		383,344	211,822
Liabilities			
Current liabilities			
Trade and other payables	14	24,177	14,316
Borrowings	29	1,764	7,907
Derivative financial instruments		–	143
Income tax		3,533	1,777
Provisions	18	10,127	664
Other	16	1,277	1,524
Total current liabilities		40,878	26,331
Non-current liabilities			
Borrowings	30	117,959	41,931
Deferred tax	26	21,299	3,092
Provisions	19	2,441	969
Other	17	4,528	2,375
Total non-current liabilities		146,227	48,367
Total liabilities		187,105	74,698
Net assets		196,239	137,124
Equity			
Contributed equity	31	144,244	98,594
Reserves	32	3,847	2,639
Retained profits		48,148	35,891
Total equity		196,239	137,124

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2013	46,069	905	24,095	71,069
Profit after income tax expense for the year	–	–	12,925	12,925
Other comprehensive income for the year, net of tax	–	942	–	942
Total comprehensive income for the year	–	942	12,925	13,867
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 31)	52,525	–	–	52,525
Share-based payments (note 32)	–	792	–	792
Dividends paid (note 7)	–	–	(1,129)	(1,129)
Balance at 30 June 2014	98,594	2,639	35,891	137,124

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	98,594	2,639	35,891	137,124
Profit after income tax expense for the year	–	–	19,850	19,850
Other comprehensive income for the year, net of tax	–	291	–	291
Total comprehensive income for the year	–	291	19,850	20,141
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 31)	45,650	–	–	45,650
Share-based payments (note 32)	–	917	–	917
Dividends paid/payable (note 7)	–	–	(7,593)	(7,593)
Balance at 30 June 2015	144,244	3,847	48,148	196,239

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		156,373	99,209
Payments to suppliers and employees		(109,714)	(65,062)
		46,659	34,147
Interest received		789	561
Other finance costs paid		(319)	(141)
Income taxes paid		(4,519)	(3,987)
Net cash from operating activities	28	42,610	30,580
Cash flows used in investing activities			
Payment for purchase of business, net of cash acquired and acquisition costs		(53,948)	(7,566)
Payments for property, plant and equipment		(31,852)	(18,310)
Proceeds from disposal of property, plant and equipment		3,048	–
Payments for intangible assets		(2,842)	(3,084)
Payments for purchase of submarine cable		–	(2,776)
Net cash used in investing activities		(85,594)	(31,736)
Cash flows from financing activities			
Proceeds from/(repayment of) borrowings		63,110	(18,217)
Repayment of IRU borrowings		(14,070)	–
Repayment of borrowings on business acquisitions		(33,435)	–
Interest and other finance costs paid on borrowings		(5,192)	(1,414)
Proceeds from leases		5,418	615
Interest paid on leases		(876)	(160)
Proceeds from issue of shares, net of transaction costs		854	51,849
Dividends paid	7	(2,212)	(1,129)
Net cash from financing activities		13,597	31,544
Net increase/(decrease) in cash and cash equivalents		(29,387)	30,388
Cash and cash equivalents at the beginning of the financial year		44,557	14,169
Cash and cash equivalents at the end of the financial year	27	15,170	44,557

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

Note 1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Vocus' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 8.

Note 2. Operating segments

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

Major customers

During the year ended 30 June 2015 there were no customers of Vocus which contributed 10% or more of external revenue (2014: 11.2% and one customer).

Revenue by product set

	Consolidated	
	2015 $'000	2014 $'000
Fibre and Ethernet	64,539	28,238
Internet	43,853	37,550
Data Centre	26,621	18,609
Voice	12,251	7,356
Projects (Construction)	1,740	–
	149,004	91,753

Revenue by geographical area

	Consolidated	
	2015 $'000	2014 $'000
Australia	81,937	61,081
New Zealand	58,721	29,087
Rest of World	8,346	1,585
	149,004	91,753

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Note 3. Revenue

	Consolidated 2015 $'000	2014 $'000
Sales revenue		
Rendering of services	149,004	91,753
Other revenue		
Interest	795	549
Revenue	149,799	92,302

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to Vocus and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from the provision of telecommunication services is recognised once the service has been rendered.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 4. Other gains and losses

	Consolidated 2015 $'000	2014 $'000
Gain on early repayment of borrowings*	5,477	634
Gain on total return swaps**	7,486	–
Acquisition and integration costs***	(10,400)	–
Gains/(losses) associated with foreign exchange	(629)	(237)
Other gains/(losses)	(1,257)	98
Other gains and losses	677	495

* The gain on early repayment of borrowings arose following the Company's payment of its outstanding IRU liabilities in the 2014 and 2015 financial years.

** The gains on total return swaps comprise realised gains following the physical settlement of Vocus 10% relevant interest in Amcom Telecommunications Limited in May 2015 and unrealised gains in relation to its 16% relevant interest in Macquarie Telecom Group Limited, net of brokerage and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is scheduled to settle on 30 June 2016.

*** Acquisition and integration costs primarily include fees pertaining to its due diligence, acquisition and integration of businesses being acquired during the period.

Note 5. Expenses

	Consolidated	
	2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation (note 21)	12,338	5,515
Amortisation (note 22)	6,346	6,197
Total depreciation and amortisation	18,684	11,712
Finance costs		
Interest and finance charges paid/payable	6,073	2,370
Rental expense relating to operating leases		
Minimum lease payments	4,747	2,226
Employee benefits expense		
Defined contribution superannuation expense	1,302	809
Share-based payment expense	917	792
Other employee benefits expense	23,700	14,959
Total employee benefits expense	25,919	16,560

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 6. Earnings per share

	Consolidated	
	2015 $'000	2014 $'000
Profit after income tax attributable to the owners of Vocus Communications Limited	19,850	12,925

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	102,812,555	81,501,000
Adjustments for calculation of diluted earnings per share:		
Loan Funded Shares	3,774,640	2,174,177
Options	388,179	792,366
Weighted average number of ordinary shares used in calculating diluted earnings per share	106,975,374	84,467,543

	Cents	Cents
Basic earnings per share	19.31	15.86
Diluted earnings per share	18.56	15.30

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Vocus Communications Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 7. Equity – dividends

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 1.00 cent per ordinary share (2014: 0.60 cents per ordinary share) paid on 23 September 2014	946	482
Interim dividend for the year ended 30 June 2015 of 1.20 cents per ordinary share (2014: 0.80 cents per ordinary share) paid on 18 March 2015	1,266	647
Special dividend for the year ended 30 June 2015 of 5.10 cents per ordinary share paid on 8 July 2015	5,381	–
	7,593	1,129

A fully-franked special dividend, as disclosed in the half-year financial report on 20 February 2015, of 5.10 cents per Vocus share was declared on 24 June 2015 and paid to shareholders on 8 July 2015 on implementation of the Scheme of Arrangement with Amcom Telecommunications Limited. The special dividend was paid to those shareholders who were on the register on 29 June 2015.

