

1. Company details

Name of entity:	Vocus Communications Limited
ABN:	96 084 115 499
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	180.9% to	176,279
Underlying EBITDA *	up	188.4% to	62,253
Profit for the half-year from ordinary activities after tax attributable to the owners of Vocus Communications Limited	down	7.6% to	24,211
Underlying NPAT **	up	202.5% to	27,374
		31 Dec 2015 Cents	31 Dec 2014 Cents
Basic earnings per share		10.70	26.16 ^
Diluted earnings per share		10.68	26.04 ^
Underlying diluted earnings per share ***		12.07	8.68

^ Basic and diluted earnings per share for the half-year ended 31 December 2014 included net other gains of \$17,170,000, primarily relating to Amcom Telecommunications Limited ('Amcom') total return swaps, while the half-year ended 31 December 2015 included net other losses of \$3,080,000.

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2015 paid on 24 September 2015	2.0	2.0
Special dividend for the year ended 30 June 2015 paid on 8 July 2015	5.1	5.1
Interim dividend for the year ending 30 June 2016 payable on 6 April 2016 to shareholders registered on 21 March 2016	7.6	7.6
Special dividend for the year ending 30 June 2016 payable on 6 April 2016 to shareholders registered on 21 March 2016	1.9	1.9

Comments

The profit for Vocus after providing for income tax amounted to \$24,211,000 (31 December 2014: \$26,215,000[^]). The underlying NPAT for Vocus amounted to \$27,374,000 (31 December 2014: \$9,049,000).

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

* *Underlying earnings before interest expense, tax, depreciation and amortisation (Underlying EBITDA)*

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Profit for the half-year	24,211	26,215
Add back: Income tax expense	9,307	11,087
Add back: Net finance costs	6,110	2,455
Add back: Depreciation and amortisation	21,089	7,948
	<hr/>	<hr/>
EBITDA	60,717	47,705
Gains associated with early repayment of borrowings	-	(5,477)
Gains on total return swaps ****	(8,269)	(26,932)
Acquisition and integration costs	11,504	4,462
Gains/losses associated with foreign exchange	(1,348)	421
Other gains/(losses)	(351)	1,407
	<hr/>	<hr/>
Underlying EBITDA	<u>62,253</u>	<u>21,586</u>

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

** *Underlying net profit after tax (Underlying NPAT)*

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Net profit after tax	24,211	26,215
Gains associated with early repayment of borrowings	-	(5,477)
Gains on total return swaps ****	(8,269)	(26,932)
Acquisition and integration costs	11,504	4,462
Gains/losses associated with foreign exchange	(1,348)	421
Other (gains) and losses	(351)	1,407
Amortisation of acquired customer contracts	2,982	116
	<hr/>	<hr/>
Tax on above	28,729	212
	<u>(1,355)</u>	<u>8,837</u>
Underlying NPAT	<u>27,374</u>	<u>9,049</u>

*** Underlying diluted earnings per share is calculated with reference to Underlying NPAT, which excludes the after tax effect of the items noted above.

**** The gains on total return swaps in the half-year ended 31 December 2015 comprise unrealised gains in relation to Vocus' 16% relevant interest in Macquarie Telecom Group Limited, net of dividends received, brokerage and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is presently scheduled to settle on 30 June 2016. The gains on total return swaps for the previous half-year were related to Vocus' 10% relevant interest in Amcom which was settled in May 2015.

3. Net tangible assets

	31 Dec 2015 Cents	31 Dec 2014 Cents
Net tangible assets per ordinary security	<u>65.01</u>	<u>96.11</u>

To operate and sell access to its global network, Vocus has invested in capacity on revenue generating indefeasible rights to use intercontinental submarine fibre optic cables with an expected useful life until November 2030. The cost of this asset has been capitalised as an intangible for the right to access and is amortised on a straight-line basis over its expected useful life.

Therefore, whilst revenue generating, the right to access is treated as an intangible asset and is excluded in net tangible assets. If it were included, asset backing would be 98.30 cents and 155.64 cents for the current and prior reporting periods respectively.

4. Control gained over entities

Name of entities (or group of entities)	Amcom Telecommunications Limited
Date control gained	8 July 2015

As Amcom Telecommunications Limited has now formed part of Vocus' integrated Australian business, it is not practical to report its contribution separately.

