2011

AMCOM TELECOMMUNICATIONS
ANNUAL REPORT

Contents

Our Cloud product launch was a day when the organisation rallied together to deliver another milestone for our business.

CHAIRMAN'S REPORT

Anthony J Grist
Chairman

Dear Shareholder,

It is with great pleasure that I present Amcom Telecommunications Limited's annual report for 2011. It has been another very successful year for your company amidst an environment of ongoing change within the telecommunications industry.

Reported net profit after tax increased by 50% to $25.9m in the 2011 financial year. This has been the 8th consecutive year of 20% or better growth in profit.

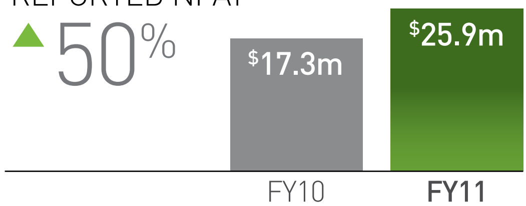
We have again delivered an improved full year dividend of 4.8 cents per share, up from 4.2 cents in the previous year on a post share consolidation basis.

Your company has delivered significant shareholder value creation. The appreciation in the share price together with dividends paid out over the past three years have delivered a Total Shareholder Return (TSR) of 151%. This excludes the value of the iiNet in specie distribution that occurred after year-end. This compares favourably with the S&P/ASX 300 Accumulation Index which has increased 1% over that time frame.

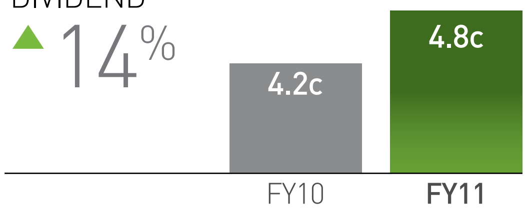
The profit performance reflects continued strong demand for our core fibre based communications products from the corporate, government and wholesale sectors of the telecommunications market which we focus on. High speed and high capacity communication links are an essential requirement for businesses today.

"Over the past 3 years, Total Shareholder Return of 151%"

REPORTED NPAT



DIVIDEND



iiNet

Shareholders would be aware Amcom no longer has a 23.4% holding in iiNet. In June 2011 the company sold 4.5m of its iiNet shares and the $11.9m proceeds used to reduce the company's net debt and provide working capital to fund ongoing growth. Post the end of the financial year the balance of our iiNet holding was distributed to shareholders on a pro-rata basis for nil consideration.

The board of Amcom remains of the belief that iiNet is a quality business. The investment delivered significant value uplift to Amcom since we acquired our original stake in 2006. Over the course of the investment we have received a significant inflow of dividends totalling in excess of $11million. Amcom and its shareholders have benefitted from the investment which has created circa $50m of value for shareholders since 2006.

However, Amcom and iiNet service different segments of the telecommunications market and have different strategies to grow and continue delivering shareholder value in the future. For these reasons we formed the view that Amcom shareholders should be allowed to choose their own mix of exposure to the consumer and enterprise markets and both businesses would benefit by moving forward independently of each other.

Post the divestment and distribution of our iiNet holding Amcom has no net debt and has ample capacity to fund the ongoing organic growth of the business and pursue strategic value accretive acquisition opportunities should they arise.

Cloud Computing

Going forward the next major growth engine for Amcom will be capitalising on the emerging trend towards cloud computing (hosted IT services).The cloud services market is rapidly expanding globally and provides customers with significant benefits of cost and scale. Amcom is ideally placed to leverage this emerging trend in the cloud with an established customer base of 900 blue chip corporate and government customers.

Today we already offer a comprehensive suite of IT solutions hosted in the cloud to both new and existing customers. The recent decision by the University of Western Australia to choose Amcom to provide a dedicated, secure and reliable cloud IT solution validates our cloud strategy.

Management

The board recognises the outstanding contribution the Amcom team, led by CEO Clive Stein, has made in delivering another very pleasing year of performance. Amcom recognises that people are fundamental in making a good company a great company. The corporate culture within Amcom is values based and customer focussed. It is our service, flexibility and 'can do' attitude which sets us apart from our competitors. On behalf of the board I would like to thank all the Amcom team for their dedication and continued efforts to achieve the best outcomes for all stakeholders – customers, staff and shareholders alike.

Outlook

The board remains confident Amcom is well placed to deliver continued growth in profitability. We have quality assets, quality products and quality people to ensure your company continues to prosper.

Thank you for your continuing support.

Anthony J Grist
Chairman
23 September 2011


0:25
Hold
End Call
Transfer
POLYCOM

Amcom IPTel is about changing the way businesses communicate. Via the cloud, our platform delivers IP voice and video services to nearly 100,000 end customers.

MANAGING DIRECTOR'S REPORT

Clive Stein
Managing Director
& CEO

I am pleased to report that Amcom has had another very successful year. In addition to another strong financial performance, over the course of the year we have expanded our product suite, exited a major investment on favourable terms for our shareholders and completed the year in a very strong financial position with no net debt.

For the year ended 30 June 2011, revenue grew 38% to $87m. Reported net profit after tax rose 50% to $25.9m. While this profit number includes the equity accounting of the iiNet profit and some one off items, excluding those the net profit from wholly owned operations increased strongly by 31% to $13.8m.

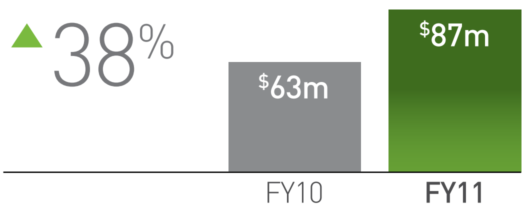
Operating cash flow increased by 37% to $28.7m and return on shareholders' funds improved to 17%. These key financial metrics reflect the underlying strength of Amcom.

Strong demand for our core fibre based communications products from the corporate and government sector underpinned our strong performance. However customer demand is only part of the story. Over the past few years Amcom has undergone a major transformation in the way we do business. We have become a far more customer centric and flexible organisation that prides itself on a 'can do' attitude in tailoring our services to specific customer requirements. It is this focus coupled with exceptional customer service which I believe is a competitive advantage over our larger competitors.

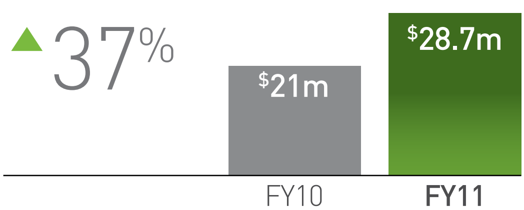
Capital expenditure for the year was $17.4m which included $10.2m for new customer connections and $2.8m to complete our fibre network rollout in the Northern Territory. Capital expenditure in the year just completed will underwrite continued revenue and earnings growth in the coming year.

Reported Results ($m)	FY11	FY10	Var %
Revenue	87.2	63.1	▲ 38
EBITDA	28.8	22.4	▲ 29
NPAT (operating units)	13.8	10.6	▲ 31
Equity accounted earnings	7.8	7.9	▲
NPAT (reported)	25.9	17.3	▲ 50
Earnings per share	10.8c	8.2c	▲ 32
Dividend per share	4.8c	4.2c	▲ 14
ROE	17%	13%	▲ 31

REVENUE



NET OPERATING CASHFLOW



OPERATIONAL REVIEW

Fibre

The fibre division was a key driver of the group's earnings performance over the course of the year. The fibre business provides a comprehensive range of high-speed communication products to blue chip corporates, government agencies and other telecommunication providers. Australian businesses are reliant on having fast and reliable data networks in the course of day-to-day business. With our own network footprints in Perth, Adelaide, Darwin and network nodes in all main capital cities across the country, we are well placed to meet this increasing demand. The fibre business has continued its strong growth in FY11 with an increase in revenue of 23% to $55m and an increase in EBITDA of 22% to $26.5m.

Our fibre network platform is effectively 'future proofed' and has the flexibility to allow us to enter new communications markets such as internet protocol (IP) telephony and cloud computing, both of which offer attractive value propositions to our existing and new customers and are emerging as the next key drivers of growth in our industry.

Amnet

Our DSL internet service provider Amnet has grown its customer base over the past year to over 20,000 broadband services. Amnet continues to rate highly in industry surveys of customer service and reliability, however competition is fierce in the residential broadband market which resulted in declines in revenue and EBITDA in FY11.

Amcom IP Tel

Amcom acquired Melbourne based IP Systems in May 2010 and has subsequently re-branded it Amcom IP Tel. Post the acquisition, we now have the capability to offer converged voice, video and data solutions to customers across the country. We have now broadened our product offering and geographic reach and are able to capture a greater share of our customers' telecommunications spend. In its first full year Amcom IP Tel delivered both increased revenue and earnings to the group and we expect this business to accelerate in FY12.

National Broadband Network

The Federal government's plans for a national broadband network (NBN) to deliver improved broadband speeds for residential customers have generated significant interest from industry operators and investors alike. The NBN is predominantly a consumer oriented business model with a staged rollout over the next 5 or more years. In contrast Amcom is a corporate and government focussed organisation that offers communication speeds and capacity to our clients now that is significantly greater than NBN proposes to deliver to consumers once it is operational.

Outlook

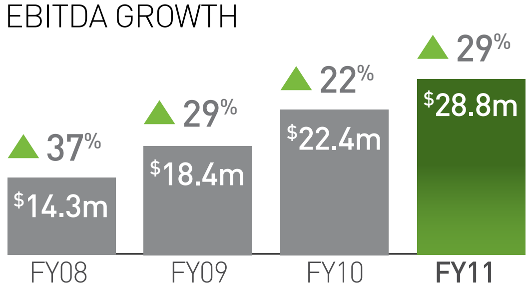
Over the past year Amcom has achieved a great deal. We are now an organisation with a national footprint offering a broader platform of products that allows us to participate in emerging telecommunications markets that have only recently evolved.

I'm particularly optimistic about the potential that Cloud computing holds for Amcom. Cloud (hosted IT) services is a market that is expanding rapidly around the globe. Cloud offers customers greater efficiencies and scale in managing their IT requirements and Cloud will leverage our core fibre assets and capabilities

Earlier this year we announced a partnership with leading Cloud services provider Bluefire to ensure Amcom is ready to take advantage of this emerging IT market and within only a few months we were delighted to announce our first major cloud services partnership with the University of Western Australia.

Over the past 10 years we have built a solid reputation in partnering with our customers. We have tremendous examples of how we have delivered exceptional outcomes for our customers across Australia. Cloud computing is a whole new way for Amcom to deliver value to customers.

EBITDA GROWTH



The Amcom team are both hard-working and dedicated to the success of the company. I would like to take this opportunity to thank all of our people for their essential contribution to another outstanding year and we look forward to continued success in the future.