On 27 August 2015, the directors declared a final dividend for the year ended 30 June 2015 of 2.0 cents per ordinary share. The final dividend is to be paid on 24 September 2015 to shareholders registered on 10 September 2015. The dividend will be fully franked.

Franking credits

	Consolidated	
	2015 $'000	2014 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	12,036	11,094

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

Note 8. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The cost of 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 using the Binomial or Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets is determined by the Company. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

Whether goodwill and other indefinite life intangible assets have suffered any impairment are tested annually, or more frequently if events or changes in circumstances indicate impairment, in accordance with the accounting policy stated in note 22. The recoverable amounts of cash-generating units have been determined based on a fair value less costs to sell ('FVLCTS') methodology, whereby impairment is assessed on the implied enterprise value/earnings before interest expense, taxes, depreciation and amortisation ('EV/EBITDA') multiple of Vocus. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. In applying its FVLCTS approach, a 5% cost of disposal as an underlying assumption when deriving enterprise value.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

Assessments of impairment of non-financial assets other than goodwill and other indefinite life intangible assets are made at each reporting date by evaluating conditions specific to Vocus and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

Vocus is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Vocus recognises liabilities for anticipated tax audit issues based on Vocus's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations

As discussed in note 35, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 9. Financial instruments

Financial risk management objectives

Vocus' activities expose it to a variety of financial risks including market risks such as foreign currency, price and interest rate, and credit and liquidity risks.

The Audit Committee has general oversight of those financial risks identified here. In addition, the Risk Committee oversees a formal risk management policy and risks identified are monitored by executive management on a regular basis to minimise the potential adverse effects these risks may have on financial performance.

Overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance where material. Derivative financial instruments such as forward foreign exchange contracts are used to hedge certain risk exposures or cash flow hedges where appropriate. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. Different methods are used to measure different types of risk to which Vocus is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Financial assets and liabilities comprise cash and cash equivalents, receivables, payables, bank loans and finance leases.

Market risk

Foreign currency risk

Certain transactions are denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The maturity, settlement amounts and the average contractual exchange rates of outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian dollars		Average exchange rates	
	2015 $'000	2014 $'000	2015	2014
Buy US dollars				
Maturity:				
0 – 6 months	20,566	2,943	0.7712	0.8908
12 – 24 months	16,689	–	0.7604	–

These figures represent the Australian dollars to be sold under foreign exchange contracts to purchase US dollars.

The carrying amount of foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
Consolidated	2015 $'000	2014 $'000	2015 $'000	2014 $'000
US dollars	2,038	2,797	1,699	23,745
New Zealand dollars	14,637	6,398	85,490	3,057
	16,675	9,195	87,189	26,802

Management of the currency risk associated with the United States Dollar and New Zealand Dollar is done by active monitoring of the currency risk from period to period due to the volatile nature of that currency. Vocus enters into foreign exchange contracts and cash flow hedge accounting to protect cashflows over a defined period under its foreign exchange risk management policy.

As at 30 June 2015, future movements in the USD/AUD currency of $0.01 (2014: $0.01) will have an approximate $12,000 (2014: $146,000) increase or decrease to profit or loss and $13,000 (2014: $81,000) increase or decrease in cash flow in the financial year ending 30 June 2016.

As at 30 June 2015, future movements in the NZD/AUD currency of $0.01 (2014: $0.01) will have an approximate $332,000 (2014: $136,000) increase or decrease to profit or loss and $24,000 (2014: $173,000) increase or decrease in cash flow in the financial year ending 30 June 2016.

Price risk

Competitive pricing of products and services the group will sell may fall negatively impacting future revenue, margin and profitability. This risk is mitigated by entering into long term customer agreements typically between 12 and 48 months at fixed prices.

Interest rate risk

Interest rate risk arises from term deposits, cash on deposit, bank loans and long-term borrowings. Term deposits, cash on deposit and borrowings at variable rates creates exposure to interest rate risk. Term deposits, cash on deposit and borrowings at variable rates creates exposure to fair value interest rate risk.

Obligations under the IRU loan and finance leases are fixed as part of the defined repayment schedules. This mitigates interest rate risk in respect of these obligations.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

Methods such as billing in advance, obtaining agency credit information, confirming references and setting appropriate credit limits and, where appropriate, obtaining guarantees and security deposits as collateral are used to mitigate perceived risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk

Vigilant liquidity risk management requires the maintenance of sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Liquidity risk is managed by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2015 $'000	2014 $'000
Bank loans	–	17,934
Multi-option facility*	21,668	1,808
	21,668	19,742

* The multi-option facility was used to issue bank guarantees for property leases and other performance contracts (refer note 30 for details of the total facility).

Remaining contractual maturities

The following tables detail Vocus' remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2015	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	15,207	–	–	–	15,207
Other payables	3,279	–	–	–	3,279
Deposits held	120	–	–	–	120
Interest-bearing – variable					
Bank loans	5,843	5,843	112,078	–	123,764
Interest-bearing – fixed rate					
Lease liability	2,604	2,524	3,913	12,559	21,600
Total non-derivatives	27,053	8,367	115,991	12,559	163,970

Consolidated – 2014	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	10,626	–	–	–	10,626
Other payables	515	–	–	–	515
Deposits held	123	–	–	–	123
Interest-bearing – variable					
Bank loans	3,009	4,141	21,386	–	28,536
Interest-bearing – fixed rate					
Lease liability	1,479	1,126	394	–	2,999
IRU liability	5,430	5,461	12,312	–	23,203
Total non-derivatives	21,182	10,728	34,092	–	66,002
Derivatives					
Forward foreign exchange contracts net settled	143	–	–	–	143
Total derivatives	143	–	–	–	143

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 10. Fair value measurement

Fair value hierarchy

The following tables detail 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 – 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts	–	523	–	523
Total return swaps	–	504	–	504
Total assets	–	1,027	–	1,027

Consolidated – 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts	–	143	–	143
Total liabilities	–	143	–	143

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 11. Contingent liabilities

	Consolidated	
	2015 $'000	2014 $'000
Guarantees*	3,059	1,192

* The multi-option facility in note 9 was used to issue bank guarantees for property leases and other performance contracts (refer note 30 for details of the total facility).

