

APPENDIX 4E

PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	Vocus Communications Limited
ABN:	96 084 115 499
Reporting period:	Year ended 30 June 2010
Previous corresponding period:	Year ended 30 June 2009

2. Results for announcement to the market

Revenues from ordinary activities	up	241.8%	to	\$ 17,480,518
Profit from ordinary activities after tax attributable to the owners of Vocus Communications Limited	up	355.4%	to	\$ 3,813,409
Profit for the period attributable to the owners of Vocus Communications Limited	up	355.4%	to	\$ 3,813,409

Dividends

There were no dividends paid during the current or prior financial periods.

Comments

The profit for the Consolidated Entity after providing for income tax amounted to \$3,813,409 (30 June 2009: \$837,391), an increase of \$2,976,018 or 355% from the previous corresponding full year period and is attributable to the following:

- continued sustained growth of data and voice customers and revenue;
- investment in capacity of revenue generating indefeasible rights to use intercontinental submarine cable;
- increased operating leverage and economies of scale from core infrastructure; and
- continual focus on cost management and efficiency of activities.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(19.56) cents	10.10 cents

To operate and sell access to its global network, the Consolidated Entity has invested in capacity on revenue generating indefeasible rights to use intercontinental submarine fibre optic cables with an expected useful life until November 2020. The cost of this asset has been capitalised as an intangible for the right to access and is amortised on a straight-line basis over its expected economic life. Under the existing arrangements the intangible asset life is maintained until November 2020 whereas repayment occurs through to December 2014. In capitalising the rights above, the Consolidated Entity also capitalised the contractual payments obligations.

Therefore, whilst revenue generating, the right to access is treated as an intangible asset and is excluded in net tangible assets.

4. Control gained over entities

Name of entities (or group of entities)	Vocus Group Limited (Group Reorganisation)
Date control gained	30 June 2010
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	\$ 3,813,409
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)	\$ 837,391

5. Audit qualification or review

The accounts have been audited and an unqualified opinion has been issued.

6. Attachments

The Annual Report of Vocus Communications Limited for the year ended 30 June 2010 is attached.

7. Signed



Signed:

Date: 30 August 2010

James Spenceley
Director
Sydney

For personal use only

Vocus Communications Limited

(Formerly known as First Opportunity Fund Limited)

ABN 96 084 115 499

Annual Report - 30 June 2010

Vocus Communications Limited
Corporate directory
30 June 2010

Directors

David Spence - Chairman
James Spenceley - Chief Executive Officer
Mark de Kock
Jonathan Brett
John Murphy
Nicholas McNaughton
Paul McConnell

Company secretary

Mark Simpson

Notice of annual general meeting

The annual general meeting of Vocus Communications Limited:

will be held at	Computershare Investor Services Level 4 60 Carrington Street Sydney NSW 2000
time	11 AM (registration open from 10 AM)
date	Tuesday 26 October 2010

Registered office

Vocus House
Level 1
189 Miller Street
North Sydney NSW 2060

Principal place of business

Vocus House
Level 1
189 Miller Street
North Sydney NSW 2060

Share register

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Phone: 1300 787 272

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Solicitors

Thomsons Lawyers
Level 25
Australia Square Tower
264 George Street
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
Suite 2 Level 19
111 Pacific Highway
North Sydney NSW 2060

Stock exchange listing

Vocus Communications Limited shares are listed on the Australian Securities Exchange (ASX code: VOC)

Website address

www.vocus.com.au

Vocus Communications Limited

Directors' report

30 June 2010

The directors present their report on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the year ended 30 June 2010.

Directors

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

David Spence (appointed on 16 June 2010)
James Spenceley (appointed on 30 June 2010)
Mark de Kock (appointed on 30 June 2010)
Jonathan Brett
John Murphy
Nicholas McNaughton (appointed on 30 June 2010)
Paul McConnell (appointed on 30 June 2010)
Dr John Keniry AM (resigned on 30 June 2010)
Alan Chonowitz (resigned on 30 June 2010)

Principal activities

During the financial year the principal continuing activity of the Consolidated Entity consisted of the provision of wholesale telecommunications services.

Dividends

There were no dividends paid by the Parent Entity during the current or previous financial years.

Prior to being acquired by the Company, Vocus Group Limited paid dividends totalling \$1,079,500 (2009: \$nil) to holders of its ordinary shares.