Shareholders can be optimistic about the future of Amcom. We have well thought out strategies to continue to grow. We operate in rapidly expanding segments of the telecommunications market and our financial position is very strong with no net debt. I anticipate another year of solid earnings growth in FY12.

Clive Stein
Managing Director
and Chief Executive Officer
23 September 2011

Customer First - our brand value at the heart of every decision we make at Amcom.


amcom

Board of Directors

The Board of directors of Amcom Telecommunications Limited is responsible for establishing the corporate governance framework having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations.

The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGC's recommendations.

	Recommendation	Comply
Principle 1 - Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
Principle 2 - Structure the board to add value		
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
Principle 3 - Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• The practices necessary to maintain confidence in the company's integrity.	Yes
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Yes
	• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes

Recommendation		Comply
Principle 4 - Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• Consists only of non-executive directors	Yes
	• Consists of a majority of independent directors	Yes
	• Is chaired by an independent chair, who is not chair of the board	Yes
	• Has at least three members	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 - Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
Principle 6 - Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes
Principle 7 - Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes
Principle 8 - Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	Yes
8.2	Companies should clearly distinguish the structure of non- executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes

Amcom Telecommunication Limited's corporate governance practices were in place throughout the year ended 30 June 2011.

For further information on corporate governance policies adopted by Amcom Telecommunications Ltd, refer to our website: www.amcom.com.au

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Risk
- Remuneration and Nomination

The roles and responsibilities of these committees are discussed in this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure and independence of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Amcom Telecommunications Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

Mr Grist has a shareholding of 3.76% in the Company, received additional fees (as disclosed at Note 34 of the financial statements) and had a former executive role. The Board is of the opinion that Mr Grist is an independent director and is the most appropriate person to lead the Board and that he is able to discharge his duties with independent judgement and that the company benefits from his long standing experience in the industry. Mr Grist does not sit on any of the Board's committees.

Mr Coleman is a Director of Wyllie Group Pty Ltd, which has a 6.6% shareholding in the company. Notwithstanding this relationship, Mr Coleman is considered independent as he has no financial interest in Wyllie Group Pty Ltd and holds his position as a Director of the company personally.

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

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Amcom Telecommunications Ltd are considered to be independent:

Anthony Grist
Peter Clifton
Craig Coleman
Anthony Davies
Ian Warner

There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice at the Company's expense in order to fulfil their duties as Directors.

The term in office held by each director in office at the date of this report is as follows:

Name	Date Appointed
Ian Warner	March 1994
Anthony Grist	October 1997
Peter Clifton	September 1999
Clive Stein	April 2000
Anthony Davies	October 2003
Craig Coleman	October 2008

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the performance of Board members was evaluated against qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company.

Trading Policy

The Company's security trading policy imposes basic trading restrictions on all employees of the Company and its related companies with "inside information", and additional trading restrictions on the directors and executives of the Company.

The securities trading policy can be found at www.amcom.com.au. As required by the ASX listing rules, the Company notifies the ASX of any securities transaction conducted by directors in the securities of the Company.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive directors.

The members of the Audit and Risk Committee during the year were:

Anthony Davies (Chairman)
Ian Warner
Peter Clifton

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Remuneration and Nomination Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has established a Remuneration and Nomination Committee, comprising three non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

Craig Coleman (Chairman)
Peter Clifton
Ian Warner

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The Committee also considers the nomination of new directors to the Board based upon maintaining an appropriate mix of skills, experience and background. The Board has adopted a diversity policy.

There is no scheme to provide retirement benefits to non-executive Directors.

For details on the number of meetings of the Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management reports to the Audit and Risk Committee who in turn report to the Board on the company's key risks and the extent to which it believes these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and board monitoring of progress against these budgets.

As part of its oversight role the Audit and Risk Committee conduct a series of risk-based reviews as agreed with management and the committee with the objective of providing assurance on the adequacy of the risk management process.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the chief executive officer and chief financial officer have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Shareholder Communication Policy

Pursuant to Principle 6, Amcom's objective is to promote effective communication with its shareholders at all times.

Amcom Telecommunications Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Amcom Telecommunication Limited's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Amcom Telecommunications Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on Amcom Telecommunications Limited's website: www.amcom.com.au

The Company's website www.amcom.com.au has a dedicated investor relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Our Social Responsibility Program is committed to making lasting contributions to local communities, including our support for PMH foundation.


PRINCESS MARGARET HOSPITAL
foundation
Volunteer

Directors

Your directors submit their report for the year ended 30 June 2011.

The names and particulars of the directors of the Company during and since the end of the financial year are:

Mr. Anthony GRIST
non-executive Chairman

Joined the Board in 1997. After managing the corporate underwriting division of a Corporate Member of the Australian Stock Exchange, Mr. Grist formed a private investment group based in Perth, Western Australia, in 1991. He is also chairman of Silverstone Resources Limited and a principal of Albion Capital Partners and was a director of iiNet Limited until 8 September 2011.

Mr. Ian WARNER
non-executive Deputy Chairman

Joined the Board in 1994. Mr. Warner has practiced as a commercial lawyer for over 25 years. He is also a Director of Australia Post and Cape Bouvard Investments Pty Ltd. Mr. Warner is a member of the Audit and Risk Committee and of the Remuneration and Nomination Committee.

Mr. Clive STEIN
Managing Director
& Chief Executive Officer

Joined the Board in 2000. Mr. Stein has over 25 years international experience in the electronics, computer and communications industries. He joined Amcom as General Manager in 1999 and was subsequently appointed to Chief Operating Officer. Mr. Stein's previous positions included various senior management roles in leading computer and electronic companies. His career, which commenced in the electronics industry in South Africa, has also included a number of engineering positions. Mr. Stein was appointed to the role of Managing Director and Chief Executive Officer on 1 July 2007.

Mr. Peter CLIFTON
non-executive Director

Joined the Board in 1999. A consultant with particular expertise in the management of commercial, contractual and project delivery requirements of large projects, Mr. Clifton has more than 35 years experience in the telecommunications industry and extensive international business experience. This included 10 years establishing and managing Telstra's businesses in South East Asia, the Middle East and Europe. Mr. Clifton's clients include the Victorian Government, Asia Infrastructure Fund Advisors Ltd, Peregrine, Williams International, WorldxChange, KPMG and Leighton Visionstream. Mr. Clifton is a member of the Remuneration and Nomination Committee and of the Audit and Risk Committee.

Mr. Craig COLEMAN
non-executive Director

He is a Non-Executive Director and Senior Advisor to the Wyllie Group, a private investment company based in Perth, Western Australia. Mr. Coleman is a former Managing Director of Home Building Society Ltd and prior to joining Home Building Society, he held a number of senior executive positions and directorships with ANZ including Managing Director Banking Products, Managing Director Wealth Management and Non-Executive Director of E*Trade Australia Limited. He is currently a Non- Executive Director of Pulse Health Group Ltd and Chairman of Rubik Financial Ltd, Amadeus Energy Limited and Private Equity fund manager Viburnum Funds. Mr. Coleman is chairman of the Remuneration and Nomination Committee.

Mr. Anthony DAVIES
non-executive Director

Joined the Board in 2003. He is a Chartered Accountant and was an executive of Elders Ltd from 1989 until 2004, as the Chief Financial Officer for 11 years. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia. Mr. Davies is Chairman of the Audit and Risk Committee.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr. A Grist	Silverstone Resources Ltd	Since 18 February 2011
	iiNet Ltd	Since July 2006 to 8 September 2011
Mr. C Coleman	Bell Financial Group Ltd	Since July 2007
	Amadeus Energy Ltd	Since July 2008
	Rubik Financial Ltd	Since December 2006
	Pulse Health Group Ltd	Since January 2010

Company Secretary

Mr. David Hinton

Mr. Hinton was appointed Company Secretary in February 2007 and Chief Financial Officer in October 2008. He is a Fellow of the Institute of Chartered Accountants in Australia and member of Chartered Secretaries Australia Ltd.

Principal activities

Amcom Telecommunications Ltd is a leading Australian owned and operated specialist provider of high speed connectivity, voice and Cloud IT services to corporate, government and wholesale customers.

Review of Operations

Refer to the Managing Director's Report.

Significant change in the state of affairs

During the year Amcom Telecommunications Limited sold 4.5 million iiNet Limited shares generating proceeds of $11.9 million and a profit of $4.3 million (tax: nil).

Significant events after the balance date

a) iiNet In Specie Distribution

On 9 August 2011, shareholders approved and the Directors resolved to distribute by way of an in specie distribution the remaining 31 million iiNet Limited shares held at balance date with a carrying value of $52m. The in specie distribution occurred subsequent to year-end and gave rise to a reduction in net assets and total equity of $52m and realised a profit on distribution of $18.7m (tax effect: nil).

b) Share Consolidation

On 9 August 2011, shareholders approved the consolidation of the company's share capital through the conversion of 3 ordinary shares into 1 ordinary share. As a result the number of ordinary shares on issue has reduced to 240,341,533. The share consolidation has no impact on each shareholder's percentage ownership of the company.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Securities on issue

Details of shares or interests on issue:

	Number of Shares
Ordinary fully paid shares	237,609,696
Ordinary fully paid shares (restricted)	1,333,333
Converting Ordinary shares	1,371,435
Unlisted Employee series A shares	11,760
Unlisted Employee series B shares	15,309
Total shares on issue*	240,341,533
Performance Rights **	
-Tranche A	2,183,333
-Tranche B	480,000
	2,663,333

* Post share consolidation
** Vesting conversion ratio of 1:1.3165

Performance Rights

During the year 266,667 Tranche A Performance Rights and 480,000 Tranche B Performance Rights were issued and 300,000 Tranche A Performance Rights lapsed as part of the executive long term incentive plan. The terms of the Performance Rights can be found in the Remuneration Report.

Employee Share Ownership Plan

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

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

During the year no unlisted employee shares were issued.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 Board meetings, 3 Remuneration and Nomination Committee meetings and 8 Audit and Risk Committee meetings were held.

Directors' meetings (cont)

Directors	Board of Directors		Remuneration and Nomination Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A Grist	11	11	-	-	-	-
Mr. I Warner	11	11	3	3	8	8
Mr. C Stein	11	11	-	-	-	-
Mr. C Coleman	11	10	3	3	-	-
Mr. P Clifton	11	10	3	2	8	7
Mr. A Davies	11	11	-	-	8	8

Directors' shareholdings

The following table sets out each director's interest in shares and performance rights of the Company as at the date of this report. Further details are included in note 34 to the financial statements.

Directors	Fully paid ordinary shares	Tranche A Performance Rights	Tranche B Performance Rights
Mr. A Grist	9,000,003	-	-
Mr. I Warner	66,667	-	-
Mr. C Stein	770,334	716,667	192,000
Mr. C Coleman	1,466,668	-	-
Mr. P Clifton	1,500,000	-	-
Mr. A Davies	366,667	-	-

Dividends

In respect of the financial year ended 30 June 2010, as detailed in the directors' report for that financial year, a final dividend of 3.0 cents per share fully franked ($7,210,000) was paid to the holders of fully paid ordinary shares on 10 November 2010.