Note 12. Commitments

	Consolidated	
	2015 $'000	2014 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,784	2,975
One to five years	20,153	8,474
More than five years	42,777	8,949
	68,714	20,398
The operating leases relate primarily to offices and data centre locations.		
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	2,666	1,479
One to five years	6,438	1,520
More than five years	12,559	–
Total commitment	21,663	2,999
Less: Future finance charges	(8,175)	(254)
Net commitment recognised as liabilities	13,488	2,745
Representing:		
Lease liability – current (note 29)	1,764	1,338
Lease liability – non-current (note 30)	11,724	1,407
	13,488	2,745
IRU commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	–	5,430
One to five years	–	17,774
Total commitment	–	23,204
Less: Future finance charges	–	(1,111)
Net commitment recognised as liabilities	–	22,093
Representing:		
IRU liability – current (note 29)	–	5,069
IRU liability – non-current (note 30)	–	17,024
	–	22,093

	Consolidated 2015 $'000	2014 $'000
Network equipment (related to finance lease commitments)		
Finance lease commitments includes contracted amounts for various network plant and equipment at the following values under finance leases expiring within one to five years. Under the terms of the leases, there is an option to acquire the leased assets for predetermined residual values on the expiry of the leases.		
Network equipment – at cost	13,766	6,442
Less: Accumulated depreciation	(4,364)	(2,668)
Written down value	9,402	3,774
Fibre network (related to finance lease commitments)		
Finance lease commitments includes contracted amounts for various network plant and equipment at the following values under finance leases expiring within one to five years. Under the terms of the leases, there is an option to acquire the leased assets for predetermined residual values on the expiry of the leases.		
Fibre network – at cost	6,810	–
Less: Accumulated depreciation	(1,353)	–
Written down value	5,457	–
IRU capacity (related to IRU commitments)		
IRU commitments includes contracted amounts for the IRU intangible assets at the following values:		
IRU capacity – at cost	–	78,825
Less: Accumulated amortisation	–	(16,347)
Written down value	–	62,478
Purchase commitments – IRU capacity		
Committed at the reporting date but not recognised as assets or liabilities, payable:		
Within one year	20,582	–
One to five years	49,287	–
More than five years	6,839	–
	76,708	–

The purchase commitments relate to the purchase programme for additional undersea cable capacity, announced on 19 February 2015. Capacity will be allocated and paid in annual instalments over a six year period commencing in the 2016 financial year.

Note 13. Current assets – trade and other receivables

	Consolidated 2015 $'000	2014 $'000
Trade receivables	21,154	10,110
Less: Provision for impairment of receivables	(573)	(652)
	20,581	9,458
Other receivables	1,772	50
Loan to joint venture – Connect 8 Limited	89	–
Accrued revenue	240	263
	22,682	9,771

Impairment of receivables

A loss of $322,000 (2014: $342,000) has been recognised in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2015 $'000	2014 $'000
1 to 3 months overdue	212	258
3 to 6 months overdue	361	394
	573	652

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2015 $'000	2014 $'000
Opening balance	652	464
Additional provisions recognised	359	334
Receivables written off during the year as uncollectable	(438)	(146)
Closing balance	573	652

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1,350,000 as at 30 June 2015 ($792,000 as at 30 June 2014).

These balances were not considered a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2015 $'000	2014 $'000
1 to 3 months overdue	640	132
3 to 6 months overdue	710	660
	1,350	792

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that Vocus will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 14. Current liabilities – trade and other payables

	Consolidated	
	2015 $'000	2014 $'000
Trade payables	15,207	10,626
Accruals	5,691	3,175
Goods and services tax payable	1,021	443
Other payables	2,258	72
	24,177	14,316

Refer to note 9 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Non-current assets – other

	Consolidated	
	2015 $'000	2014 $'000
Accrued revenue	822	583
Prepayments	996	761
Deposit on long term asset	–	2,776
Other deposits	432	277
	2,250	4,397

Note 16. Current liabilities – other

	Consolidated	
	2015 $'000	2014 $'000
Lease incentive and rent straight lining	30	108
Deposits held	120	123
Deferred revenue	1,035	1,266
Other current liabilities	92	27
	1,277	1,524

Note 17. Non-current liabilities – other

	Consolidated	
	2015 $'000	2014 $'000
Lease incentive and rent straight lining	782	434
Deferred revenue	3,746	1,941
	4,528	2,375

Note 18. Current liabilities – provisions

	Consolidated	
	2015 $'000	2014 $'000
Employee benefits	973	664
Deferred consideration	3,300	–
Special dividends	5,381	–
Other	473	–
	10,127	664

Deferred consideration

Deferred consideration represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Dividends

Dividends represents dividends declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

Other

Other represents the present value of the estimated costs that will be incurred until the end of specified redundant lease terms.

Movements in provisions

Movement in provisions, excluding employee benefits, during the current financial year is set out below:

Consolidated – 2015	Deferred consideration $'000	Special dividends $'000	Other $'000
Carrying amount at the start of the year	–	–	–
Additional provisions recognised	–	5,381	473
Additions through business combinations (note 35)	3,300	–	–
Carrying amount at the end of the year	3,300	5,381	473

Accounting policy for provisions

Provisions are recognised when there is a present (legal or constructive) obligation as a result of a past event, it is probable Vocus will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Commissions incurred in securing long term customer contracts are amortised over the weighted length duration of closed contracts during each period.

Note 19. Non-current liabilities – provisions

	Consolidated	
	2015 $'000	2014 $'000
Employee benefits	468	172
Warranties	208	–
Make good	1,765	797
	2,441	969

Warranties

Warranties represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Make good

Make good represents the present value of the estimated costs to make good the premises leased by Vocus at the end of the respective lease terms.

Movements in provisions

Movement in provisions, excluding employee benefits, during the current financial year is set out below:

Consolidated – 2015	Warranties $'000	Make good $'000
Carrying amount at the start of the year	–	797
Additions through business combinations (note 35)	208	968
Carrying amount at the end of the year	208	1,765

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 20. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to Vocus are set out below:

		Ownership interest	
Name	Principal place of business /Country of incorporation	2015 %	2014 %
Connect 8 Limited*	New Zealand	50.00%	-%

* On 4 February 2015, Vocus entered into agreements to form a joint venture with Spark New Zealand Trading Limited ('Spark') in respect of Vocus' New Zealand Construction business. The transaction completed in March 2015. Spark acquired 50% of the new joint venture, Connect 8 Limited, for an upfront payment and agreed levels of annual construction spend. Vocus has also committed agreed levels of construction spend to the joint venture. Should either party to the joint venture not meet its commitment around construction spend, it will be required to reimburse 30% of any shortfall in the committed spend to the joint venture.

Accounting policy for joint ventures

A joint venture is a form of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in Vocus' share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Summarised financial information

	Connect 8 Limited	
	2015 $'000	2014 $'000
Summarised statement of financial position		
Cash and cash equivalents	2,084	–
Other current assets	1,255	–
Non-current assets	5,802	–
Total assets	9,141	–
Trade and other payables	2,114	–
Non-current liabilities	179	–
Total liabilities	2,293	–
Net assets	6,848	–
Summarised statement of profit or loss and other comprehensive income		
Revenue	8,948	–
Expenses	(7,481)	–
Profit before income tax	1,467	–
Income tax expense	(417)	–
Profit after income tax	1,050	–
Other comprehensive income	–	–
Total comprehensive income	1,050	–
Reconciliation of Vocus' carrying amount		
Capital invested in the year	3,203	–
Share of profit after income tax	525	–
Closing carrying amount	3,728	–

Note 21. Non-current assets – property, plant and equipment

	Consolidated	
	2015 $'000	2014 $'000
Fibre assets – at cost	132,935	37,224
Less: Accumulated depreciation	(5,759)	(2,831)
	127,176	34,393
Data centre assets – at cost	50,530	23,099
Less: Accumulated depreciation	(8,250)	(3,236)
	42,280	19,863
Network equipment – at cost	36,790	8,947
Less: Accumulated depreciation	(5,507)	(2,432)
	31,283	6,515
Other plant and equipment – at cost	6,101	6,982
Less: Accumulated depreciation	(2,221)	(4,369)
	3,880	2,613
	204,619	63,384