Vocus Communications Limited
Directors' report
30 June 2010

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$3,813,409 (30 June 2009: \$837,391).

Weighted average basic earnings per share for the Consolidated Entity was 15.67 cents per share (2009: 3.69 cents per share). Going forward the weighted average basic earnings per share calculation will have a higher threshold weighted shares outstanding as indicated by the 51,069,053 ordinary shares outstanding at 30 June 2010. On this basis and as a benchmark for future period earnings per share, the Consolidated Entity's gross earnings per share for 2010 was approximately 7.5 cents per share.

Overview

Vocus Group Limited was formed in 2008 and via the group reorganisation, listed on the Australian Stock Exchange on 8 July 2010. James Spenceley was one of the original founders of the business and is the current Chief Executive Officer ('CEO') of the Company.

Group reorganisation

The consolidated results reflect a full year of Vocus Group Limited and its controlled entities plus Vocus Communications Limited (formerly known as First Opportunity Fund Limited) from 30 June 2010. The comparative period results reflect Vocus Group Limited and its controlled entities only.

On 30 June 2010 First Opportunity Fund Limited (subsequently changed to Vocus Communications Limited) acquired 100% of the issued shares in Vocus Group Limited and its controlled entities. According to the accounting standards, this transaction did not meet the definition of a business combination and instead has been accounted for as a group reorganisation, using the principles of reverse acquisition accounting in AASB 3 'Business Combinations', since the substance of the transaction is that Vocus Group Limited has effectively been recapitalised. The consolidated financial statements and the share capital have been prepared as if Vocus Group Limited had acquired Vocus Communications Limited and its controlled entities, not vice versa as represented by the legal position.

Acquisition of intangible access rights

On 1 July 2009 the Consolidated Entity entered into a Capacity Use Agreement with Southern Cross Cables Limited, whereby capacity is supplied to the Consolidated Entity over a defined usage period in return for a non-refundable amount being paid to Southern Cross Cables Limited over a defined payment term. For the current financial year this capacity supply arrangement resulted in the contractual obligation to make the payment to Southern Cross Cables Limited being recorded as a liability and an intangible indefeasible right to use ('IRU') asset being recorded for the corresponding amount which will be amortised across the usage period on a straight line basis.

Board Members

There were a number of changes of board personnel, as a result of the group reorganisation described above, and these are detailed in the appropriate section of this report and under 'Directors'. The Company wishes to express its gratitude to the outgoing directors and thank each of them for their hard work and commitment.

Review of financial position

The financial position of the Consolidated Entity is very strong with excellent liquidity.

Cash held by the Consolidated Entity will be used to fund organic growth and as a component in future acquisitions which are complimentary to the business.

Vocus Communications Limited
Directors' report
30 June 2010

Significant changes in the state of affairs

The Company disposed of its residual wine related assets and distributed the net proceeds by way of reduction in capital before the acquisition of Vocus Group Limited. In the process, the Company applied for revocation of its pooled development fund status under the Pooled Development Funds Act 1992 and raised \$6 million (before share issue expenses) by way of share placements and an underwritten public offer at the issue price of \$0.50 per share.

The Company completed the acquisition of Vocus Group Limited on 30 June 2010 and the Company's acquisition of Vocus Group Limited represents a significant change in the nature and scale of the Company's activities.

Group reorganisation - First Opportunity Fund Limited and Vocus Group Limited and its controlled entities

On 30 June 2010 First Opportunity Fund Limited, a listed Public Company, completed a successful takeover offer for Vocus Group Limited and its controlled entities. Refer to 'Review of operations' for further information on the group reorganisation.

Relisting and change of name

On 8 July 2010 the Company relisted on the Australian Securities Exchange and, as part of the group reorganisation changed its name from First Opportunity Fund Limited to Vocus Communications Limited.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	David Spence
Title:	Non-Executive Director and Chairman (appointed on 16 June 2010)
Qualifications:	B.Com, CA (SA)
Experience and expertise:	David is well known in the internet and communications industry both in Australia and New Zealand. He has been involved in over 20 internet businesses, as Chairman, Chief Executive Officer ('CEO'), director, shareholder or advisor. Until February 2010, David held the role of CEO at Unwired Ltd. Since joining Unwired in January of 2004, David grew that company from a handful of employees to one of the world's largest portable wireless broadband carriers, servicing in excess of 70,000 customers in the greater Sydney and Melbourne areas. From 1995 until 2000, David held various positions with OzEmail, including Managing Director and CEO. He grew the business to become Australia's second largest ISP. David is a past Chairman of the board of the Internet Industry Association.