Directors paid a fully franked interim dividend of 1.8 cents per share ($4,326,000) on 4 April 2011.

Subsequent to year end, the directors have declared a final dividend of 3.0 cents per share fully franked ($7,210,000) to be paid on 20 October 2011.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are disclosed in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included in the annual report after the Directors' Report and forms part of the Directors' Report.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the consolidated entity receiving the highest remuneration.

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

1. Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

2. Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. To this end, the company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate structures and performance hurdles for variable executive remuneration.

3. Remuneration structure

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

3.1. Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the Annual General Meeting held in November 2010 when shareholders approved a maximum aggregate remuneration pool of up to $750,000 per year. The aggregate amount of remuneration paid to non-executive directors is $522,000.

The Board will not seek any increase for the non-executive director fee pool at the 2011 AGM.

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

The payment of additional fees for representation on Board Committees was discontinued on 1 July 2010.

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

3.2. Executive remuneration

Objective

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

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

Structure

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

Fixed Remuneration

Objective

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

Structure

In the 2011 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration - comprising base salary, superannuation and non-monetary benefits.
- Variable remuneration - comprising short and long term incentive plans.

Variable Remuneration – Short Term Incentive Plan

Objective

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

The amount of Executive STI payable in respect of FY11 was $50,000. The 2012 STI plan is under review to include financial and non-financial targets in order to provide incentives to achieve strategic objectives.

Variable Remuneration – Long Term Incentive Plan

A Performance Rights based Long Term Incentive Plan was implemented in 2010. The participants are the Chief Executive Officer, senior executives and management of the company.

	Tranche A	Tranche B	Total
Opening Balance	2,216,666	-	2,216,666
Lapsed	(300,000)	-	(300,000)
Issued in financial year	266,667	480,000	746,667
Closing Balance	2,183,333	480,000	2,663,333

Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds $1.14 at any time between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply.

Tranche B

Issued for nil consideration pursuant to Amcom Executive Long Term Incentive Plan with no exercise price. Half of the performance rights will vest on 30 June 2013 with 25% vesting if the Amcom Total Shareholder Return (TSR) is equal to but less than 110% of the S&P / ASX300 Accumulation Index (Index) and 25% if the TSR exceeds 110% of the Index. Change of control provisions also apply.

The performance rights enable the participants to acquire ordinary shares in Amcom. No amount is payable upon the grant or the issue of an ordinary share following the vesting of a performance right. These rights cannot be transferred and will be forfeited if vesting conditions are not or cannot be satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted. Should there be a change in control, the performance rights will vest and the participants will be issued with ordinary shares on a ratio of 1:1.3165. Participants who leave the employment of the company prior to vesting will forfeit their performance rights.

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

The non-cash salary cost of the Long Term Incentive Plan for 2011 is $600,000, which has been taken into account in the financial results for the year ended 30 June 2011.

Performance rights awarded in the financial year

Tranche B	Awarded number	Grant date	Fair value at award date (per right) cents	Expiry date	Vested in Year
C Stein	192,000	1 December 2010	84	30 Jun 2013	-
D Hinton	72,000	8 October 2010	81.6	30 Jun 2013	-
M Knee	72,000	8 October 2010	81.6	30 Jun 2013	-
R Whiting	72,000	8 October 2010	81.6	30 Jun 2013	-
M Fiorini	72,000	8 October 2010	81.6	30 Jun 2013	-
	480,000				

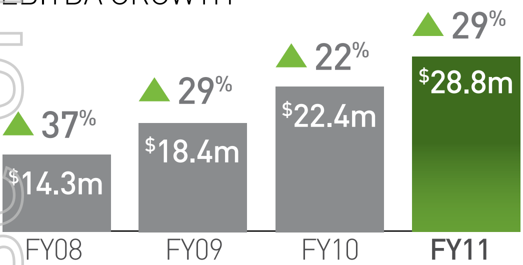
The Board does have a policy where key management personnel are permitted to hedge the company's securities but are however not permitted to enter into, renew, alter or close out when the person has inside information, or during a Closed Period, or where the security is subject to a holding lock or similar restriction or is unvested.

Tranche A	Awarded number	Grant date	Fair value at award date (per right) cents	Expiry date	Vested in Year
Issued	266,667	November 2010	84	31 December 2012	-
Lapsed	300,000	March 2010	96	31 December 2012	-

Company performance and its link to short term incentives

The key financial performance measure driving STI payment outcomes is EBITDA (Earnings before interest, tax, depreciation and amortisation pre equity accounting). The following table outlines EBITDA over the past four years.

EBITDA GROWTH

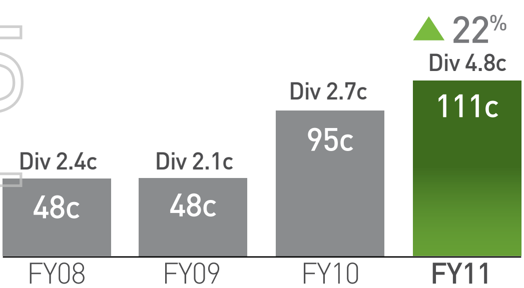


Company performance and its link to long term incentives

The key performance measure which drives LTI vesting of the Performance Rights is the company's share price for Tranche B and the Total Shareholder Return (TSR) compared to the S&P / ASX 300 Accumulation Index. Since the implementation of the Performance Rights based LTI in 2010 no rights have vested.

The Amcom TSR for the financial year ended 30 June 2011 was 21.8% which compares favourably with the Index which increased 11.9% over that period. The TSR of the company measured over a 3 year period to 30 June 2011 was 151% and also compares favourably to the Index which increased 1% over that three year time frame.

TOTAL SHAREHOLDER RETURN



4. Employment contracts

Chief Executive Officer

Mr. Stein is on a renewed three year employment contract, commencing September 2011.

Either party can terminate the contract with six months written notice. Should the Company provide such notice then Mr Stein will become entitled to nine months annual remuneration as a termination payment in addition to any accrued benefits. There is no termination payment payable should Mr Stein provide notice of termination or be terminated for serious misconduct. The contract also contains non-compete clauses.

Other Executives

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

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

Director and executive details

Details of Key Management Personnel including the top five remunerated executives of the Group are set out below.

Directors

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

Executives

Mr. D Hinton	Chief Financial Officer and Company Secretary
Mr. M Knee	Group Executive – Operations
Mr. R Whiting	Group Executive – Networks and Technology
Mrs. M Fiorini	Group Executive – Carriers and Wholesale
Mr. A Ariti	Group Executive – Information Systems (from 4 May 2011)
Mr. P Riella	Chief Executive Officer – Amcom IP Tel Pty Ltd
Mr. A Smit	Group Executive – Sales and Marketing (to 12 August 2010)

5. Key Management Personnel Compensation

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

2011	Short Term			Post employment		Long Term	Totals	% Performance based
	Salary & fees	Cash bonus	Non-monetary benefits (i)	Superannuation	Share based payment (ii)	Long Service Leave		
	$	$	$	$	$	$	$	
Non-executive directors								
Mr. A. Grist	155,963	-	-	14,037	-	-	170,000	-
Mr. I Warner	14,667	-	-	73,333	-	-	88,000	-
Mr. P Clifton	43,000	-	-	45,000	-	-	88,000	-
Mr. A Davies	40,367	-	-	47,633	-	-	88,000	-
Mr. C Coleman	80,734	-	-	7,266	-	-	88,000	-
	334,731	-	-	187,269	-	-	522,000	-
Executive director								
Mr. C Stein	465,559	10,000	59,939	17,564	256,793	31,345	841,200	32%
Executives								
Mr. D Hinton	284,597	10,000	12,100	20,511	79,095	10,684	416,987	21%
Mr. M Knee	150,500	10,000	16,297	41,843	79,095	-	297,735	30%
Mr. R Whiting	235,787	10,000	55,434	21,221	79,095	7,136	408,673	22%
Mr. A Ariti (iii)	34,998	-	756	-	-	-	35,754	0%
Mrs. M Fiorini	201,346	10,000	9,845	18,121	79,095	5,086	323,493	28%
Mr. P Riella	199,910	-	7,973	50,000	-	-	257,883	0%
Mr. A Smit (iv)	128,814	-	1,634	8,868	-	-	139,316	0%
	1,701,511	50,000	163,978	178,128	573,173	54,251	2,721,041	23%
Total	2,036,242	50,000	163,978	365,397	573,173	54,251	3,243,041	19%

(i) Non-monetary benefits comprise provision of a motor vehicle, car parking and associated fringe benefits tax.

(ii) Share based payment comprises the Performance Rights issued to date as described above. This has been determined based upon the fair value of the Performance Rights under each Tranche multiplied by the number of Performance Rights held by that individual on a pro-rata basis over the vesting period.

(iii) From 4 May 2011.

(iv) To 12 August 2010.

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

The compensation of each member of the key management personnel of the consolidated entity and company for 2010 is set out below:

2010	Short Term			Post employment		Long Term		
	Salary & fees	Cash bonus	Non-monetary benefits (i)	Super-annuation	Share based payment (ii)	Long Service Leave	Totals	% Performance based
	$	$	$	$	$	$	$	
Non-executive directors								
Mr. A. Grist	140,004	-	-	-	-	-	140,004	-
Mr. I Warner	-	-	-	63,000	-	-	63,000	-
Mr. P Clifton	69,000	-	-	-	-	-	69,000	-
Mr. A Davies	26,758	-	-	43,242	-	-	70,000	-
Mr. C Coleman	54,587	-	-	4,912	-	-	59,499	-
	290,349	-	-	111,154	-	-	401,503	-
Executive director								
Mr. C Stein	348,115	240,644	113,014	27,311	36,729	5,736	771,549	36%
Executives								
Mr. D Hinton	249,053	151,448	10,412	20,426	15,768	4,099	451,206	37%
Mr. M Knee	119,000	101,995	13,304	14,681	15,768	-	264,748	44%
Mr. R Whiting	207,110	141,351	51,357	18,640	15,768	3,453	437,679	36%
Mr. A Smit	185,000	56,000	11,246	16,650	-	-	268,896	21%
Mrs. M Fiorini	165,000	99,162	8,421	14,850	15,768	-	303,201	38%
Mr. J Driscoll (iv)	134,146	-	2,922	14,229	15,768	-	167,065	9%
	1,407,424	790,600	210,676	126,787	115,569	13,288	2,664,344	34%
Total	1,697,773	790,600	210,676	237,941	115,569	13,288	3,065,847	30%

(i) The bonuses were accrued at balance date, but only allocated subsequent to that date.