Reconciliations

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

Consolidated	Fibre assets $'000	Data centre assets $'000	Network equipment $'000	Other plant and equipment $'000	Total $'000
Balance at 1 July 2013	–	–	49,642	1,135	50,777
Reclassifications	25,141	19,125	(45,161)	895	–
Additions	10,291	2,553	3,607	1,170	17,621
Exchange differences	–	454	66	52	572
Transfers in/(out)	–	–	–	(71)	(71)
Depreciation expense	(1,039)	(2,269)	(1,639)	(568)	(5,515)
Balance at 30 June 2014	34,393	19,863	6,515	2,613	63,384
Additions	18,954	4,318	8,574	2,391	34,237
Additions through business combinations (note 35)	78,028	22,590	20,324	1,793	122,735
Disposals	(96)	(623)	(49)	(983)	(1,751)
Exchange differences	(1,232)	43	(334)	(125)	(1,648)
Transfers in/(out)	59	(696)	153	484	–
Depreciation expense	(2,930)	(3,215)	(3,900)	(2,293)	(12,338)
Balance at 30 June 2015	127,176	42,280	31,283	3,880	204,619

Property, plant and equipment secured under finance leases

Refer to note 12 for further information on property, plant and equipment secured under finance leases.

Network equipment was reclassified during the period to 30 June 2014 to different asset classes including those more directly associated with Data Centres and Fibre.

No impairment indicators are present relating to the carrying value of plant and equipment and network equipment.

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Fibre	10–50 years
Data centre	5–15 years
Network equipment	5–8 years
Plant and equipment	3–15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 22. Non-current assets – intangibles

	Consolidated 2015 $'000	2014 $'000
Goodwill – at cost	43,242	17,014
IRU capacity – at cost	79,037	78,825
Less: Accumulated amortisation	(20,714)	(16,347)
	58,323	62,478
Customer contracts – at cost	20,846	2,704
Less: Accumulated amortisation	(1,969)	(1,391)
	18,877	1,313
Software – at cost	5,151	3,404
Less: Accumulated amortisation	(1,387)	(708)
	3,764	2,696
Other intangibles – at cost	1,440	1,515
Less: Accumulated amortisation	(252)	(157)
	1,188	1,358
	125,394	84,859

Reconciliations

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

Consolidated	Goodwill $'000	IRU capacity $'000	Customer contracts $'000	Software $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2013	16,455	67,843	1,671	1,341	367	87,677
Additions	–	–	–	1,704	101	1,805
Additions through business combinations (note 35)	559	–	–	–	915	1,474
Exchange differences	–	–	(52)	33	48	29
Transfers in/(out)	–	–	–	14	57	71
Amortisation expense	–	(5,365)	(306)	(396)	(130)	(6,197)
Balance at 30 June 2014	17,014	62,478	1,313	2,696	1,358	84,859
Additions	–	212	–	1,951	77	2,240
Additions through business combinations (note 35)	31,603	–	18,113	–	–	49,716
Disposals*	(5,452)	–	–	(96)	(151)	(5,699)
Exchange differences	77	–	52	2	3	134
Transfers in/(out)	–	–	(8)	(1)	499	490
Amortisation expense	–	(4,367)	(593)	(788)	(598)	(6,346)
Balance at 30 June 2015	43,242	58,323	18,877	3,764	1,188	125,394

* Disposal of goodwill arose on the sale of the Vocus' New Zealand construction business to a joint venture with Spark New Zealand Trading Limited, named Connect 8 Limited. The goodwill disposed represents the difference between the net assets transferred into the joint venture compared to the consideration paid by Connect 8 Limited.

IRU Capacity

Vocus entered into a series of Capacity Use Agreements, whereby capacity is supplied over a defined usage period in return for non-refundable amounts being paid over a defined payment term. The indefeasible right to use these assets has been recorded as an intangible asset. The intangible asset is being amortised over the usage period on a straight line basis to November 2030, which has been extended from November 2025 by the grantor of these rights in September 2014.

Impairment testing

Goodwill impairment testing

Vocus utilises a common infrastructure to manage, procure, sell, provision and operate its delivery of telecommunication products including internet, voice, data centre and fibre and ethernet based products. On this basis it examines goodwill on a consolidated basis.

An impairment loss, if any, is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is determined on a fair value less costs to sell ('FVLCTS') methodology, whereby impairment is assessed on the implied enterprise value/earnings before interest expense, taxes, depreciation and amortisation ('EV/EBITDA') multiple of Vocus. Any impairment is recognised as an expense in profit or loss in the reporting period in which the write-down occurs. In applying its FVLCTS approach, a 5% cost of disposal is allowed for as an underlying assumption when deriving its enterprise value.

Testing has indicated that its implied multiple on this basis is comparable or below other valuations in the marketplace for similar companies, therefore no impairment issue on goodwill has been identified.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Indefeasible Right to Use ('IRU')

Indefeasible right to use capacity are brought to account as intangible assets at cost, being the present value of the future cash flows payable for the right. Costs associated with IRU's are deferred and amortised on a straight-line basis over the period of their expected benefit.

Software

Costs associated with software are amortised on a straight-line basis over the period of their expected benefit, being its finite life of between 3 to 8 years.

Customer contracts and relationships

Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of between 1 to 14 years.

Other intangibles

Other intangibles are amortised on a straight-line basis over the period of their expected benefit.

Note 23. Current assets – derivative financial instruments

	Consolidated	
	2015 $'000	2014 $'000
Forward foreign exchange contracts – cash flow hedges	523	–
Total return swaps	504	–
	1,027	–

Refer to note 10 for further information on fair value measurement.

Total return swaps

The current asset on total return swaps comprise unrealised gains in relation to its 16% relevant interest in Macquarie Telecom Group Limited. The Macquarie Telecom swap is scheduled to settle on 30 June 2016, but can be extended by mutual consent.