5. Loss of control over entities

Name of entities (or group of entities)	Amcom L7 Solutions Pty Ltd
Date control lost	16 December 2015

On 16 December 2015, Vocus Communications Limited sold Amcom L7 Solutions Pty Ltd ('L7') to Cirrus Network Holdings Pty Ltd, for cash consideration of \$500,000. L7 represented the IT integration and managed services arm of the former Amcom Telecommunications Limited business.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

7. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Vocus Communications Limited for the half-year ended 31 December 2015 is attached.

8. Signed



Signed _____

Date: 25 February 2016

James Spenceley
Director
Sydney

Vocus Communications Limited

ABN 96 084 115 499

Half-Year Financial Report - 31 December 2015

Contents

Directors' report	2
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	22
Independent auditor's review report to the members of Vocus Communications Limited	23

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Vocus') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

David Spence	Non-Executive Chairman
Craig Farrow	Non-Executive Deputy Chairman (appointed on 22 February 2016)
James Spenceley	Executive Director
Vaughan Bowen	Executive Director (appointed on 22 February 2016)
Jon Brett	Non-Executive Director
Tony Grist	Non-Executive Director (appointed on 16 July 2015)
Rhoda Phillipou	Non-Executive Director (appointed on 22 February 2016)
Michael Simmons	Non-Executive Director (appointed on 22 February 2016)

As a result of the M2 and Amcom transactions, the board composition changed:

Steve Baxter	Former Non-Executive Director (resigned on 22 February 2016)
Paul Brandling	Former Non-Executive Director (appointed on 8 July 2015 and resigned on 22 February 2016)
Anthony Davies	Former Non-Executive Director (appointed on 8 July 2015 and resigned on 22 February 2016)
John Murphy	Former Non-Executive Director (resigned on 22 February 2016)
Nicholas McNaughton	Former Non-Executive Director (resigned on 8 July 2015)

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.

Review of operations

Total revenue for the half-year ended 31 December 2015 was \$176,279,000 (31 December 2014: \$62,744,000). The profit, after providing for income tax, amounted to \$24,211,000 (31 December 2014: \$26,215,000). The underlying EBITDA was \$62,253,000 (31 December 2014: \$21,586,000).

The increase in revenue and Underlying EBITDA was attributable to strong demand for Vocus' products and the acquisition of Amcom Telecommunications Limited ('Amcom') in July 2015.

Basic earnings per share for Vocus for the half-year ended 31 December 2015 totalled 10.70 cents (31 December 2014: 26.16 cents). Underlying diluted earnings per share for Vocus for the half-year ended 31 December 2015 totalled 12.07 cents (31 December 2014: 8.68 cents).

Underlying EBITDA is calculated as follows:

	31 Dec 2015	Consolidated 31 Dec 2014
	\$'000	\$'000
Profit for the half-year	24,211	26,215
Add back: Income tax expense	9,307	11,087
Add back: Net finance costs	6,110	2,455
Add back: Depreciation and amortisation	21,089	7,948
EBITDA	60,717	47,705
Gains associated with early repayment of borrowings	-	(5,477)
Gains on total return swaps	(8,269)	(26,932)
Acquisition and integration costs	11,504	4,462
Gains/losses associated with foreign exchange	(1,348)	421
Other gains/(losses)	(351)	1,407
Underlying EBITDA	62,253	21,586

Statement of financial position

	31 Dec 2015 \$'000	30 Jun 2015 \$'000	\$'000	Change %
Current assets	82,094	41,930	40,164	95.8%
Non-current assets	1,182,946	341,414	841,532	246.5%
Total assets	1,265,040	383,344	881,696	230.0%
Current liabilities	82,447	40,878	41,569	101.7%
Non-current liabilities	275,927	146,227	129,700	88.7%
Total liabilities	358,374	187,105	171,269	91.5%
Net assets	906,666	196,239	710,427	362.0%
Equity	906,666	196,239	710,427	362.0%

Significant changes in the statement of financial position have arisen primarily from organic growth and the Amcom acquisition.