(ii) Non-monetary benefits comprise provision of a motor vehicle, car parking, associated fringe benefits tax, insurance and rent benefits.

(iii) Share based payment comprises the Performance Rights issued during the year as described above. This has been determined based upon the fair value of the Performance Rights multiplied by the number of Performance Rights held by that individual on a pro-rata basis over the vesting period.

(iv) To 30 April 2010.

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

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

End of Remuneration Report

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

Anthony Grist

Chairman
Perth, Western Australia
23 September 2011

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

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

Auditor's Independence Declaration to the Directors Amcom Telecommunications Limited

In relation to our audit of the financial report of Amcom Telecommunications Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Peter McIver

P McIver
Partner
Perth
23 September 2011

PM:MB:AMCOM:044

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

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

Independent auditor's report to the members of Amcom Telecommunications Limited

Report on the financial report

We have audited the accompanying financial report of Amcom Telecommunications Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

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 controls as the directors determine are necessary to enable the preparation of the financial report that 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 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 about 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

PM:MB:AMCOM045

Opinion

In our opinion:

a. the financial report of Amcom Telecommunications Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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 financial report also complies with *International Financial Reporting Standards* as disclosed in the notes.

Report on the remuneration report

We have audited the Remuneration Report included in pages 27 to 33 of the directors' report for the year ended 30 June 2011. 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 Amcom Telecommunications Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

P McIver

P McIver
Partner
Perth
23 September 2011

PM:MB:AMCOM045

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

1. In the opinion of the directors:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

   (b) the financial statements and the notes also comply with International Financial Reporting Standards as disclosed in Note 1;

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Anthony Grist

Director

Perth, Western Australia

23 September 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Income			
Revenue	3 (a)	87,188	63,098
Share of profits of associate using the equity method	11	7,762	7,850
Profit on sale of investment in an associate		4,255	868
		99,205	71,816
Expenses			
Network costs and cost of hardware sold		(26,242)	(15,884)
Employee benefits expenses	3 (b)	(20,611)	(15,676)
Occupancy expenses		(3,068)	(1,790)
Marketing related expenses		(1,280)	(958)
Finance costs		(1,630)	(1,585)
Repairs and maintenance expenses		(1,268)	(1,042)
Acquisitions activity expenses		-	(2,325)
Depreciation & amortisation expenses	3 (b)	(8,562)	(6,789)
Other expenses		(5,505)	(4,500)
Profit from continuing operations before income tax expense		31,039	21,267
Income tax expense	4 (a)	(5,186)	(4,015)
Net Profit attributable to members of Amcom Telecommunications Ltd		25,853	17,252
Other comprehensive income			
Cash flow hedge – gain taken to equity		252	396
Total comprehensive income attributable to members of Amcom Telecommunications Ltd		26,105	17,648
Earnings per share from continuing operations			
Basic (cents per share)*	24	10.77	8.19
Diluted (cents per share)*	24	10.60	8.10

*Expressed on a post-share consolidation basis.

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current assets			
Cash and cash equivalents	35 (a)	22,051	19,518
Trade and other receivables	7	7,235	6,041
Inventories	8	1,759	1,462
Other	9	1,299	1,101
Investment in associate – held for distribution	10	52,011	-
Total current assets		84,355	28,122
Non-current assets			
Investment in associate	10	-	51,683
Property, plant and equipment	12	102,878	93,335
Goodwill	13	23,126	23,126
Other intangible assets	14	607	485
Total non-current assets		126,611	168,629
Total assets		210,966	196,751
Current liabilities			
Trade and other payables	16	12,092	10,763
Deferred revenue		7,870	7,273
Borrowings	17	121	389
Income tax payable		2,149	1,805
Derivative financial liability	18	55	249
Provisions	20	2,150	1,708
Total current liabilities		24,437	22,187
Non-current liabilities			
Borrowings	19	15,182	20,027
Trade and other payables	16	-	330
Provisions	20	425	295
Deferred revenue		362	520
Deferred consideration	30	3,000	3,000
Deferred tax liabilities	4 (c)	3,678	1,701
Derivative financial liability	18	-	58
Total non-current liabilities		22,647	25,931
Total liabilities		47,084	48,118
Net assets		163,882	148,633
Equity			
Contributed equity	21	132,222	132,142
Reserves	22	(2,295)	(3,147)
Retained profits	23	33,955	19,638
Total equity		163,882	148,633

Statement of Changes in Equity for the Year Ended 30 June 2011

	Contributed Equity	Equity – Settled Benefits Reserve	Cash flow Hedge Reserve	Option Cancellation Reserve	Retained Profit	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
At 30 June 2009	101,792	426	(703)	-	8,025	109,540
Profit for the year	-	-	-	-	17,252	17,252
Other comprehensive income	-	-	396	-	-	396
Total comprehensive income	-	-	396	-	17,252	17,648
Exercise of options	30,258	-	-	-	-	30,258
Option cancellation	-	-	-	(3,366)	-	(3,366)
Option underwriting fee	(1,280)	-	-	-	-	(1,280)
Repayment of shareholders loan	45	-	-	-	-	45
Issue of securities to employees	11	100	-	-	-	111
Issue of converting shares	1,316	-	-	-	-	1,316
Dividends paid	-	-	-	-	(5,639)	(5,639)
At 30 June 2010	132,142	526	(307)	(3,366)	19,638	148,633
Profit for the year	-	-	-	-	25,853	25,853
Other comprehensive income	-	-	252	-	-	252
Total comprehensive income	-	-	252	-	25,853	26,105
Repayment of shareholders loan	80	-	-	-	-	80
Issue of securities to employees	-	600	-	-	-	600
Dividends paid	-	-	-	-	(11,536)	(11,536)
At 30 June 2011	132,222	1,126	(55)	(3,366)	33,955	163,882

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		94,453	67,272
Payments to suppliers and employees		(65,655)	(45,883)
Interest received		452	877
Interest and other costs of finance paid		(1,629)	(1,585)
Income tax paid		(2,864)	(2,431)
Dividends received		3,910	2,722
Net cash provided by operating activities	35 (c)	28,667	20,972
Cash flows from investing activities			
Payment for property, plant and equipment		(17,389)	(24,067)
Payment for acquisition of controlled entity, net of cash acquired		-	(4,770)
Payment of transaction costs for acquisition of controlled entity		-	(1,081)
Payment for acquisition of equity investment		(4,127)	-
Proceeds from sale of equity investment		11,925	1,785
Net cash (used in) investing activities		(9,591)	(28,133)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	30,269
Repayment of loan		80	-
Option cancellation and underwriting fees		-	(4,646)
Proceeds from borrowings		8,800	9,000
Repayment of borrowings		(13,887)	(17,103)
Dividends paid		(11,536)	(5,639)
Net cash provided by/(used in) financing activities		(16,543)	11,881
Net increase in Cash and cash equivalents		2,533	4,720
Cash and cash equivalents at the beginning of the financial year		19,518	14,798
Cash and cash equivalents at the end of the financial year	35 (a)	22,051	19,518

Corporate Information

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

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. Summary of accounting policies

Statement of compliance

The financial report of Amcom Telecommunications Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors.

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except derivative financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that class order amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Amcom Telecommunications Limited and its subsidiaries (as outlined in note 28) as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of

1. Summary of accounting policies (continued)

assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of judgement and estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was $23,126,000 (2010: $23,126,000), refer to note 13.

Useful lives of network infrastructure

As described in note 1(p), the Group reviews the estimated useful lives of property, plant and equipment including network infrastructure at the end of each annual reporting period. The directors are of the opinion that the useful economic life of network infrastructure ranges between 5 and 35 years depending on the nature of the component parts. Should the actual lives of these component parts be significantly different this would impact the depreciation charge arising. The useful economic life is management's best estimate based on historical experience and industry knowledge.

IPS acquisition deferred consideration

On 24 May 2010, the company acquired Amcom IP Tel Pty Ltd. As part of the transaction, the company recognised a deferred consideration of $3,000,000 (Note 30). This obligation has been determined based on projected earnings of Amcom IP Tel Pty Ltd.

Share based payments

The company has on issue 7,990,000 performance rights to the CEO, executives and senior management team. The charge booked in 2011 of $600,000 has been based on an external valuation using Geometric Brownian Motion Modelling and applying Monte Carlo simulation in order to determine fair value (Note 32).

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that are readily convertible to cash with no significant risk of change in value.

(b) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the

1. Summary of accounting policies (continued)

effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(c) Derivative financial instruments

The Group uses derivative financial instruments (including interest rate swaps) to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

The Group tests the designated cash flow hedges for prospective effectiveness on a bi-annual basis using a sensitivity analysis on the cumulative ratio dollar offset method. If the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

Retrospective hedge effectiveness is assessed using the cumulative ratio dollar offset method. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the income statement.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(d) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

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

1. Summary of accounting policies (continued)

Expected future payments are discounted using weighted average cost of capital.

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is identified as uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited to profits. An allowance for impairment provision is recognised when there is objective evidence that the amount will not be collected. Financial difficulties of the debtor or past due debtors are considered objective evidence of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1. Summary of accounting policies (continued)

(f) Investments in associates – refer note 10, 11.

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements and at a cost in the parent. The associate is an entity over which the group has significant influence and that is neither a subsidiary nor joint venture.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of an associate's profits or losses is recognised in the statement of comprehensive income, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment or loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of associate" in the income statement.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(g) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

1. Summary of accounting policies (continued)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for receivables and payables which are recognised inclusive of GST.

The amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

1. Summary of accounting policies (continued)

(j) Intangible assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Brand name and customer base

Brand names and customer base are recorded at cost less accumulated amortisation and impairment or at fair value as part of business combination. Amortisation is charged on a straight line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(k) Impairment of non-financial assets other than goodwill

At each reporting date, the consolidated entity conducts a review of asset values to determine whether there is any indication that those assets have suffered an impairment loss. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

(l) Income tax

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

1. Summary of accounting policies (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which these can be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Amcom Telecommunications Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are initially recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

1. Summary of accounting policies (continued)

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value on the first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(n) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Property, plant and equipment

Plant and equipment, network infrastructure, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is attributable to the acquisition and installation of the item, including labour costs. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including network infrastructure. Depreciation is calculated on a straight line basis or reducing balance basis so as to write off the cost or other revalued amount net of estimated residual value of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated annual depreciation rates are used in the calculation of depreciation:

Network Infrastructure	3 – 20%
Leasehold Improvements	10 – 20%
Plant and Equipment	10 – 25%
Furniture and Fittings	7 – 25%
Motor Vehicles	14%

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue is recognised based on the period of the contract and, where deferred to a next period, recognised as deferred revenue in the balance sheet. Fees charged for the establishment of fibre services are brought to account as revenue over a two year period, unless the amount is below $500 when it is brought to account as revenue when billed.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to a buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis when the Group's right to receive the payment is established.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(s) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (key management personnel and senior management) in the form of share-based payments, whereby employees render services in exchange for performance rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Geometric Brownian Motion model and a Monte Carlo simulation. Taking into account the terms and conditions upon which the rights were granted, to fair value the performance rights, further details of which are given in note 32.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of shares of Amcom Telecommunications Limited.