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Note 24. Income tax expense

	Consolidated	
	2015 $'000	2014 $'000
Income tax expense		
Current tax	7,766	4,611
Deferred tax – origination and reversal of temporary differences	680	907
Adjustment recognised for prior periods	(11)	91
Aggregate income tax expense	8,435	5,609
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 25)	(403)	(37)
Increase in deferred tax liabilities (note 26)	1,083	944
Deferred tax – origination and reversal of temporary differences	680	907
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	28,285	18,534
Tax at the statutory tax rate of 30%	8,486	5,560
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	179	–
Entertainment expenses	48	52
Share-based payments	275	238
Donations	3	13
Transaction costs	600	–
Tax allowances and incentives	(556)	(280)
Non-taxable other gains	(1,548)	(219)
Sundry items	106	187
	7,593	5,551
Adjustment recognised for prior periods	(11)	91
Difference in overseas tax rates	78	(33)
Movement in timing differences	775	–
Income tax expense	8,435	5,609

	Consolidated	
	2015 $'000	2014 $'000
Amounts credited directly to equity		
Deferred tax assets (note 25)	(132)	(314)
Deferred tax liabilities (note 26)	(95)	–
	(227)	(314)

Accounting policy for tax

Income tax for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, except for (i) when the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or (ii) when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 25. Non-current assets – deferred tax

	Consolidated	
	2015 $'000	2014 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	37	37
Impairment of receivables	284	189
Property, plant and equipment	973	-
Accrued expenses	1,772	908
Unrealised foreign exchange loss	665	546
Blackhole expenditure	30	1,268
Other	1,682	166
Deferred tax asset	5,443	3,114
Movements:		
Opening balance	3,114	2,763
Credited to profit or loss (note 24)	403	37
Credited to equity (note 24)	132	314
Additions through business combinations (note 35)	1,794	-
Closing balance	5,443	3,114

Note 26. Non-current liabilities - deferred tax

	Consolidated	
	2015 $'000	2014 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	12,913	1,711
Intangibles	5,669	613
Unbilled revenue	319	254
Unrealised foreign exchange gain	157	215
Other provisions	350	254
Other	1,891	45
Deferred tax liability	21,299	3,092
Movements:		
Opening balance	3,092	2,148
Debited to profit or loss (note 24)	1,083	944
Charged to equity (note 24)	(95)	–
Additions through business combinations (note 35)	17,219	–
Closing balance	21,299	3,092

Note 27. Current assets – cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank	10,195	6,629
Cash on deposit	4,975	37,928
	15,170	44,557

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2015 $'000	2014 $'000
Profit after income tax expense for the year	19,850	12,925
Adjustments for:		
Depreciation and amortisation	18,684	11,712
Net loss on disposal of non-current assets	1,199	–
Share of profit – joint ventures	(525)	–
Share-based payments	917	792
Non-cash interest	6,410	(643)
Non cash gain on early repayment of borrowings	(5,477)	–
Non-cash gain on total return swaps	(3,085)	–
Acquisition and integration costs	10,400	–
Non- cash other gains and losses	(155)	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(9,113)	(75)
Increase in deferred tax assets	(535)	(351)
Increase in accrued revenue	(239)	(290)
Decrease/(increase) in derivative assets	(189)	328
Increase in prepayments	(342)	(798)
Decrease in other operating assets	3,224	20
Increase/(decrease) in trade and other payables	(2,643)	3,090
Increase/(decrease) in derivative liabilities	(473)	396
Increase in provision for income tax	1,449	481
Increase in deferred tax liabilities	988	1,492
Increase/(decrease) in employee benefits	(659)	227
Increase/(decrease) in other provisions	4,741	(1,692)
Increase/(decrease) in other operating liabilities	(1,817)	2,966
Net cash from operating activities	42,610	30,580

Note 29. Current liabilities – borrowings

	Consolidated 2015 $'000	2014 $'000
Bank loans	–	1,500
IRU liability	–	5,069
Lease liability	1,764	1,338
	1,764	7,907

Refer to note 30 for further information on assets pledged as security and financing arrangements.

Refer to note 9 for further information on financial instruments.

The IRU vendor finance liability was denominated in US dollars, and to the extent not hedged, gave rise to non-cash unrealised foreign exchange gains and losses until it was settled in July 2015.

Note 30. Non-current liabilities – borrowings

	Consolidated	
	2015 $'000	2014 $'000
Bank loans	106,235	23,500
IRU liability	–	17,024
Lease liability	11,724	1,407
	117,959	41,931

Refer to note 9 for further information on financial instruments.

Refer to note 12 for further details on IRU commitments relating to the IRU liability.

Total secured liabilities

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

	Consolidated	
	2015 $'000	2014 $'000
Bank loans	106,235	25,000
Lease liability	13,488	2,745
	119,723	27,745

Assets pledged as security

The bank loans are secured by first mortgages over Vocus' assets and undertakings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2015 $'000	2014 $'000
Total facilities		
Bank loans	106,235	42,934
Multi-option facility*	25,000	3,000
	131,235	45,934
Used at the reporting date		
Bank loans	106,235	25,000
Multi-option facility*	3,332	1,192
	109,567	26,192
Unused at the reporting date		
Bank loans	–	17,934
Multi-option facility*	21,668	1,808
	21,668	19,742

* Used for guarantees

The bank loans and multi-option facility mature in July 2018. The bank loans are amortising while the multi-option facility is a revolving line of credit.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 31. Equity – contributed equity

			Consolidated	
	2015 Shares	2014 Shares	2015 $'000	2014 $'000
Ordinary shares – fully paid	105,511,947	92,934,834	159,093	102,317
Less: Treasury shares	(4,008,308)	(2,047,978)	(14,849)	(3,723)
	101,503,639	90,886,856	144,244	98,594

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2013	78,546,557		50,197
Issue of shares for consideration of Ipera Communications Pty Ltd	22 August 2013	1,863,565	$2.14	3,993
Issue of shares on conversion of options	5 November 2013	220,668	$0.50	110
Issue of shares on conversion of options	27 November 2013	76,668	$0.50	38
Issue of shares on conversion of options	27 November 2013	71,667	$2.00	143
Issue of shares on conversion of options	4 February 2014	45,000	$0.50	23
Issue of shares on conversion of options	4 February 2014	2,500	$2.00	5
Issue of shares on conversion of options	26 February 2014	44,333	$0.50	22
Private placement	19 March 2014	11,869,208	$4.10	48,664
Issue of shares on conversion of options	31 March 2014	22,667	$2.00	45
Issue of shares on conversion of options	31 March 2014	41,667	$0.50	21
Issue of shares for loan funded share plan	15 April 2014	30,000	$4.27	128
Issue of shares on conversion of options	29 May 2014	100,334	$2.00	201
Less: Share issue costs, net of deferred tax				(1,273)
Balance	30 June 2014	92,934,834		102,317
Issue of shares on conversion of options	4 July 2014	2,500	$2.00	5
Issue of shares for loan funded share plan	21 July 2014	1,672,500	$5.05	8,446
Issue of shares on conversion of options	28 August 2014	12,332	$2.00	25
Issue of shares for consideration of FX Networks	19 September 2014	10,164,930	$4.40	44,726
Issue of shares for consideration of FX Networks	7 October 2014	15,922	$4.40	70
Issue of shares on conversion of options	29 October 2014	16,666	$2.60	43
Issue of shares on conversion of options	29 October 2014	5,000	$2.00	10
Issue of shares for loan funded share plan	23 December 2014	560,599	$5.71	3,201
Issue of shares on conversion of options	29 January 2015	56,666	$2.00	113
Cancellation of shares under loan funded share plan	17 April 2015	(13,334)	$2.17	(29)
Issue of shares on conversion of options	27 May 2015	83,332	$2.00	167
Less: Share issue costs, net of deferred tax				(1)
Balance	30 June 2015	105,511,947		159,093

Movements in treasury shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2013	2,323,137		4,128
Issue of shares for loan funded share plan	15 May 2014	30,000	$4.27	128
Transfer of shares to participants		(305,159)	$1.75	(533)
Balance	30 June 2014	2,047,978		3,723
Issue of shares for loan funded share plan	21 July 2014	1,672,500	$5.05	8,446
Issue of shares for loan funded share plan	23 December 2014	560,599	$5.71	3,201
Transfer of shares to participants		(259,435)		(492)
Cancellation of shares		(13,334)		(29)
Balance	30 June 2015	4,008,308		14,849

* Shares held by Vocus Blue Pty Limited

During the financial year ended 30 June 2015, 2,233,099 (2014: 30,000) shares were issued to Vocus Blue Pty Limited, a wholly–owned subsidiary of Vocus Communications Limited as part of its Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by Vocus to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so.