During the half-year ended 31 December 2015 Vocus produced net cash inflows from operating activities of \$44,735,000 (31 December 2014: \$21,685,000). A significant amount of this has been reinvested in the network through customer connections and network upgrades to support growth. There was also \$23,342,000 net cash inflow (31 December 2014: \$47,184,000) from financing activities inclusive of dividend payments of \$9,987,000 (31 December 2014: \$946,000).

At the reporting date 31 December 2015, the consolidated cash holdings stood at \$28,398,000 (30 June 2015: \$15,170,000). The gearing ratio for Vocus for the half-year ended 31 December 2015 was 18.4% (30 June 2015: 35%), as measured by net debt divided by net debt plus equity. Net debt and gearing movements are a result of Vocus' acquisition of Amcom and trading since the last balance date. The Group's bank facility at 31 December 2015 consists of a \$285,000,000 senior finance facility (30 June 2015: \$131,235,000) drawn to \$203,986,000 (30 June 2015: \$106,235,000). Interest on drawn funds under the facility is recognised at the aggregate of the bank bill rate plus a margin.

Significant changes in the state of affairs

Amcom Telecommunications Limited

On 8 July 2015, Vocus acquired 100% of the share capital of Amcom Telecommunications Limited for the total consideration of \$686,662,000, 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.

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

Matters subsequent to the end of the financial half-year

M2 Group Limited

On 22 February 2016, Vocus acquired 100% of the share capital of M2 Group Limited ('M2') for a total consideration of \$2,265,000,000, settled by the issuance of 300,083,420 ordinary shares, 135,418 options and 784,651 performance rights in the Company.

The merger of Vocus and M2 brings together two highly complementary businesses and creates a vertically integrated, infrastructure backed full service telecommunications provider with proven capabilities and scale to service individuals, corporate and government entities across Australia and New Zealand.

As the merger occurred subsequent to 31 December 2015, M2 made no contribution to Vocus' results for the half-year ended 31 December 2015. M2's reviewed revenue, underlying EBITDA and underlying NPAT for the half-year was \$707,400,000, \$104,700,000 and \$55,100,000 respectively.

The M2 balance sheet had net assets at 31 December 2015 of \$375,000,000. The excess of the purchase price over net assets as at 31 December 2015 was \$1,890,000,000. A purchase price allocation process to determine the fair value of the assets and liabilities, and resulting goodwill arising from the merger, has yet to be performed.

As disclosed in the Scheme Booklet, as a result of the implementation of the Scheme, a sum of \$8,000,000 will be paid to Vocus' financial advisers in the second half of the 30 June 2016 financial year.

No other matter or circumstance has arisen since 31 December 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.

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.

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

On behalf of the directors



James Spenceley
Director

25 February 2016
Sydney

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

25 February 2016

Dear Board Members

Auditor's Independence Declaration to Vocus Communications Limited

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

As lead audit partner for the review of the financial statements of Vocus Communications Limited for the financial half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants

Vocus Communications Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015



	Note	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Revenue	3	176,279	62,744
Share of profits of joint ventures accounted for using the equity method		853	-
Other gains and losses	4	(1,536)	26,119
Expenses			
Network and service delivery		(69,771)	(26,696)
Employee benefits expense	5	(34,292)	(10,709)
Depreciation and amortisation	5	(21,089)	(7,948)
Administration and other expenses		(10,527)	(3,353)
Finance costs	5	(6,399)	(2,855)
Profit before income tax expense		33,518	37,302
Income tax expense		(9,307)	(11,087)
Profit after income tax expense for the half-year attributable to the owners of Vocus Communications Limited		24,211	26,215
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		2,687	3,330
Net movement on hedging transactions, net of tax		119	142
Other comprehensive income for the half-year, net of tax		2,806	3,472
Total comprehensive income for the half-year attributable to the owners of Vocus Communications Limited		<u>27,017</u>	<u>29,687</u>
		Cents	Cents
Basic earnings per share	6	10.70	26.16
Diluted earnings per share	6	10.68	26.04