Other current directorships: AWA Limited

Former directorships (in the last 3 years): Unwired Limited

Special responsibilities: None

Interests in shares: None

Interests in options: None

Vocus Communications Limited

Directors' report

30 June 2010

Name: James Spenceley
Title: Executive Director and Chief Executive Officer (appointed on 30 June 2010)
Qualifications:
Experience and expertise: James is the founder and Chief Executive Officer of Vocus Group Limited. He has been involved with the Internet and telecommunications industry for more than 12 years. During this time James was the network architect and infrastructure manager of the \$300 million COMindico (acquired by Soul Pattinson Telecom, now TPG Telecom) network, which was widely regarded as the single largest and first converged voice and data network in Australia. Additionally, James was a member of the team responsible for buying and connecting COMindico to the USA via the Southern Cross Cable at COMindico and created the consolidated entity's wholesale IP transit product. James is the founding director of Australian Network Operators Group (AusNOG) and sits on the board of the Asia Pacific Network Information Centre (APNIC), one of five Regional Internet Registries (RIRs) appointed by ICANN (Internet Corporation for Assigned Names and Numbers) which allocates and is responsible for the management of IP addresses for the whole of the Asia Pacific
Other current directorships: Member of Nomination and Remuneration Committee and Risk Management and Audit Committee.
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 8,732,907 ordinary shares
Interests in options: 500,000 options over ordinary shares

Name: Mark de Kock
Title: General Manager of Corporate Strategy and Executive Director (appointed on 30 June 2010)
Qualifications: B.Sc (Hons.)
Experience and expertise: Mark is the General Manager of Corporate Strategy, responsible for determining and managing the consolidated entity's growth strategy. He has over 20 years' experience in information and communication technology. Mark has managed the automation of several stock exchanges in Asia, managed the original technical design, launch and operation of www.qantas.com.au and held senior roles with SingTel Optus, Vodafone AU, HP (Tandem/ Compaq) and Accenture. Mark holds a B.Sc (First class honours) in Electrical Engineering from University College London, as well as attending the AGSM (execMBA) and the Beijing University of Post and Telecommunications.
Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 431,000 ordinary shares
Interests in options: 500,000 options over ordinary shares

Vocus Communications Limited

Directors' report

30 June 2010

Name: Jonathan Brett
Title: Non-Executive Director
Qualifications: B.Acc, B.Com, MCom, CA (SA)
Experience and expertise: Jonathan has extensive experience in the areas of management, operations, finance and corporate advisory. Jonathan's experience includes several years as managing director of a number of publicly listed companies and was also formerly the non executive deputy president of the National Roads and Motoring Association ('NRMA'). Jonathan is currently on the board of several unlisted companies and is a director of Investec Wentworth Private Equity Limited ('IWPE').

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Chairman of Risk Management and Audit Committee
Interests in shares: 2,794,695 ordinary shares
Interests in options: None

Name: John Murphy
Title: Non-Executive Director
Qualifications: B.Com, M.Com, FASCPA
Experience and expertise: John is the Managing Director of Investec Wentworth Private Equity Limited ('IWPE'), a private equity investment company and a director of Investec Bank (Australia) Limited. He has extensive experience in the areas of corporate recovery, corporate finance and mergers and acquisitions. Prior to establishing the IWPE Funds, John spent 26 years with an international accounting firm where he held national and regional responsibilities.

Other current directorships: Ariadne Australia Limited, Gale Pacific Limited, Speciality Fashion Group Limited and Clearview Wealth Limited
Former directorships (in the last 3 years): None
Special responsibilities: Member of Nomination and Remuneration Committee
Interests in shares: 449,371 ordinary shares
Interests in options: None

Name: Nicholas McNaughton
Title: Non-Executive Director (appointed on 30 June 2010)
Qualifications: AICD
Experience and expertise: Nicholas is currently studying an MBA from the International Graduate School of Business at the University of South Australia. He is also a member of the Australian Institute of Company Directors, Deputy Chairman of Capital Angels and a founding member of Sydney Angels. In 2007, with backing from Japan, Nicholas established Blue Cove Ventures, a venture capital company committed to supporting gifted entrepreneurs in building prosperous technology companies. During his career he has been an integral member of the start-up teams of globally successful software companies including Allaire (listed on NASDAQ in 1998 and sold to Macromedia in 2001); Soulmates Technology (sold to NASDAQ: IACI in 2002) and Wily Technology (sold to NYSE: Computer Associates in 2006).