(s) Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of diluted earnings per share (see note 24).

(t) Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities

1. Summary of accounting policies (continued)

(t) Business combinations (continued)

recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

(u) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and for other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) AASB accounting standards issued but not yet effective

Standards and Interpretations in issue not yet effective

As at 30 June 2011, a number of Standards and Interpretations including those Standards and Interpretations issued by the IASB / IFRIC where an Australian equivalent has not been made by the AASB, were in issue but not yet effective.

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurements of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurements (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objectives of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.	1 January 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:			

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		The change attributable to changes in credit risk are presented in other comprehensive income (OCI).The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11.			
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other. b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.	1 January 2011	No impact	1 July 2011

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		c) The definition now identifies that , whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.			
AASB 2009-12	Amendments to Australia Accounting Standards (AASB's 5, 8, 108, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052)	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretation. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	1 January 2011	Not assessed	1 July 2011

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRD by the IASB.			
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a different financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: a) Tier 1: Australian Accounting Standards b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduces disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a) For-profit entities in the private sector that have public accountability (as defined in this standard)	1 July 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a) For-profit private sector entities that do not have public accountability. b) All not-for-profit private sector entities. Public sector entities other than Australian Government and State, Territory and Local Governments.			
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocated all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: a) Compliance with Australian Accounting Standards. b) The statutory basis or reporting framework for financial statements c) Whether the financial statements are general purpose or special purpose.	1 July 2011	Not assessed	1 July 2011

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
		d) Audit fees e) Imputation credits			
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 11	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities-Non-monetary contributions by Ventures. IFRS 11 uses the principle of control on IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AFRS 11 removes the option to account for jointly controlled entities (JCE's) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the ventures a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the ventures a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to any entities interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No impact	1 July 2013

1. Summary of accounting policies (continued)

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group*
AASB 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on fair value determined.	1 January 2013	Not assessed	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability & requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in Other Comprehensive income. It also revised the method of calculating the return on plan assets.	1 January 2013	Not assessed	1 October 2013

2. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash, short-term deposits and derivative financial instruments.

The Group manages its exposure to key financial risks, including credit risk, liquidity risk, interest rate risk and currency risk in accordance with the Group's risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst managing risk.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and entering into derivative transactions such as interest rate swaps. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with management. The Audit and Risk Committee has an oversight role under the authority of the Board. The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations and cash at bank.

At balance sheet date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	22,051	19,518
Financial liabilities		
Borrowings	303	4,725
Net exposure	21,748	14,793

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

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

2. Financial risk management objectives and policies (continued)

Judgements of reasonably possible movements:

	Post tax profit higher/(lower) 2011 $'000	Post tax profit higher/(lower) 2010 $'000
Consolidated		
+ .5% (50 basis points)	76	52
- .5% (50 basis points)	(76)	(52)

The company used 50 basis points as best indication of expected interest rate movements.

Credit risk

Credit risk arises from the financial assets of the Group, which include cash at bank, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The company's bank's financial position and credit rating are reviewed on an annual basis. Bank deposits are mainly with one financial institution which has an AA rating from Standard & Poor. The Group does not hold any credit derivatives to offset its credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Receivables comprise amounts due from various corporate entities and individuals who are not rated. There are no significant concentrations of credit risk within the Group.

Foreign exchange risk

The Group has minimal foreign exchange risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available lines. At 30 June 2011, 1% of the Group's debt will mature in less than one year (2010: 2%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as of 30 June 2011. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

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

Year ended 30 June 2011	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial liabilities					
Trade & other payables	11,762	330	-	-	12,092
Borrowings	61	60	15,182	-	15,303
Derivative financial liability	55	-	-	-	55
	11,878	390	15,182	-	27,450

2. Financial risk management objectives and policies

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

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

Year ended 30 June 2011	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated financial assets					
Cash & cash equivalents	22,051	-	-	-	22,051
Trade & other receivables	7,235	-	-	-	7,235
	29,286	-	-	-	29,286
Consolidated financial liabilities					
Trade & other payables	11,762	330	-	-	12,092
Borrowings	15,061	60	182	-	15,303
Derivative financial liability	55	-	-	-	55
	26,878	390	182	-	27,450
Net maturity	2,408	(390)	(182)	-	1,836

2. Financial risk management objectives and policies (continued)

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

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

3. Profit from operations

	Consolidated 2011 $'000	Consolidated 2010 $'000
(a) Revenue from continuing operations		
Rendering of services & sale of hardware	84,340	60,635
Project revenue	2,392	1,586
Interest income – bank deposits	456	877
	87,188	63,098

3. Profit from operations (continued)

	Consolidated	
	2011 $'000	2010 $'000
(b) Profit before income tax		
Depreciation of non current assets	(8,404)	(6,705)
Amortisation of non current assets	(158)	(84)
Total depreciation and amortisation	(8,562)	(6,789)
Employee benefit expenses:		
Defined contribution plans	(1,601)	(1,232)
Salary and wages and on-costs	(22,535)	(17,682)
Share-based payments expense	(600)	(100)
	(24,736)	(19,014)
Capitalised to property, plant and equipment	4,322	3,408
	(20,414)	(15,606)
Acquisitions acitivty expenses (i)	-	(2,325)

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

4. Income Tax

	Consolidated 2011 $'000	Consolidated 2010 $'000
The major components of income tax expense are:		
(a) Income tax recognised in profit or loss		
Current income tax:		
Current income tax expense	4,149	3,698
Adjustment in respect of current income tax of previous year	(640)	(379)
Deferred income tax:		
Relating to origination and reversal of temporary differences	1,359	702
Deferred income tax of previous years	318	(6)
Income tax expense reported in the income statement	5,186	4,015
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting profit before income tax from continuing operations	31,039	21,267
At the Group's statutory income tax rate of 30% (2010: 30%)	9,312	6,380
Over provision in previous years	(590)	(427)
Expenditure not allowable for income tax purposes	70	417
Income not assessable for income tax purposes – share of profits of associate using the equity method	(2,329)	(2,095)
Profit on sale of shares in associates - not assessable for tax	(1,277)	(260)
	5,186	4,015

4. Income Tax (continued)

	Balance sheet		Income statement	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Intangible assets	-	-	-	(24)
Depreciable assets	(6,051)	(3,823)	(2,228)	1,208
	(6,051)	(3,823)		
Deferred tax assets				
Accruals	257	-	257	-
Provisions	970	553	417	(134)
Expenses tax deductable over time	665	1,219	(554)	(355)
Unearned revenue	481	50	431	(50)
Tax losses from acquisitions	-	300	-	-
Gross deferred tax assets	2,373	2,122		
Net deferred tax (liabilities)	(3,678)	(1,701)		
Deferred tax expense			1,677	645

Tax consolidation system

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

Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Amcom Telecommunications Ltd and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Tax losses

The consolidated entity has capital tax losses for which no deferred tax asset is recognised in the statement of financial position of $1,741,292 (2010: $11,800,000) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant income tax legislation.

5. Share Options

In-substance share option

Interest free loans were granted to Mr. A. Grist and Mr. C. Stein on 15 October 2003. The loans were granted to fund the shares issued as part of an executive incentive scheme approved by the shareholders in 2003. As a condition of these loans the directors must satisfy two year service contracts, which they have completed. There are no performance criteria attached.

The loans are repayable as a first charge on any funds received by the specified director from dividends and proceeds of sale of the Amcom shares (the subject of the loan). In the event of cessation of employment the loan must be repaid in full.

The loans have been treated as in-substance share options following the adoption of AASB 2 Share based payments. All actual shares related to this scheme are included within the directors' holdings as disclosed in note 34(c). No additional in-substance options were granted within either the current or prior year.

	Balance at beginning $	Repayment $	Balance at end $
Shareholder's loans			
2011			
Mr A. Grist	367,000	64,000	303,000
Mr C. Stein	92,250	16,000	76,250
	459,250	80,000	379,250
2010			
Mr A. Grist	403,000	36,000	367,000
Mr C. Stein	101,250	9,000	92,250
	504,250	45,000	459,250

6. Remuneration of Auditors

	Consolidated 2011 $'000	Consolidated 2010 $'000
Auditor of the parent entity		
Audit or review of the financial report		
- Ernst & Young	110,955	113,250
Other non-audit services - Ernst & Young		
- tax services	59,705	78,460
- accounting advice	7,800	-
- corporate services - pre acquisition due diligence	-	425,395
	178,460	617,105

7. Trade and other receivables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Trade receivables	7,692	6,387
Allowance for impairment loss	(457)	(346)
	7,235	6,041

Allowance for impairment loss

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

	2011	2010
Opening Balance	346	62
Charge for the year	170	458
Amounts written off	(59)	(174)
Closing Balance	457	346

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

Ageing analysis of trade receivables ($'000):

	Total	0-30 days	31-60 days PDNI *	31-60 days CI*	61-90 days PDNI*	61-90 days CI*	+91 days PDNI*	+ 91 days CI*
2011	7,692	5,712	1,523	-	-	55	-	402
2010	6,387	5,143	726	-	86	-	86	346

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

Past due not impaired receivables

Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the carrying value of receivables. No collateral is held as security.

8. Inventories

	Consolidated 2011 $'000	Consolidated 2010 $'000
Spares and consumables - at cost	1,759	1,462

9. Other

	Consolidated 2011 $'000	Consolidated 2010 $'000
Prepayments	1,136	891
Deposits	30	28
Other	133	182
	1,299	1,101

10. Investment in Associates

	Consolidated 2011 $'000	Consolidated 2010 $'000
iiNet Limited - Equity Method		
Non - current	-	51,683
Current - held for distribution	52,011	-

Name of entity	Principal activity	Country of incorporation	Ownership interest 2011 %	Ownership interest 2010 %	Published market value 2011 $'000	Published market value 2010 $'000
Associate- listed						
iiNet Ltd	Internet Service Provider	Australia	20.4	22.4	81,033	99,316

On 9 August 2011 shareholders approved and the Directors resolved to distribute by way of an in specie distribution the remaining 31 million iiNet Limited shares held at balance date with a carrying value of $52.0m. The in specie distribution occurred subsequent to year end on 18 August and gave rise to a reduction in the net assets and total equity of $52.0m and realised a profit on distribution of $18.7m (tax effect: NIL)(note 29).