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

	Note	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	28,398	15,170
Trade and other receivables	11	37,248	22,682
Inventories		2,074	-
Derivative financial instruments		917	1,027
Income tax refund due		1,945	-
Other	13	11,512	3,051
Total current assets		<u>82,094</u>	<u>41,930</u>
Non-current assets			
Property, plant and equipment	16	408,485	204,619
Intangibles	17	759,455	125,394
Deferred tax		7,533	5,443
Investment in joint venture		4,759	3,708
Other		2,714	2,250
Total non-current assets		<u>1,182,946</u>	<u>341,414</u>
Total assets		<u>1,265,040</u>	<u>383,344</u>
Liabilities			
Current liabilities			
Trade and other payables	12	38,651	24,177
Borrowings	19	21,402	1,764
Derivative financial instruments		1,382	-
Income tax		-	3,533
Provisions		5,509	10,127
Other	14	15,503	1,277
Total current liabilities		<u>82,447</u>	<u>40,878</u>
Non-current liabilities			
Borrowings	20	210,768	117,959
Deferred tax		50,154	21,299
Provisions		3,795	2,441
Other	15	11,210	4,528
Total non-current liabilities		<u>275,927</u>	<u>146,227</u>
Total liabilities		<u>358,374</u>	<u>187,105</u>
Net assets		<u>906,666</u>	<u>196,239</u>
Equity			
Contributed equity	21	830,070	144,244
Reserves		8,843	3,847
Retained profits		67,753	48,148
Total equity		<u>906,666</u>	<u>196,239</u>

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

Vocus Communications Limited
Statement of changes in equity
For the half-year ended 31 December 2015



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 half-year	-	-	26,215	26,215
Other comprehensive income for the half-year, net of tax	-	3,472	-	3,472
Total comprehensive income for the half-year	-	3,472	26,215	29,687
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	44,949	-	-	44,949
Share-based payments	-	431	-	431
Dividends paid (note 7)	-	-	(946)	(946)
Balance at 31 December 2014	143,543	6,542	61,160	211,245
Consolidated	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	144,244	3,847	48,148	196,239
Profit after income tax expense for the half-year	-	-	24,211	24,211
Other comprehensive income for the half-year, net of tax	-	2,806	-	2,806
Total comprehensive income for the half-year	-	2,806	24,211	27,017
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	685,826	1,567	-	687,393
Share-based payments	-	623	-	623
Dividends paid (note 7)	-	-	(4,606)	(4,606)
Balance at 31 December 2015	830,070	8,843	67,753	906,666

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

	Note	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Cash flows from operating activities			
Receipts from customers		190,352	66,854
Payments to suppliers and employees		(137,159)	(43,410)
		53,193	23,444
Interest received		289	400
Other finance costs paid		(34)	(33)
Income taxes paid		(8,713)	(2,126)
Net cash from operating activities		44,735	21,685
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired and acquisition costs		(15,703)	(69,579)
Payments for investments		(238)	-
Payments for property, plant and equipment		(27,690)	(14,611)
Payments for intangibles		(20,968)	(772)
Proceeds from disposal of business		500	-
Proceeds from total return swaps		9,250	10,637
Net cash used in investing activities		(54,849)	(74,325)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		731	44,949
Proceeds from borrowings		93,615	68,838
Repayment of IRU borrowings		-	(19,547)
Repayment of borrowings on business acquisitions		(51,000)	(43,913)
Interest and other finance costs paid on borrowings		(5,582)	(1,768)
Repayment of leases		(3,925)	(71)
Interest paid on leases		(510)	(358)
Dividends paid	7	(9,987)	(946)
Net cash from financing activities		23,342	47,184
Net increase/(decrease) in cash and cash equivalents		13,228	(5,456)
Cash and cash equivalents at the beginning of the financial half-year		15,170	44,557
Cash and cash equivalents at the end of the financial half-year		28,398	39,101

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

Note	Page
1 Basis of preparation	11
Group performance	
2 Operating segments	11
3 Revenue	12
4 Other gains and losses	12
5 Expenses	13
6 Earnings per share	13
7 Equity - dividends	14
Risk management	
8 Fair value measurement	14
9 Contingent liabilities	14
10 Commitments	14
Working capital	
11 Current assets – trade and other receivables	15
12 Current liabilities – trade and other payables	15
13 Current assets - other	15
14 Current liabilities - other	15
15 Non-current liabilities - other	16
Capital employed	
16 Non-current assets - property, plant and equipment	16
17 Non-current assets - intangibles	17
Net debt	
18 Current assets - cash and cash equivalents	17
19 Current liabilities - borrowings	18
20 Non-current liabilities - borrowings	18
Equity	
21 Equity - contributed equity	19
Group structure	
22 Business combinations	20
Other information	
23 Related party transactions	21
24 Events after the reporting period	21
25 General information	21

Note 1. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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 half-year ended 31 December 2015 there were no customers of Vocus which contributed 10% or more of external revenue (31 December 2014: nil).