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Chairman of Nomination and Remuneration Committee and Member of Risk Management and Audit Committee
Interests in shares: 727,598 ordinary shares
Interests in options: None

Vocus Communications Limited

Directors' report

30 June 2010

Name:	Paul McConnell
Title:	Non-Executive Director (appointed on 30 June 2010)
Qualifications:	B.Sc
Experience and expertise:	Paul has over 21 years' information and communication technology experience and has over 15 years' experience in successful financial management with a specific focus on telecommunications. He established the oldest Canberra based ISP, OfficeLink+, and was responsible for connecting the Australian Parliament House to the Internet. Paul joined Vocus Group Limited during its early formative stages as Chairman and was the Chief Financial Officer until December 2009. Paul holds a Bachelor of Science in Information Technology and Mathematics (Australian National University).
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee and Risk Management and Audit Committee
Interests in shares:	10,683,873 ordinary shares
Interests in options:	None

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

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

Company secretary

Mark Simpson joined Vocus on 6 July 2010 from Sparke Helmore Lawyers, where he was a corporate partner in the firm's Commercial Group. Mark has 15 years experience in corporate and commercial law working for top tier firms in Australia and the UK. Mark has extensive experience in private treaty mergers and acquisitions, private and venture capital investment, IPOs, MBOs, corporate structuring and general corporate advisory work. Prior to qualifying as a lawyer, Mark was a corporate finance analyst for an American investment bank in London.

Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full Board	
	Attended	Held
Dr John Keniry AM	6	6
Jonathan Brett	6	6
John Murphy	6	6
Alan Chonowitz	5	6

Held: represents the number of meetings held during the time the director held office.

Following the group reorganisation, no meetings were held prior to the year end which new directors were eligible to attend.

Prior to the group reorganisation, the size of the Company and the previous board were such that all matters pertaining to the Nomination and Remuneration Committee and Risk Management and Audit Committee were dealt with at the Board meetings.

Vocus Communications Limited
Directors' report
30 June 2010

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Consolidated Entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

A Principles used to determine the nature and amount of remuneration

Given the size of the Company and Consolidated Entity, the directors considered that a formal remuneration committee was not previously required. However, on 28 June 2010 a nomination and remuneration committee was established given the group reorganisation.

The review and determination of the directors' fees is considered by the Board of Directors (the Board) from time to time as required and recommendations are made to shareholders.

Non-executive directors remuneration

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting.

Consolidated entity performance and link to remuneration

The directors' remuneration levels are not directly dependent upon the Company or Consolidated Entity's performance or any other performance conditions. However, practically, whether shareholders vote for or against an increase in the aggregate remuneration will depend upon, amongst other things, how the Company and Consolidated Entity have performed.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity) and specified executives of Vocus Communications Limited are set out in the following tables.

The key management personnel of the Consolidated Entity consisted of the directors of Vocus Communications Limited and the following executives:

- Richard Correll (Chief Financial Officer)
- Paul Brooks (Director of Vocus Group Limited) - Resigned 30 June 2010

Vocus Communications Limited
Directors' report
30 June 2010

2010 Name	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>							
J Keniry*	40,000	-	-	3,600	-	-	43,600
D Spence**	40,000	-	-	-	-	-	40,000
N McNaughton**	11,000	-	-	-	-	-	11,000
P McConnell**	69,498	41,096	-	-	-	54,022	164,616
<i>Executive Directors:</i>							
J Spenceley**	220,000	168,501	-	19,800	-	-	408,301
M de Kock**	117,468	-	-	10,572	-	25,417	153,457
<i>Other Key Management Personnel:</i>							
R Correll***	119,016	-	-	10,711	-	2,542	132,269
P Brooks***	6,000	-	-	-	-	-	6,000

* represents remuneration as director of the Company for the entire year.

** represents remuneration as key management personnel of the Consolidated Entity. No remuneration was paid as a director of the Company since the period of appointment.