The shares held by Vocus Blue Pty Limited have been deducted from equity as the scheme is treated as an in substance option and accounted for as a share-based payment.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

Vocus' objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Vocus would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Parent Entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2015 $'000	2014 $'000
Current liabilities – borrowings (note 29)	1,764	7,907
Non-current liabilities – borrowings (note 30)	117,959	41,931
Total borrowings	119,723	49,838
Current assets – cash and cash equivalents (note 27)	(15,170)	(44,557)
Net debt	104,553	5,281
Total equity	196,239	137,124
Total capital	300,792	142,405
Gearing ratio	35%	4%

Accounting policy for issued capital

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.

Note 32. Equity – reserves

	Consolidated	
	2015 $'000	2014 $'000
Foreign currency reserve	760	977
Share-based payments reserve	2,721	1,804
Hedge reserve	366	(142)
	3,847	2,639

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration, and as part of their compensation for services.

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Share-based payments $'000	Hedge reserve $'000	Total $'000
Balance at 1 July 2013	365	1,012	(472)	905
Foreign currency translation	612	–	–	612
Recognition of share-based payments	–	792	–	792
Net movement on hedging transactions	–	–	330	330
Balance at 30 June 2014	977	1,804	(142)	2,639
Foreign currency translation	(217)	–	–	(217)
Recognition of share-based payments	–	917	–	917
Net movement on hedging transactions	–	–	508	508
Balance at 30 June 2015	760	2,721	366	3,847

Note 33. Share-based payments

Loan Funded Share Plan

Shares were issued to Vocus Blue Pty Limited, a wholly-owned subsidiary of Vocus Communications Limited as part of Vocus' Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by Vocus to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. Following the first year, the shares will progressively become unrestricted over a three year period, subject to continuous employment with Vocus. The Loan Funded Share Plan is expected to replace the use of options over time as a key component of share-based compensation.

During the financial year, 2,233,099 (2014: 30,000) shares were issued to Vocus Blue Pty Limited. At 30 June 2015, Vocus Blue Pty Limited held 4,008,308 (2014: 2,047,978) shares in trust under the Loan Funded Share Plan remuneration scheme.

Employee Share Option Plan

An employee share option plan was established and approved by shareholders at an general meeting, whereby Vocus, at the discretion of the Board, grant options over ordinary shares in the Parent Entity to employees.

Each employee share option converts into one ordinary share of the Parent Entity on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Set out below are summaries of options granted under the plans:

2015							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/10/2010	30/09/2017	$0.50	135,000	–	–	–	135,000
13/05/2011	12/05/2018	$2.00	19,998	–	(13,332)	–	6,666
01/08/2011	31/07/2018	$2.50	46,668	–	–	–	46,668
15/08/2011	14/08/2018	$2.00	50,000	–	(50,000)	–	–
11/05/2012	10/05/2019	$2.00	165,332	–	(96,498)	–	68,834
25/02/2014	24/02/2021	$2.60	50,000	–	(16,666)	(33,334)	–
			466,998	–	(176,496)	(33,334)	257,168
Weighted average exercise price							$2.07

2014							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/10/2010	30/09/2017	$0.50	563,336	–	(428,336)	–	135,000
13/05/2011	12/05/2018	$2.00	53,332	–	–	(33,334)	19,998
01/08/2011	31/07/2018	$2.50	93,334	–	–	(46,666)	46,668
15/08/2011	14/08/2018	$2.00	50,000	–	–	–	50,000
11/05/2012	10/05/2019	$2.00	362,500	–	–	(197,168)	165,332
25/02/2014	24/02/2021	$2.60	–	50,000	–	–	50,000
			1,122,502	50,000	(428,336)	(277,168)	466,998
Weighted average exercise price							$1.75

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2015 Number	2014 Number
01/10/2010	30/09/2017	135,000	135,000
13/05/2011	12/05/2018	6,666	19,998
01/08/2011	31/07/2018	46,668	–
11/05/2012	10/05/2019	68,834	148,666
		257,168	303,664

The fair value of the 257,168 (2014: 466,998) shares under option at 30 June 2015 was $77,358 (2014: $164,722).

The share prices of the options exercised during the financial year, at the date of exercise, were as follows:

- 8 July 2014, 2,500 options were exercised at a share price of $5.48.
- 29 August 2014, 12,332 options were exercised at a share price of $5.38.
- 4 December 2014, 21,666 options were exercised at a share price of $5.85.
- 13 February 2015, 56,666 options were exercised at a share price of $6.21.
- 27 May 2015, 83,332 options were exercised at a share price of $5.89.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binominal or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether Vocus receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of Vocus or the employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of Vocus or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2015 $'000	2014 $'000
Profit/(loss) after income tax	17,080	(1,042)
Total comprehensive income	17,080	(1,042)

Statement of financial position

	Parent	
	2015 $'000	2014 $'000
Total current assets	4,659	421
Total assets	210,064	127,290
Total current liabilities	14,373	3,403
Total liabilities	53,623	26,903
Equity		
Contributed equity	148,318	102,668
Share-based payments reserve	2,604	1,687
Options reserve	103	103
Retained profits/(accumulated losses)	5,416	(4,071)
Total equity	156,441	100,387

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

The Parent Entity is a party to a deed of cross guarantee (refer Note 37) under which it guarantees the debts of its subsidiaries as at 30 June 2015 and 30 June 2014.

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of Vocus, as disclosed in these notes to the financial statements.

Note 35. Business combinations

Bentley Data Centre from ASG Group Limited

On 13 August 2014, Vocus acquired the assets related to the Bentley Data Centre from ASG Group Limited for $11,710,000. Bentley contributed revenues of $3,757,000 during the year. Due to significant integration changes in Vocus' common service infrastructure it is not practical to provide a meaningful profit for the entire financial year. The values identified in relation to the acquisition are provisional as at the reporting date 30 June 2015.