Revenue by product set

	31 Dec 2015	Consolidated 31 Dec 2014
	\$'000	\$'000
Fibre and Ethernet	80,303	25,238
Internet	41,652	19,410
Data Centre	24,549	11,429
Voice	16,364	5,351
Projects	13,113	916
	<u>175,981</u>	<u>62,344</u>

Revenue by geographical area

	31 Dec 2015	Consolidated 31 Dec 2014
	\$'000	\$'000
Australia	138,533	36,150
New Zealand	35,344	25,286
Rest of World	2,104	908
	<u>175,981</u>	<u>62,344</u>

Note 3. Revenue

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
<i>Sales revenue</i>		
Rendering of services	175,981	62,344
<i>Other revenue</i>		
Interest	289	400
Other revenue	9	-
	<u>298</u>	<u>400</u>
Revenue	<u><u>176,279</u></u>	<u><u>62,744</u></u>

Note 4. Other gains and losses

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Gain on early repayment of borrowings *	-	5,477
Gain on total return swaps **	8,269	26,932
Acquisition and integration costs ***	(11,504)	(4,462)
Gains/(losses) associated with foreign exchange	1,348	(421)
Other gains/(losses)	351	(1,407)
	<u>351</u>	<u>(1,407)</u>
Other gains and losses	<u><u>(1,536)</u></u>	<u><u>26,119</u></u>

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

** The gains on total return swaps in the half-year ended 31 December 2015 comprise unrealised gains in relation to Vocus' 16% relevant interest in Macquarie Telecom Group Limited, net of dividends received, brokerage and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is presently scheduled to settle on 30 June 2016. The gains on total return swaps for the previous half-year were related to Vocus' 10% relevant interest in Amcom Telecommunications Limited which was settled in May 2015.

*** Acquisition and integration costs represent expenses pertaining to due diligence, acquisition and integration of acquired businesses.

Note 5. Expenses

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation (note 16)	14,204	4,904
Amortisation (note 17)	6,885	3,044
Total depreciation and amortisation	<u>21,089</u>	<u>7,948</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	6,399	2,855
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	4,853	1,713
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	2,538	578
Share-based payment expense	623	431
Other employee benefits expense	31,131	9,700
Total employee benefits expense	<u>34,292</u>	<u>10,709</u>

Note 6. Earnings per share

	31 Dec 2015 \$'000	Consolidated 31 Dec 2014 \$'000
Profit after income tax attributable to the owners of Vocus Communications Limited	<u>24,211</u>	<u>26,215</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	226,230,917	100,224,239
Adjustments for calculation of diluted earnings per share:		
Options	199,071	448,558
Performance rights	278,092	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>226,708,080</u>	<u>100,672,797</u>
	Cents	Cents
Basic earnings per share	10.70	26.16
Diluted earnings per share	10.68	26.04

Note 7. Equity - dividends

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

	31 Dec 2015	Consolidated
	\$'000	31 Dec 2014
		\$'000
Final dividend for the year ended 30 June 2015 of 2.0 cents per ordinary share (31 December 2014: 1.0 cent per ordinary share)	4,606	946
Special dividend for the year ended 30 June 2015 of 5.10 cents per ordinary share paid on 8 July 2015	5,381	-
	<u>9,987</u>	<u>946</u>

A fully-franked special dividend, as disclosed in the 31 December 2014 half-year financial report lodged 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 25 February 2016, the directors declared an interim dividend for the year ended 30 June 2016 of 7.6 cents per ordinary share and a special dividend of 1.9 cents per share. The interim dividend and special dividend are to be paid on 6 April 2016 to shareholders registered on 21 March 2016. The dividends will be fully franked.

Note 8. Fair value measurement

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.