11. Investment accounted for using the equity method

	Consolidated 2011 $'000	Consolidated 2010 $'000
Summarised financial information in respect of the Group's associate is set out below:		
Financial position:		
Total assets	456,477	370,951
Total liabilities	213,971	145,644
Net assets	242,506	225,307
Group's share of associate's net assets	49,471	50,469
Financial performance:		
Total revenue	699,086	475,920
Total profit for the year	33,374	34,994
Group's share of associate's profit	7,762	7,850

Dividends received from associate

During the year, the Group received dividends of $3,910,000 (2010: $2,722,000) from iiNet Ltd.

Commitments for expenditure	Consolidated 2011 $'000	Consolidated 2010 $'000
Group's share of associate's capital expenditure commitments	1,650	2,251
Group's share of associate's lease commitments		
(i) Finance leases (minimum lease payments)	280	1,004
(ii) Non cancellable operating leases	16,941	21,699
Group's share of associate's other expenditure commitments	7,783	3,701

iiNet Copyright Matter

Associates – material contingent liability AFACT v iiNet

Refer note 26

12. Property, Plant and Equipment

	Consolidated					
	Network Infra - structure	Leasehold Improve - ments	Plant and equipment	Furniture and fittings	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 30 June 2009	98,691	1,607	2,538	4,072	148	107,056
Additions	22,701	6	93	1,282	-	24,082
Disposals	-	(14)	-	(67)	-	(81)
Acquisition of subsidary	2,913	113	105	1,131	6	4,268
Balance at 30 June 2010	124,306	1,711	2,736	6,418	154	135,325
Additions	16,271	436	181	1,169	-	18,057
Disposals	(47)	-	(3)	(156)	(123)	(329)
Balance at 30 June 2011	140,530	2,147	2,914	7,431	31	153,053
Accumulated depreciation						
Balance at 30 June 2009	26,884	980	1,753	2,867	105	32,589
Additions	5,506	194	285	702	18	6,705
Disposals	-	-	-	(67)	-	(67)
Acquisition of subsidary	1,766	10	69	914	3	2,763
Balance at 30 June 2010	34,157	1,184	2,107	4,417	125	41,990
Additions	7,151	214	216	748	7	8,336
Disposals	(35)	-	(3)	(6)	(107)	(151)
Balance at 30 June 2011	41,273	1,398	2,230	5,159	25	50,175
Net carrying amount						
As at 30 June 2010	90,149	527	630	2,001	28	93,335
As at 30 June 2011	99,257	749	594	2,272	6	102,878

13. Goodwill

	Consolidated 2011 $'000	Consolidated 2010 $'000
Net carrying amount		
Opening Balance	23,126	14,615
Other	-	(16)
Acquisition of subsidary (note 30)	-	8,527
Closing Balance	23,126	23,126

Allocation of goodwill to cash-generating units

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Fibre Unit	11,285	11,285
Amnet DSL	2,814	2,814
Business Services	9,027	9,027
	23,126	23,126

The recoverable amounts of Fibre, Amnet DSL and Business Services cash-generating units are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the board covering a two-year period and a risk adjusted discount rate of 18.6% (2010:18.6%). For the Fibre and Business services cash-generating units growth rates beyond the two year period are extrapolated over the following eight years using the assumptions outlined below. The period used reflects the minimum period of expected sustainable growth of the business unit.

13. Goodwill (continued)

Impairment testing of goodwill

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

	2011			2010	
Key assumptions (i)	**Fibre**	**Amnet**	**Business Servcies**	**Fibre**	**Amnet**
Revenue growth	7%	-8%	10%	10%	5%
Expense growth	5.2%	-8%	5%	5.3%	4.6%

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

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

Whilst the model suggests that the goodwill for the Amnet unit is not impaired as at 30 June 2011, it is sensitive to changes in revenue growth and expense growth assumptions. A 0.5% reduction in revenue or 0.3% increase in expenses, while keeping all other variables constant, may cause an impairment. A 5-year cash flow forecast was adopted in modelling the Amnet unit.

14. Other Intangible assets

	Consolidated			
	Brand name $'000	Customer base $'000	Licenses $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2009	62	257	-	319
Acquisition of subsidiary (note 30)	-	460	-	460
Balance at 30 June 2010	62	717	-	779
Acquisition	-	-	250	250
Balance at 30 June 2011	62	717	250	1,029
Accumulated amortisation				
Balance at 1 July 2009	20	219	-	239
Amortisation expense	-	55	-	55
Balance at 30 June 2010	20	274	-	294
Amortisation expense	42	41	45	128
Balance at 30 June 2011	62	315	45	422
Net carrying amount				
As at 30 June 2010	42	443	-	485
As at 30 June 2011	-	402	205	607

15. Assets Pledged as Security

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

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

16. Trade and other payables

	Consolidated	
	2011 $'000	2010 $'000
Trade payables (i)	9,230	6,003
Accruals	2,532	5,090
Others	330	-
	12,092	11,093
Current	12,092	10,763
Non-current	-	330
	12,092	11,093

(i) Trade payables are interest free for up to 30 days. Thereafter interest may be charged at commercial rates. The consolidated entity has financial cash management policies in place to ensure that all payables are paid within the credit framework.

Fair value

The carrying amounts of trade payables approximate their fair value as these are short term in nature.

Interest rate and liquidity risk

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

17. Borrowings - current

	Consolidated 2011 $'000	Consolidated 2010 $'000
Secured:		
Finance lease liabilities (i) (note 26)	121	389
	121	389

(i) Secured by assets under lease.

18. Derivative Financial Liability

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current liability		
Interest rate swap contract-cash flow hedge	55	249
Non-current liability		
Interest rate swap contract-cash flow hedge	-	58

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

In order to protect against movements in interest rates, the Group has entered into an interest rate swap contract. In terms of this contract, it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap in place is for $15m and is timed to expire in October 2011. The fixed interest rate is 6.59% and the variable rate is 1.0% above the 30 day bank bill rate, which at balance date was 4.9 % (2010: 4.7%).

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

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

19. Borrowings - non current

	Consolidated 2011 $'000	Consolidated 2010 $'000
Secured:		
Bank Debt (i)	15,000	19,725
Finance lease liabilities (note 26)(ii)	182	302
	15,182	20,027

(i) The consolidated entity has a facility to 31 December 2013, secured by a fixed and floating charge over all assets and undertakings, with cross guarantees provided by all group companies, excluding Amcom IP Tel Pty Ltd. The current weighted average effective interest rate on the bank loan is 5.94%.

(ii) Secured by the assets under lease.

Fair value

The carrying amounts of the Group's borrowings approximate their fair values as these carry interest at market rates.

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 2.

20. Employee Benefits

	Consolidated 2011 $'000	Consolidated 2010 $'000
Annual Leave	1,549	1,285
Long service leave	1,026	718
	2,575	2,003
Current	2,150	1,708
Non-current	425	295
	2,575	2,003

	2011 No.	2010 No.
Number of full time equivalent employees at the end of financial year	188	167

21. Contributed Equity

	Consolidated 2011 $'000	Consolidated 2010 $'000
Balance at beginning of financial year	132,142	101,792
Partial repayment of share based loan to directors	80	45
Option underwriting fee	-	(1,280)
Issue of shares to employees	-	11
Issue of converting shares	-	1,316
Proceeds - Exercise of Options (note 5)	-	30,258
Balance at end of financial year	132,222	132,142

Fully paid ordinary shares	Consolidated 2011 No.	Consolidated 2010 No.
Balance at beginning of financial year	721,018,555	538,857,752
Exercise of options (note 5)	-	177,990,395
Converting Shares	-	4,114,286
Issue of shares to employees	-	56,122
Balance at end of financial year	721,018,555	721,018,555

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

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Capital consists of shareholder's equity of $163,882,000 (2010: $148,633,000).

During 2011, the company paid dividends of $11,536,000 (2010: $5,639,000) (refer to note 25).

On 9 August 2011, shareholders approved the consolidation of the company's share capital through the conversion of 3 ordinary shares into 1 ordinary share (refer note 29).

The gearing ratios based on continuing operations at 30 June 2011 and 2010 were as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Total borrowings	15,303	20,416
Less cash and cash equivalents	22,051	19,518
Net debt/(cash)	(6,748)	898
Total equity	163,882	148,633
Total capital	157,134	149,531
Gearing ratio	-	0.6%

22. Reserves

	Consolidated	
	2011 $'000	2010 $'000
Equity-settled benefits reserve (i)	1,126	526
Cash flow hedge reserve (ii)	(55)	(307)
Option cancellation reserve (iii)	(3,366)	(3,366)
	(2,295)	(3,147)

	Consolidated	
(i) Equity-settled Benefits Reserve	2011 $'000	2010 $'000
Balance at beginning of financial year	526	426
Performance rights issued (Note 32)	600	100
Balance at end of financial year	1,126	526

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

	Consolidated	
	2011 $'000	2010 $'000
(ii) Cash Flow Hedge Reserve		
Balance at beginning of financial year	(307)	(703)
Net profits on cash flow hedge	252	396
Balance at end of financial year	(55)	(307)

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

	Consolidated	
	2011 $'000	2010 $'000
(iii) Option Cancellation Reserve		
Balance at beginning of financial year	(3,366)	-
Options Cancelled*	-	(3,247)
Costs incurred with option cancellation	-	(119)
Balance at end of financial year	(3,366)	(3,366)

*During 2010 81,175,585 options were cancelled at 4c per option.

23. Retained Profits

	Consolidated 2011 $'000	Consolidated 2010 $'000
Balance at beginning of financial year	19,638	8,025
Dividends paid (note 25)	(11,536)	(5,639)
Net profit after tax attributable to members of the parent entity	25,853	17,252
	33,955	19,638

24. Earnings per Share

	Consolidated 2011 Cents per Share	Consolidated 2010 Cents per Share
Basic earnings per share*	10.77	8.19
Diluted earnings per share*	10.60	8.10

*Earnings per share calculated based on post consolidation number of shares.