FX Networks Limited (now known as Vocus (New Zealand) Limited)

In September 2014, Vocus acquired FX Networks Limited for an enterprise value of $109,300,000 inclusive of consideration transferred of $56,907,000 and debt assumed of $52,393,000. It provides Vocus with premium fibre services in New Zealand. Goodwill of $31,603,000 represents the residual value of the purchase price over the fair value of identifiable tangible and intangible assets shown below. The acquired business contributed revenues of $36,507,000 and indicative earnings before interest, tax, depreciation and amortisation of $8,326,000 for the nine months period since acquisition to 30 June 2015. Due to significant integration changes in Vocus' common service infrastructure it is not practical to provide a meaningful profit for the entire financial year. The values identified in relation to the acquisition are provisional as at the reporting date 30 June 2015.

Enterprise Data Corporation from Enterprise Data Corporation Pty Ltd

On 1 April 2015, Vocus acquired certain assets of Enterprise Data Corporation from Enterprise Data Corporation Pty Ltd for $23,500,000. The acquired business contributed revenues of $2,985,000 in the three month period to 30 June 2015. Due to significant integration changes in Vocus' common service infrastructure it is not practical to provide a meaningful profit for the entire financial year. The values identified in relation to the acquisition are provisional as at the reporting date 30 June 2015.

Details of the acquisitions are as follows:

	Bentley Data Centre Fair value $'000	FX Networks Fair value $'000	Enterprise Data Corporation Fair value $'000	Total Fair value $'000
Trade receivables	–	3,032	–	3,032
Other receivables	–	766	–	766
Prepayments	–	1,204	–	1,204
Other current assets	–	583	–	583
Fibre assets	–	78,028	–	78,028
Network equipment	–	20,324	–	20,324
Data centre assets	11,121	–	11,469	22,590
Other plant and equipment	–	1,793	–	1,793
Make good	250	226	500	976
Customer intangibles	770	–	17,343	18,113
Deferred tax asset	–	1,794	–	1,794
Trade payables	–	(6,454)	–	(6,454)
Other payables	–	(5,972)	–	(5,972)
Provision for income tax	–	(307)	–	(307)
Deferred tax liability	(178)	(11,838)	(5,203)	(17,219)
Employee benefits	(3)	(1,152)	(109)	(1,264)
Warranty provision	–	(208)	–	(208)
Other financial liabilities	–	(56,289)	–	(56,289)
Other provisions	(250)	(226)	(500)	(976)
Net assets acquired	11,710	25,304	23,500	60,514
Goodwill	–	31,603	–	31,603
Acquisition-date fair value of the total consideration transferred	11,710	56,907	23,500	92,117
Representing:				
Cash paid or payable to vendor	10,710	12,111	21,200	44,021
Vocus Communications Limited shares issued to vendor	–	44,796	–	44,796
Contingent consideration	1,000	–	2,300	3,300
	11,710	56,907	23,500	92,117
Acquisition costs expensed to profit or loss	771	4,791	801	6,363
Cash used to acquire business, net of cash acquired:				
Acquisition-date fair value of the total consideration transferred	11,710	56,907	23,500	92,117
Less: shares issued by Company as part of consideration	–	(44,796)	–	(44,796)
Less: contingent consideration	(1,000)	–	(2,300)	(3,300)
Net cash used	10,710	12,111	21,200	44,021

iBOSS International Pty Limited and One Telecom Pty Limited (prior period acquisition)

On 7 May 2014 Vocus Communications Limited acquired the businesses of iBOSS International Pty Limited and One Telecom Pty Limited for $1,473,489. The acquisition provides Vocus with a number of valuable wholesale DSL customers in Australia. The goodwill of $558,967 represents the residual value of the purchase price over the fair value of identifiable intangible assets shown below. The values identified in relation to the acquisition are final as at the reporting date 30 June 2015.

Details of the acquisition are as follows:

	Fair value $'000
Other intangible assets	915
Net assets acquired	915
Goodwill	559
Acquisition-date fair value of the total consideration transferred	1,474
Acquisition costs expensed to profit or loss	15
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,474
Less: other consideration provided	(1,074)
Net cash used	400

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, an assessment is made of the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, a remeasurement of any previously held equity interest in the acquiree at the acquisition-date fair value is made and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 38:

Name	Principal place of business / Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Vocus Group Pty Ltd	Australia	100.00%	100.00%
Vocus Holdings Pty Limited	Australia	100.00%	100.00%
Vocus Pty Ltd	Australia	100.00%	100.00%
Vocus Connect Pty Ltd	Australia	100.00%	100.00%
Vocus Data Centres Pty Ltd	Australia	100.00%	100.00%
Vocus Fibre Pty Ltd	Australia	100.00%	100.00%
Perth International Exchange Pty. Ltd. and 100% of the units in the Perth IX Trust (trading as Perth IX)	Australia	100.00%	100.00%
Vocus Blue Pty Ltd	Australia	100.00%	100.00%
Ipera Communications Pty Limited	Australia	100.00%	100.00%
Vocus (New Zealand) Holdings Limited	New Zealand	100.00%	100.00%
Vocus (New Zealand) Limited*	New Zealand	100.00%	–
Vocus Data Centres (New Zealand) Limited**	New Zealand	100.00%	100.00%
Data Lock Limited	New Zealand	100.00%	100.00%

* Formerly FX Networks Limited (name changed on 28 April 2015).
** Formerly Vocus (New Zealand) Limited (name changed on 17 April 2015).

Note 37. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Vocus Communications Limited

Vocus Group Pty Ltd

Vocus Holdings Pty Limited

Vocus Pty Ltd

Vocus Connect Pty Ltd

Vocus Data Centres Pty Ltd

Vocus Fibre Pty Ltd

Perth International Exchange Pty Ltd and 100% of the units in the Perth IX Trust (trading as Perth IX)

Ipera Communications Pty Limited

Vocus (New Zealand) Holdings Limited

Vocus (New Zealand) Limited

Vocus Data Centres (New Zealand) Limited

Data Lock Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Vocus Communications Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as Vocus and therefore have not been separately disclosed.

Note 38. Other significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

Vocus 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of Vocus only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vocus Communications Limited ('Company' or 'Parent Entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which Vocus has control. Vocus controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in Vocus are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Vocus.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where Vocus loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. Vocus recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Vocus Communications Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, Fair value is established by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Vocus has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

Vocus assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Vocus will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Vocus for the annual reporting period ended 30 June 2015. Vocus' assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to Vocus, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Vocus will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft (ED 263) 'Effective Date of AASB 15' proposes to defer the application date by one year (1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services). The standard may impact the way revenue is recognised by Vocus, however the impact has not yet been quantified until the application date of the standard has been confirmed.

Note 39. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of Vocus is set out below:

	Consolidated	
	2015 $	2014 $
Short-term employee benefits	2,369,950	1,637,161
Post-employment benefits	126,027	80,144
Long-term benefits	77,498	31,765
Share-based payments	253,602	282,036
	2,827,077	2,031,106

Note 40. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and its network firms:

	Consolidated	
	2015 $	2014 $
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the financial statements	230,280	190,286
Other services – Deloitte Touche Tohmatsu		
Tax compliance services	45,008	33,925
Other non-audit services	234,917	266,395
	279,925	300,320
	510,205	490,606
Audit services – network firms of Deloitte Touche Tohmatsu		
Audit or review of the financial statements	91,021	14,070
Other services – network firms of Deloitte Touche Tohmatsu		
Tax compliance services	22,412	3,699
Other non-audit services	3,843	137,167
	26,255	140,866
	117,276	154,936

Note 41. Related party transactions

Parent entity

Vocus Communications Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Joint ventures

Interests in joint ventures are set out in note 20.