Note 9. Contingent liabilities

	31 Dec 2015	Consolidated
	\$'000	30 Jun 2015
		\$'000
Bank guarantees for operating leases	6,164	3,059
	<u>6,164</u>	<u>3,059</u>

Note 10. Commitments

	31 Dec 2015	Consolidated
	\$'000	30 Jun 2015
		\$'000
<i>Purchase commitments - IRU capacity</i>		
Committed at the reporting date but not recognised as assets or liabilities, payable:		
Within one year	16,696	20,582
One to five years	41,039	49,287
More than five years	-	6,839
	<u>57,735</u>	<u>76,708</u>

The purchase commitments relate to the purchase of additional undersea cable capacity, announced in February 2015. The commitment becomes payable on allocation of capacity, which occurs annually.

Note 11. Current assets - trade and other receivables

	31 Dec 2015	Consolidated 30 Jun 2015
	\$'000	\$'000
Trade receivables	32,529	21,154
Less: Provision for impairment of receivables	(973)	(573)
	<u>31,556</u>	<u>20,581</u>
Other receivables	1,788	1,772
Loan to joint venture - Connect 8 Limited	94	89
Accrued revenue	3,810	240
	<u>37,248</u>	<u>22,682</u>

Note 12. Current liabilities - trade and other payables

	31 Dec 2015	Consolidated 30 Jun 2015
	\$'000	\$'000
Trade payables	25,053	15,207
Accruals	10,701	5,691
Goods and services tax payable	500	1,021
Other payables	2,397	2,258
	<u>38,651</u>	<u>24,177</u>

Note 13. Current assets - other

	31 Dec 2015	Consolidated 30 Jun 2015
	\$'000	\$'000
Prepayments	9,546	3,051
Other current assets	1,966	-
	<u>11,512</u>	<u>3,051</u>

Note 14. Current liabilities - other

	31 Dec 2015	Consolidated 30 Jun 2015
	\$'000	\$'000
Lease incentive and rent straight lining	678	30
Deposits held	-	120
Deferred revenue	11,371	1,035
Other current liabilities	3,454	92
	<u>15,503</u>	<u>1,277</u>

Note 15. Non-current liabilities - other

	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Lease incentive and rent straight lining	544	782
Deferred revenue	6,254	3,746
Other non-current liabilities	4,412	-
	<u>11,210</u>	<u>4,528</u>

Note 16. Non-current assets - property, plant and equipment

	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Fibre assets - at cost	321,802	132,935
Less: Accumulated depreciation	(12,968)	(5,759)
	<u>308,834</u>	<u>127,176</u>
Data centre assets - at cost	57,514	50,530
Less: Accumulated depreciation	(11,038)	(8,250)
	<u>46,476</u>	<u>42,280</u>
Network equipment - at cost	51,974	36,790
Less: Accumulated depreciation	(8,776)	(5,507)
	<u>43,198</u>	<u>31,283</u>
Other plant and equipment - at cost	13,536	6,101
Less: Accumulated depreciation	(3,559)	(2,221)
	<u>9,977</u>	<u>3,880</u>
	<u>408,485</u>	<u>204,619</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-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 2015	127,176	42,280	31,283	3,880	204,619
Additions	23,748	1,496	3,789	2,660	31,693
Additions through business combinations (note 22)	159,182	5,139	11,697	4,908	180,926
Disposals	(39)	(7)	(9)	(23)	(78)
Reclassifications	1,870	-	(1,563)	(172)	135
Exchange differences	4,052	223	1,095	24	5,394
Depreciation expense	(7,155)	(2,655)	(3,094)	(1,300)	(14,204)
Balance at 31 December 2015	<u>308,834</u>	<u>46,476</u>	<u>43,198</u>	<u>9,977</u>	<u>408,485</u>

Note 17. Non-current assets - intangibles

	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Goodwill - at cost	582,132	43,242
IRU capacity - at cost	98,086	79,037
Less: Accumulated amortisation	(22,698)	(20,714)
	<u>75,388</u>	<u>58,323</u>
Customer contracts - at cost	87,019	20,846
Less: Accumulated amortisation	(4,998)	(1,969)
	<u>82,021</u>	<u>18,877</u>
Software - at cost	14,194	5,151
Less: Accumulated amortisation	(2,158)	(1,387)
	<u>12,036</u>	<u>3,764</u>
Other intangibles - at cost	9,273	1,440
Less: Accumulated amortisation	(1,395)	(252)
	<u>7,878</u>	<u>1,188</u>
	<u><u>759,455</u></u>	<u><u>125,394</u></u>