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Basic earnings per share		
Earnings (a)	25,853	17,252
Weighted average number of shares for the purposes of basic earnings per share	240,341,533	210,861,648

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Net Profit after tax and used in calculation of basic EPS.	25,853	17,252

24. Earnings per Share (continued)

Diluted earnings per share

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Earnings	25,853	17,252
Weighted average number of ordinary shares (b)	243,004,866	213,078,314

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

	2011 No.	2010 No.
Weighted average number of ordinary shares used in calculation of basic EPS	240,341,533	210,861,648
Performance rights (conversion ratio 1:1.3165)	3,506,278	2,216,666
Weighted average number of ordinary shares used in calculation of diluted EPS	243,847,811	213,078,314

25. Dividends

	2011		2010	
	Cents per Shares	Total $'000	Cents per Shares	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	3.0	7,210	1.5	2,771
Interim dividend	1.8	4,326	1.2	2,868
		11,536		5,639
Fully franked to 30% (prior year: 30%)				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend payable 20 October 2011	3.0	7,210	3.0	7,210
Fully franked to 30% (prior year: 30%)				

	2011 $'000	2010 $'000
Franking account balance as at 30 June	3,396	3,801
Impact on franking account balance of dividends not recognised	(3,090)	(3,090)
Impact on franking account balance of income tax payable at 30 June	2,149	1,805
Adjusted franking account balance	2,455	2,516

26. Commitments

Finance lease commitments

(i) Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of between 1 to 5 years. The consolidated entity has options to purchase the equipment at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
No later than 1 year	147	437	121	389
Later than 1 year and not later than 5 years	200	346	182	302
Minimum lease payments	347	783	303	691
Less future finance charges	(44)	(92)	-	-
Present value of minimum lease payments	303	691	303	691
Included in the financial statements as:				
Current interest-borrowings (note 17)	-	-	121	389
Non-current interest-borrowings (note 19)	-	-	182	302
	-	-	303	691

26. Commitments (continued)

(ii) Operating lease arrangements

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Operating lease commitments		
Non-cancellable operating leases		
Not longer than 1 year	3,416	2,621
Longer than 1 year and not longer than 5 years	12,572	10,829
Longer than 5 years	4,658	7,395
	20,646	20,845

Sub-leases

For non cancellable sub-leases, the total of future minimum lease payments expected to be received is Nil (2010: $ Nil).

27. Contingent liabilities

(a) Financial Guarantees

The reporting entity has issued bank guarantees in favour of third parties to the value of $1,447,769. The parent entity has provided guarantees to third parties guaranteeing the performance of contracts entered into by controlled entities with third parties. No amounts have been recognised in the financial statements in respect of these guarantees based on Director's assessment of the fair value at 30 June 2011.

(b) Deferred Consideration

Directors may elect to pay the vendors of Amcom IP Tel Pty Ltd (formerly IP Systems Pty Ltd) the sum of $11m in Amcom ordinary shares as part of the consideration for the acquisition of that subsidiary, should there be a takeover of the company. For this additional consideration to become payable the Directors are required to make the election by 30 June 2012. This amount is not included in the statement of financial position. On 26 August 2011, the company has received a letter from lawyers acting on behalf of the vendors of IP Systems Pty Ltd claiming immediate payment of $3m which otherwise would have been payable in September 2012, being the further minimum consideration for the acquisition that occurred in the prior year. This amount is provisioned in the Statement of Financial Position - refer note 30. In addition, the letter claims unspecified damages (no dollar amount is claimed and therefore this amount cannot be quantified) for loss of opportunity to earn further consideration under the earn out arrangements of the acquisition - refer note 30. The Directors and the Company will vigorously defend its position and any claim if it should arise.

27. Contingent liabilities (continued)

(c) Associates – material contingent liability AFACT v iiNet

In respect to associates we note for disclosure purposes the contingent liability of our associate iiNet Limited in relation to a copyright matter. This matter is not capable of being quantified and does not give rise to any liability to Amcom Telecommunications Limited. The matter refers to an application by the Australian Federation Against Copyright Theft (AFACT) to the High Court to appeal against the decision in Roadshow Films Pty Ltd v iiNet Limited (No3) [2010] FCA 24. AFACT has been granted leave by the High Court to appeal. As the company has disposed of the iiNet investment, this contingent liability matter will not impact the company in the future.

(d) ASIC Class Order 98/1418

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

Pursuant to Class Order 98/1418, the Company and each of its controlled entities except for Amcom IP Tel Pty Ltd have entered into a Deed of Cross Guarantee such that the Company guarantees to pay any deficiency in the event of a winding up of a controlled entity and each controlled entity has also given a similar guarantee in the event of the winding up of the Company.

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

27. Contingent liabilities (continued)

Statement of Financial Position	2011 $'000	2010 $'000
Current Assets		
Cash and cash equivalents	21,288	18,677
Trade and other receivables	5,825	5,189
Inventories	1,759	1,462
Other	1,145	966
Investment in associate - held for distribution	52,011	-
Total current assets	82,028	26,294
Non-current assets		
Investment in associates	-	51,683
Investment in subsidiaries	11,439	10,944
Property, plant and equipment	101,001	91,939
Goodwill	14,615	14,615
Other intangible assets	11	23
Total non-current assets	127,066	169,204
Total assets	209,094	195,498
Current liabilities		
Trade and other payables	10,408	9,699
Deferred revenue	7,265	6,780
Borrowings	15	196
Income tax payable	2,356	1,792
Derivative financial liability	55	249
Provisions	1,719	1,234
Total current liabilities	21,818	19,950
Non-current liabilities		
Borrowings	15,000	19,740
Trade payables	-	330
Provisions	303	241
Deferred Revenue	362	519
Other financial liabilities	1,063	1,000
Deferred consideration	3,000	3,000
Deferred tax liabilities	3,758	2,046
Derivative financial liability	-	58
Total non-current liabilities	23,486	26,934
Total liabilities	45,304	46,884
Net assets	163,790	148,614
Equity		
Contributed equity	132,222	132,142
Reserves	(2,295)	(3,147)
Retained profits	33,863	19,619
Total Equity	163,790	148,614

27. Contingent liabilities (continued)

Statement of Comprehensive Income	2011 $'000	2010 $'000
Profit from continuing operations before income tax	30,920	21,235
Income tax expense	(5,140)	(4,002)
Net profit	25,780	17,233
Retained earnings at the beginning of the period	19,619	8,025
Dividends paid	(11,536)	(5,639)
Retained earnings at the end of the period	33,863	19,619

28. Subsidaries

Name of Entity	Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent Entity			
Amcom Telecommunications Ltd (i)(ii)	Australia		
Controlled Entities			
Amcom Pty Ltd (ii)	Australia	100	100
Rescue Technology Group Pty Ltd (ii)	Australia	100	100
Future Proof Technologies (WA) Pty Ltd (ii)	Australia	100	100
Amnet Internet Services Pty Ltd (ii)	Australia	100	100
Amnet Broadband Pty Ltd (ii)	Australia	100	100
Amcom Data Centres Pty Ltd (ii)	Australia	100	100
Ezesoftwrite Pty Ltd (ii)	Australia	100	100
Amcom IP Tel Pty Ltd (iii)	Australia	100	100

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

(ii) These companies are members of the closed group.

(iii) Acquired on 24 May 2010 and formerly known as IP Systems Pty Ltd.

Amcom Pty Ltd is a large proprietary company and pursuant to ASIC Class Order 98/1418 is relieved from the requirement to prepare and lodge an audited financial report.

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

29. Events after balance sheet date

iiNet In Specie Distribution

On 9 August 2011, shareholders approved and the Directors resolved to distribute by way of an in specie distribution the remaining 31 million iiNet Limited shares held at balance date with a carrying value of $52.0m. The in specie distribution occurred subsequent to year-end and gave rise to a reduction in net assets and total equity of $52.0m and realised a profit on distribution of $18.7m (tax effect: nil).

Share Consolidation

On 9 August 2011, shareholders approved the consolidation of the company's share capital through the conversion of 3 ordinary shares into 1 ordinary share. As a result the number of ordinary shares on issue has reduced to 240,341,533. The share consolidation has no impact on each shareholder's percentage ownership of the company.

30. Business combination

Initial acquisition of Amcom IP Tel Pty Ltd.

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

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

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

The Group had provisionally recognised the fair values in June 2010 of the identifiable assets and liabilities of Amcom IP Tel Pty Ltd based upon the best information available as of the reporting date. During the measurement period, the Company has adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The adjustment has been made with retrospective effect as required under accounting standards. The final business combination accounting is as follows:

30. Business combination (continued)

	Provisional Fair Value $'000	Measurement period adjustment $'000	Final Fair Value $'000
Plant and equipment	1,850	(345)	1,505
Deferred tax asset	346	-	346
Cash and cash equivalents	1,858	-	1,858
Trade receivables	940	(150)	790
Existing customer contracts	460	-	460
Other receivables	19	-	19
	5,473	(495)	4,978
Trade payables	(753)	-	(753)
Interest bearing liabilities - current	(208)	-	(208)
Interest bearing liabilities - non-current	(298)	-	(298)
Provisions	(505)	-	(505)
Deferred Revenue	(797)	-	(797)
	(2,561)	-	(2,561)
Fair value of identifiable net assets	2,912	(495)	2,417
Goodwill arising on acquisition (Note 13)	18,874	(10,347)	8,527
	21,786	(10,842)	10,944
Acquisition-date fair-value of consideration transferred:			
Shares issued, at fair value	1,316	-	1,316
Cash paid	6,628	-	6,628
Deferred consideration liability	13,842	(10,842)	3,000
Consideration estimated to be transferred	21,786	(10,842)	10,944

31. Parent Entity Information

Information relating to Amcom Telecommunications Ltd:

	2011 $'000	2010 $'000
Current assets	47,460	1
Total assets	121,870	138,064
Current liabilities	1,734	2,912
Total liabilities	9,773	24,173
Contributed Equity	132,222	132,142
Retained (losses)	(17,185)	(15,310)
Employee Equity-settled Benefits Reserve	426	426
Option Cancellation Reserve	(3,367)	(3,367)
Total shareholders' equity	112,097	113,891
Profit of the parent entity	1,874	1,512
Total comprehensive income of the parent entity	1,874	1,512

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

The financial guarantees and the contingent liabilities of the group are the same as that of the parent. Refer to note 27 for further details.

32. Share-based payment plans

a) Recognised share-based payment expenses

	2011 $'000	2010 $'000
Expense arising from equity-settled share-based payment transactions (Note 22)	600	100

32. Share-based payment plans (continued)

b) Type of share-based payment plans

Performance Rights plan

Performance Rights are granted to executives and senior management. The plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

The Performance Rights enable the participant to acquire ordinary shares in Amcom Telecommunications Limited. No amount is payable upon the grant or the issue of an ordinary share following the vesting of a Performance Right. These rights cannot be transferred and will be forfeited if vesting conditions are not or cannot be satisfied by the end of the vesting period. Participants will have full entitlements attaching to ordinary shares when converted.

Tranche A

Issued for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan with no exercise price. The performance rights will vest if the 20-day volume weighted average price of Amcom's shares traded on the ASX reaches or exceeds $0.50* at any time between 31 March 2012 and 31 December 2012. Unvested performance rights will lapse on 31 December 2012 or if employment is terminated. Change of control provisions also apply.

Tranche B

Issued for nil consideration pursuant to Amcom Executive Long Term Incentive Plan with no exercise price. Half of the performance rights will vest on 30 June 2013 with 25% vesting if the Amcom Total Shareholder Return (TSR) is equal to but less than 110% of the S&P / ASX300 Accumulation Index (Index) and further 25% if the TSR exceeds 110% of the Index. Change of control provisions also apply.