Key management personnel

Disclosures relating to key management personnel are set out in note 39 and the remuneration report in the Directors' report.

Transactions with related parties

The Company purchased corporate entertainment packages totalling $14,400 from Wollongong Hawks Pty Ltd, a company related to James Spenceley. The packages were on commercial terms and approved by the Board.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 42. Events after the reporting period

Amcom Telecommunications Limited

On 8 July 2015, Vocus acquired 100% of the share capital of Amcom Telecommunications Limited for the total consideration of $686,661,392, settled by the issue of 124,482,876 shares and 364,511 performance rights in the Company.

The acquisition combines two geographically diverse, complementary businesses to create a major Trans-Tasman telecommunications provider.

Goodwill of $525,459,000 represents the residual value of the purchase price of the Company over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis.

As the acquisition was completed subsequent to 30 June 2015, it did not contribute to the financial results of Vocus in the financial year 2015. As a stand-alone entity, Amcom Telecommunications Limited had provisional and unaudited revenue for the year of $165,974,000 which drove unaudited underlying EBITDA and unaudited net profit after tax, excluding one-off items, of $48,692,000 and $22,787,000, respectively.

As part of the acquisition, Vocus entered into new syndicated banking facilities with a consortium of Australian and International banks. The facilities total $280,000,000, of which $190,000,000 was drawn on implementation of the Scheme. The drawn funds were used to refinance existing indebtedness and fund transaction costs. Undrawn facilities of $75,000,000 are intended to support the Company's growth initiatives.

Details of the acquisition are as follows:

	Provisional fair value $'000
Cash and cash equivalents	5,089
Trade and other receivables	14,042
Inventories and other current assets	6,023
Fibre assets	171,686
Other plant and equipment	11,746
Customer contracts	66,143
Other intangible assets	7,881
Deferred tax asset	17,587
Trade and other payables	(16,447)
Provision for income tax	(3,886)
Deferred tax liability	(28,455)
Deferred revenue	(13,380)
Borrowings	(62,884)
Provisions and other liabilities	(13,943)
Net assets acquired	161,202
Goodwill	525,459
Acquisition-date fair value of the total consideration transferred	686,661
Representing:	
Vocus Communications Limited shares issued to vendor	684,657
Vocus Communications Limited performance rights issued to vendor	2,004
	686,661
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	686,661
Cash and cash equivalents acquired	5,089
Less: shares issued by Company as part of consideration	(684,657)
Less: performance rights issued by Company as part of consideration	(2,004)
Net cash acquired	5,089

Apart from matters discussed above and the dividend declared in note 7, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect Vocus' operations, the results of those operations, or Vocus' state of affairs in future financial years.

Note 43. General information

The financial statements cover Vocus Communications Limited as a Consolidated Entity consisting of Vocus Communications Limited and the entities it controlled at the end of, or during, the year (collectively referred to as 'Vocus'). The financial statements are presented in Australian dollars, which is Vocus Communications Limited's functional and presentation currency.

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 Vocus' operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2015. The Directors have the power to amend and reissue the financial statements.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 38 to the financial statements;
- the attached financial statements and notes give a true and fair view of Vocus' financial position as at 30 June 2015 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 described in note 37 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

James Spenceley
Director

27 August 2015
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VOCUS COMMUNICATIONS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vocus Communication Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 71.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 control. 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.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Vocus Communication is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VOCUS COMMUNICATIONS LIMITED

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 under the heading 'Remuneration Report' in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Vocus Communications Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner

Chartered Accountants
Sydney, 27 August 2015

SHAREHOLDER INFORMATION

30 JUNE 2015

The shareholder information set out below was applicable as at 18 August 2015.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	5,441
1,001 to 5,000	5,575
5,001 to 10,000	1,388
10,001 to 100,000	1,034
100,001 and over	92
	13,530
Holding less than a marketable parcel	386

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,460,136	14.96
J P MORGAN NOMINEES AUSTRALIA LIMITED	21,820,569	9.48
NATIONAL NOMINEES LIMITED	20,859,320	9.06
CITICORP NOMINEES PTY LIMITED	14,126,355	6.13
VALUE ADDED NETWORK PTY LIMITED	13,520,822	5.87
BNP PARIBAS NOMS PTY LTD (DRP)	8,963,930	3.89
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (PI POOLED A/C)	6,615,739	2.87
AJA SUPER IW PTY LTD	5,450,389	2.37
BELL POTTER NOMINEES LTD (BB NOMINEES A/C)	4,828,753	2.10
THE ABERCROMBIE GROUP PTY LTD (THE PHILADELPHIA A/C)	4,186,744	1.82
VOCUS BLUE PTY LTD (THE VOCUS SHARE PLAN A/C)	4,183,308	1.82
VALUE ADDED NETWORK PTY LTD	2,535,376	1.10
OAKTONE NOMINEES PTY LTD	2,463,194	1.07
PEREGRINE COMPANY MANAGERS LTD & PEREGRINE OFFSHORE SERVICES LTD	2,403,361	1.04
RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L (WAM ACCOUNT)	2,298,525	1.00
VALUE ADDED NETWORK PTY LIMITED	1,936,442	0.84
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,724,633	0.75
UBS NOMINEES PTY LTD	1,680,310	0.73
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	1,671,285	0.73
BLUE CALL PTY LIMITED	1,444,036	0.63
	157,173,227	68.26

Unquoted equity securities

There are no unquoted equity securities.

SHAREHOLDER INFORMATION

30 JUNE 2015

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,460,136	14.96
TPG TELECOM LIMITED	24,570,437	10.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	21,820,569	9.48
NATIONAL NOMINEES LIMITED	20,859,320	9.06
CITICORP NOMINEES PTY LIMITED	14,126,355	6.13

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities to which voting rights attach.

CORPORATE DIRECTORY

Directors	David Spence – Chairman James Spenceley – Chief Executive Officer Jon Brett John Murphy Steve Baxter – Appointed on 2 October 2014 Paul Brandling – Appointed on 8 July 2015 Anthony Davies – Appointed on 8 July 2015 Tony Grist – Appointed on 16 July 2015 Nicholas McNaughton – Resigned on 8 July 2015
Company secretary	Mark Simpson
Registered office	Vocus House Level 1 189 Miller Street North Sydney NSW 2060 Telephone: (02) 8999 8999
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Thomson Geer Level 25 1 O'Connell Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Level 8 201 Sussex Street Sydney NSW 2000
Stock exchange listing	Vocus Communications Limited shares are listed on the Australian Securities Exchange (ASX code: VOC)
Website	www.vocus.com.au
Corporate Governance Statement	Vocus' Corporate Governance Statement and policies can be found on its website: http://www.vocus.com.au/corporate-governance/

VOCUS communications

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