Reconciliations

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

Consolidated	Goodwill \$'000	IRU capacity \$'000	Customer contracts \$'000	Software \$'000	Other intangibles \$'000	Total \$'000
Balance at 1 July 2015	43,242	58,323	18,877	3,764	1,188	125,394
Additions	-	19,048	-	2,184	6,794	28,026
Additions through business combinations	539,381	-	66,143	6,846	1,037	613,407
Exchange differences	(491)	-	-	4	-	(487)
Amortisation expense	-	(1,983)	(2,999)	(762)	(1,141)	(6,885)
Balance at 31 December 2015	<u><u>582,132</u></u>	<u><u>75,388</u></u>	<u><u>82,021</u></u>	<u><u>12,036</u></u>	<u><u>7,878</u></u>	<u><u>759,455</u></u>

Note 18. Current assets - cash and cash equivalents

	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Cash at bank	13,239	10,195
Cash on deposit	15,159	4,975
	<u><u>28,398</u></u>	<u><u>15,170</u></u>

Note 19. Current liabilities - borrowings

	31 Dec 2015	Consolidated
	\$'000	30 Jun 2015
		\$'000
Bank loans	14,689	-
Lease liability	6,713	1,764
	<u>21,402</u>	<u>1,764</u>

Note 20. Non-current liabilities - borrowings

	31 Dec 2015	Consolidated
	\$'000	30 Jun 2015
		\$'000
Bank loans	189,297	106,235
Lease liability	21,471	11,724
	<u>210,768</u>	<u>117,959</u>

Total secured liabilities

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

	31 Dec 2015	Consolidated
	\$'000	30 Jun 2015
		\$'000
Bank loans	203,986	106,235
Lease liability	28,184	13,488
	<u>232,170</u>	<u>119,723</u>

Assets pledged as security

The bank loans are secured by first ranking securities over the companies in the Vocus Group.

The lease liabilities are effectively secured as the leased assets revert to the lessor in the event of default.

Note 21. Equity - contributed equity

	31 Dec 2015 Shares	30 Jun 2015 Shares	31 Dec 2015 \$'000	Consolidated 30 Jun 2015 \$'000
Ordinary shares - fully paid	231,813,425	105,511,947	853,956	159,093
Less: Treasury shares	(5,359,704)	(4,008,308)	(23,886)	(14,849)
	<u>226,453,721</u>	<u>101,503,639</u>	<u>830,070</u>	<u>144,244</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2015	105,511,947		159,093
Issue of shares on conversion of options	7 July 2015	26,667	\$0.00	-
Issue of shares for consideration of Amcom Telecommunications Limited	8 July 2015	124,482,876	\$5.50	684,657
Issue of shares on conversion of performance rights	8 July 2015	74,978	\$5.50	412
Issue of shares for loan funded share plan	20 August 2015	195,000	\$5.95	1,160
Issue of shares on conversion of options	1 September 2015	12,500	\$2.00	25
Issue of shares for loan funded share plan	14 September 2015	891,000	\$5.53	4,927
Issue of shares on conversion of options	2 October 2015	12,999	\$2.00	26
Issue of shares on conversion of options	2 October 2015	35,000	\$0.50	18
Issue of shares for loan funded share plan	2 October 2015	220,623	\$6.49	1,432
Issue of shares for loan funded share plan	9 November 2015	50,000	\$6.38	319
Issue of shares for loan funded share plan	2 December 2015	293,554	\$7.08	2,078
Issue of shares on conversion of options	2 December 2015	1,667	\$2.00	3
Issue of shares on conversion of performance rights	15 December 2015	4,614	\$5.50	25
Less: share issue transaction costs, net of deferred tax				(219)
Balance	31 December 2015	<u>231,813,425</u>		<u>853,956</u>

Movements in treasury shares

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2015	(4,008,308)		(14,849)
Issue of shares for loan funded share plan	20 August 2015	(195,000)	\$5.95	(1,160)
Issue of shares for loan funded share plan	14 September 2015	(891,000)	\$5.53	(4,927)
Issue of shares for loan funded share plan	2 October 2015	(220,623)	\$6.49	(1,432)
Issue of shares for loan funded share plan	9 November 2015	(50,000)	\$6.38	(319)
Issue of shares for loan funded share plan	2 December 2015	(293,554)	\$7.08	(2,078)
Transfer of shares to participants		298,781		879
Balance	31 December 2015	<u>(5,359,704)</u>		<u>(23,886)</u>

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.