*expressed on a pre-in specie distribution and a pre-share consolidation basis.

c) Summaries of Performance Rights granted

The following table illustrates the number and movements in Performance Rights issued during the year:

	Tranche A	Tranche B	Total
Outstanding at beginning of the year	6,650,000	-	6,650,000
Lapsed during the year	(900,000)	-	(900,000)
Granted during the year	800,000	1,440,000	2,240,000
Outstanding at the end of the year	6,550,000	1,440,000	7,990,000

32. Share-based payment plans (continued)

d) Weighted average remaining contractual life

The weighted average remaining contractual life for the Performance Rights outstanding at 30 June 2011 is 1.06 years (2010: 2.67 years).

e) Performance Rights pricing model

Equity-settled transactions

The fair value of the Performance Rights granted is estimated as at the date of grant using a Geometric Brownian Motion Model and a Monte Carlo simulation taking into account the terms and conditions upon which the rights were granted, to fair value the Performance Rights. The model takes into account the historic dividends and share price volatilities of the Company.

Valuation Inputs

	Tranche A	Tranche B
Grant date	31/03/2010	17/09/2010
Hurdle date	31/03/2012	30/06/2013
Share price at start	$0.292	$0.355
Dividend Yield	2.61%	4.29%
Volatitlity	48.56%	45.33%
Risk Free Rate	5.25%	5.19%

33. Segment Information

Operating segments

Segment revenue and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise cash interest bearing loans, borrowings, corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Products and services within each business segment

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

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

30 June 2011 $'000	Fibre	Amnet	Business Services	Corporate	Total
Revenue from external customers	54,898	11,397	20,437	-	86,732
Total segment revenue	54,898	11,397	20,437	-	86,732
Interest revenue					456
Total revenue per the statement of comprehensive income					87,188
Earnings before interest, tax, depreciation and amortisation	26,544	1,789	2,798	(2,373)	28,758
Depreciation and amortisation	(6,818)	(839)	(894)	(11)	(8,562)
Segment result (EBIT)	19,726	950	1,904	(2,384)	20,196
Interest (net)					(1,174)
Profit on sale of investment					4,255
Share of profit of associate					7,762
Net profit before tax					31,039
Tax expense					(5,186)
Net profit after tax					25,853

33. Segment Information (continued)

30 June 2010 $'000	Fibre	Amnet	Business Services	Corporate	Total
Revenue from external customers	44,720	12,191	5,310	-	62,221
Total segment revenue	44,720	12,191	5,310	-	62,221
Interest revenue					877
Total revenue per the statement of comprehensive income					63,098
Earnings before interest, tax, depreciation and amortisation	21,759	2.568	1,635	(3,591)	22,371
Depreciation and amortisation	(5,619)	(837)	(319)	(14)	(6,789)
Segment result (EBIT)	16,140	1,730	1,316	(3,605)	15,582
Interest (net)					(708)
Acquisitions activity expenses					(2,325)
Profit on sale investment					868
Share of profit of associates					7,850
Net profit before tax					21,267
Tax expense					(4,015)
Net profit after tax					17,252

Segment assets	Assets	
	2011 $'000	2010 $'000
Fibre	108,490	97,430
Amnet	7,710	8,213
Business Services	14,797	14,002
Total of all segments	130,997	119,645
Investment in Associate	52,011	51,683
Cash and cash equivalents	22,051	19,518
Unallocated	5,907	5,905
Statement of financial position	210,966	196,751

34. Related party disclosures

(a) Equity interests in related parties

Equity interests in controlled entities and in associate.

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

(b) Key management personnel compensation

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Short-term employee benefits	2,250,220	2,699,049
Post-employment benefits	365,397	237,941
Share based payment	573,173	115,569
Long-term employee benefits	54,251	13,288
	3,243,041	3,065,847

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

(c) Key management personnel equity holdings

Fully paid ordinary shares of Amcom Telecommunications Ltd

	Balance at 1 July No.	Exercise of options No.	Net other change (*) No.	Balance at 30 June No.
2011				
Mr. A Grist	26,749,575	-	250,425	27,000,000
Mr. C Stein	2,311,000	-	-	2,311,000
Mr. A. Davies	1,100,000	-	-	1,100,000
Mr. P Clifton	3,750,000	-	750,000	4,500,000
Mr. I Warner	200,000	-	-	200,000
Mr. C Coleman	4,300,000	-	100,000	4,400,000
Mr. M Knee	190,000	-	-	190,000
Mr. D Hinton	550,000	-	84,000	634,000
Mr. R Whiting	200,000	-	-	200,000
Total	**39,350,575**	**-**	**1,184,425**	**40,535,000**

34. Related party disclosures (continued)

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

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

(d) Performance rights

	Balance at 1 July 2010	Issued	Lapsed	Balance at 30 June 2011
Mr. C Stein	2,150,000	576,000	-	2,726,000
Mr. D Hinton	900,000	216,000	-	1,116,000
Mr. R Whiting	900,000	216,000	-	1,116,000
Mr. M Knee	900,000	216,000	-	1,116,000
Mrs. M Fiorini	900,000	216,000	-	1,116,000
Mr. A Smit	900,000	-	(900,000)	1,116,000
Total	**6,650,000**	**1,440,000**	**(900,000)**	**7,190,000**

34. Related party disclosures (continued)

(e) Other transactions with key management personnel

(i) Consultancy fee of $168,000 (2010: $168,000) paid to a corporate advisory group of which Mr A Grist is one of the principals.

(ii) Bank guarantee ($170,000) issued in support of external loans taken by Mr C Stein to acquire shares in the company. Mr Stein paid a fee of $2,125 (2010: $2,125) for this bank guarantee.

(f) Transactions with other related parties

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

Related party		Revenue with related parties $'000	Purchases from related parties $'000	Other transactions with related parties
Associate:				
iiNet Limited – services	2011	730	-	-
	2010	864	-	-
iiNet Limited – dividends	2011	-	-	3,910
	2010	-	-	2,722
Perth IX (Belmont) Pty Ltd – services	2011	-	-	-
	2010	417	55	-

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

35. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash and cash equivalents- available	21,732	19,018
Cash and cash equivalents- restricted	319	500
	22,051	19,518

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

(b) Bank Financing Facilities

	Consolidated 2011 $'000	Consolidated 2010 $'000
Commercial Advance Facility**		
Drawn	15,000	19,725
Undrawn	12,500	7,775
	27,500	27,500
Working Capital Facility *		
Drawn	1,107	674
Undrawn	1,393	1,826
	2,500	2,500
	30,000	30,000

* Subject to annual review

** Expiry date: December 2013

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
(c) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	25,853	17,252
Depreciation and amortisation of non-current assets	8,562	6,789
Share of associates' profits (net of dividend received)	(3,852)	(5,128)
Profit on sale of investment in an associate	(4,255)	(868)
Share based payment expense	600	99
Acquisition activity expenses	-	1,081
Provision for doubtful debts	170	458
(Increase) in assets:		
Current receivables	(1,194)	(700)
Current inventories	(297)	(146)
Other	(198)	(54)
Increase in liabilities:		
Payables and provisions	515	57
Deferred revenue	441	548
Deferred and current tax	2,322	1,584
Net cash provided by operating activities	28,667	20,972

(d) Non-cash financing and investing activities	Consolidated 2011 $'000	Consolidated 2010 $'000
Settlement of subsidiary purchase with shares (Note 30)	-	1,316
Share-based payments (Note 32)	600	100
Issue of shares under employee share scheme (Note 21)	-	11

36. Additional Company Information

The parent entity in the consolidated entity is Amcom Telecommunications Ltd (ABN 20 062 046 217). Amcom Telecommunications Ltd is a listed public company, incorporated and operating in Australia.

Registered office

Level 22
44 St Georges Terrace
Perth WA 6000
Tel : (08) 9244 6000

Principal administration office

Level 22
44 St Georges Terrace
Perth WA 6000
Tel : (08) 9244 6000

Additional Securities Exchange Information

Distribution of Holders of Equity Securities

	Fully Paid Listed Ordinary Shares
1-1,000	269,762
1,001-5,000	5,375,237
5,001-10,000	8,983,520
10,001-100,000	76,139,739
100,001 and over	626,090,093
	716,858,351
Number of shareholders holding less than a marketable parcel	781

Substantial Shareholders

Details per notices

	Fully Paid	
Ordinary Shareholders	Number*	Percentage
Acorn Capital Limited	66,524,975	9.28%
Osson Pty Ltd	58,823,530	10.92%
Wyllie Group Pty Ltd	54,439,543	7.59%
AJA Super IW Pty Ltd	45,820,432	8.50%

* Pre share consolidation

Twenty Largest Holders of Quoted Equity Securities AMM

As at 29 August 2011

Listed Ordinary Shares

Name	Holder Balance as at 29/8/11	%	Rank
National Nominees Limited	105,440,889	14.71	1
AJA Super IW Pty Ltd	62,660,156	8.74	2
Osson Pty Ltd <Private A/C>	58,823,530	8.21	3
Wyllie Group Pty Ltd	47,439,543	6.62	4
Cogent Nominees Pty Limited	44,087,716	6.15	5
Bell Potter Nominees Ltd <BP Nominees A/C>	35,996,311	5.02	6
JP Morgan Nominees Australia Limited	26,681,979	3.72	7
Oaktone Nominees Pty Ltd <The Grist Investment A/C>	23,000,000	3.20	8
Citicorp Nominees Pty Limited	21,315,977	2.97	9
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCust A/C>	9,148,068	1.28	10
HSBC Custody Nominees (Australia) Limited	8,633,848	1.20	11
UBS Wealth Management Australia Nominees Pty Ltd	8,437,019	1.18	12
Mr Danny Kontos	5,750,000	0.80	13
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	5,305,501	0.74	14
Clifton Super (WA) Pty Ltd <The Clifton Super Fund A/C>	4,500,000	0.63	15
Mr Anthony Grist	4,000,000	0.56	16
Fatty Holding Pty Ltd <The Coleman Family A/C>	4,000,000	0.56	17
Gwynvill Trading Pty Limited	3,855,397	0.54	18
Diversified Services Australia Pty Ltd	3,640,000	0.51	19
JP Morgan Nominees Australia Ltd <Cash Income A/C>	3,470,085	0.48	20
Top 20 Subtotal	486,186,019	67.82	

Number of shareholders at 29th August 2011 5,864

Company secretary

Mr. David Hinton

Registered office

Level 22

44 St Georges Terrace

Perth WA 6000

Principal administration office

Level 22

44 St Georges Terrace

Perth WA 6000

Share registry

Computershare Investor Services Pty Ltd

Level 2

Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Australian Securities Exchange listings

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

75586 www.acorndesign.com.au

amcom

LEVEL 22, 44 ST GEORGES TERRACE PERTH WA 6000 | GPO BOX 2541 PERTH WA 6001
08 9244 6000 | INVESTOR@AMCOM.COM.AU | AMCOM.COM.AU | ABN 20 062 046 217