Note 22. Business combinations

Amcom Telecommunications Limited

On 8 July 2015, Vocus Communications Limited, through its subsidiary Vocus Group Pty Ltd, acquired 100% of the shares in Amcom Telecommunications Limited ('Amcom') for a total consideration transferred of \$686,662,000, arising from 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 \$538,162,000 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.

Amcom reported revenue for the period to 31 December 2015 of \$82,841,000. Due to significant integration changes across Vocus' common service infrastructure, it is not practical to provide a meaningful profit for the period since acquisition.

On 16 December 2015, Vocus Communications Limited sold Amcom L7 Solutions Pty Ltd ('L7') to Cirrus Network Holdings Pty Ltd, for a consideration of \$500,000. L7 represented the IT integration and managed services arm of the former Amcom business.

The values identified in relation to the acquisition are currently provisional as at 31 December 2015, and are outlined below:

	Fair value \$'000
Cash and cash equivalents	5,087
Trade receivables	14,000
Inventories and other current assets	14,740
Other plant and equipment	180,926
Customer contracts	66,143
Other intangible assets	7,883
Goodwill and provisional adjustments	(98)
Trade and other payables	(14,668)
Deferred tax liability	(24,554)
Deferred revenue	(13,498)
Bank loans	(51,000)
Lease liability	(11,885)
Provisions and other liabilities	(24,576)
Net assets acquired	148,500
Goodwill	538,162
Acquisition-date fair value of the total consideration transferred	<u>686,662</u>
Representing:	
Vocus Communications Limited shares issued to vendor	684,657
Vocus Communications Limited performance rights issued to vendor	2,005
	<u>686,662</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	686,662
Less: cash and cash equivalents acquired	(5,087)
Less: shares issued by Company as part of consideration	(684,657)
Less: performance rights issued by Company as part of consideration	(2,005)
Net cash received	<u>(5,087)</u>

Note 23. Related party transactions

Transactions with related parties

The Company purchased corporate entertainment packages totalling \$37,360 from Wollongong Hawks Pty Ltd, a company related to James Spenceley. The packages were on commercial terms and approved by the Board.

Other than the transaction noted above, there were no other related party transactions in the current or previous financial half-year.

Note 24. Events after the reporting period

M2 Group Limited

On 22 February 2016, Vocus acquired 100% of the share capital of M2 Group Limited ('M2') for a total consideration of \$2,265,000,000, settled by the issuance of 300,083,420 ordinary shares, 135,418 options and 784,651 performance rights in the Company.

The merger of Vocus and M2 brings together two highly complementary business and creates a vertically integrated, infrastructure backed full service telecommunications provider with proven capabilities and scale to service individuals, corporate and government entities across Australia and New Zealand.

As the merger occurred subsequent to 31 December 2015, M2 made no contribution to Vocus' results for the half-year ended 31 December 2015. M2's reviewed revenue, underlying EBITDA and underlying NPAT for the half-year was \$707,400,000, \$104,700,000 and \$55,100,000 respectively.

The M2 balance sheet had net assets at 31 December 2015 of \$375,000,000. The excess of the purchase price over net assets as at 31 December 2015 was \$1,890,000,000. A purchase price allocation process to determine the fair value of the assets and liabilities, and resulting goodwill arising from the merger, has yet to be performed.

As disclosed in the Scheme Booklet, as a result of the implementation of the Scheme, a sum of \$8,000,000 will be paid to Vocus' financial advisers in the second half of the 30 June 2016 financial year.

Apart from matters discussed above and the dividend declared in note 7, no other matter or circumstance has arisen since 31 December 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 25. General information

The financial statements cover Vocus Communications Limited and the entities it controlled at the end of, or during, the half-year. 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 25 February 2016. The directors have the power to amend and reissue the financial statements.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of Vocus' financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



James Spenceley
Director

25 February 2016
Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vocus Communications Limited, which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 6 to 22.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Communications Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants
Sydney, 25 February 2016