*** represents remuneration as key management personnel of the Consolidated Entity.

The directors and key management personnel received remuneration above totalling \$959,243 during the financial year. A Chonowitz, J Brett and J Murphy received no remuneration as key management personnel during the financial year.

Vocus Communications Limited
Directors' report
30 June 2010

2009	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
J Keniry*	40,000	-	-	3,600	-	-	43,600
<i>Other Key Management Personnel:</i>							
P McConnell**	9,000	-	-	-	-	1,594	10,594
J Spenceley**	80,000	50,000	-	7,200	-	-	137,200

* represents remuneration as director of the Company for 2009.

** represents remuneration as key management personnel of the Consolidated Entity for 2009.

The directors and key management personnel received remuneration above totalling \$191,394 during the previous financial year.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2010	2009	2010	2009	2010	2009
<i>Non-Executive Directors:</i>						
J Keniry	100%	100%	- %	- %	- %	- %
D Spence	100%	- %	- %	- %	- %	- %
N McNaughton	100%	- %	- %	- %	- %	- %
<i>Other Key Management Personnel:</i>						
P McConnell	42%	85%	25%	- %	33%	15%
J Spenceley	59%	64%	41%	36%	- %	- %
M de Kock	83%	- %	- %	- %	17%	- %
R Correll	98%	- %	- %	- %	2%	- %
P Brooks	100%	- %	- %	- %	- %	- %

C Service agreements

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

Name: James Spenceley
Title: Executive Director and Chief Executive Officer
Agreement commenced: 1 July 2010
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2011 of \$260,000 plus superannuation, to be reviewed annually. 6 month termination notice by either party. Eligible to participate in Share Option Plan.

Name: Mark de Kock
Title: Executive Director and General Manager Corporate Strategy
Agreement commenced: 1 July 2010
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2011 of \$192,661 plus superannuation, to be reviewed annually. 3 month termination notice by either party. Eligible to participate in Share Option Plan.

Name: Richard Correll
Title: Chief Financial Officer
Agreement commenced: 1 July 2010
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2011 of \$193,000 plus superannuation, to be reviewed annually. 3 month termination notice by either party.

Name: Mark Simpson
Title: General Counsel and Company Secretary
Agreement commenced: 1 July 2010
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2011 of \$200,000, pro rata for 3 days per week, plus superannuation, to be reviewed annually. 1 month termination notice by either party.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2010.

Vocus Communications Limited
Directors' report
30 June 2010

Options

The terms and conditions of each grant of options affecting remuneration in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
1 July 2008 *	30 June 2010	1 July 2018	\$0.10	\$0.01
1 October 2009 *	30 June 2011	30 September 2019	\$1.00	\$0.25
30 June 2010 **	30 June 2011	30 June 2011	\$0.75	\$0.07
30 June 2010 **	30 June 2012	30 June 2012	\$0.90	\$0.14
30 June 2010 **	30 June 2013	30 June 2013	\$1.20	\$0.16

Options granted carry no dividend or voting rights.

* represents options issued in Vocus Group Limited and were exercised prior to group reorganisation

** represents options issued in Vocus Communications Limited

Details of options over ordinary shares issued to directors and other key management personnel during the year ended 30 June 2010 are set out below:

Name	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
J Spenceley **	500,000	-	-	-
M de Kock **	500,000	-	-	-
P McConnell *	200,000	250,000	450,000	-
M de Kock *	100,000	-	100,000	-
R Correll *	10,000	-	10,000	-

* options in Vocus Group Limited exercised prior to group reorganisation

** options in Vocus Communications Limited

The number of options originally issued to directors and other key management personnel totalled 560,000. These were exercised for \$335,000 during the period and resulted in the issue of 560,000 shares of Vocus Group Limited. No amount remains unpaid on the exercise of these options.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2010 are set out below:

Name	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	%
J Spenceley	63,289	-	-	-
M de Kock	63,289	-	-	-
P McConnell	50,000	269,197	-	32.82
M de Kock	25,000	59,821	-	16.60
R Correll	2,500	5,982	-	1.90

Vocus Communications Limited
Directors' report
30 June 2010

E Additional information

The Consolidated Entity has been paid \$1,680,000 for the exercise of options during the financial year for the issuance of 2,000,000 ordinary shares in Vocus Communications Limited being exercised by Alan Chonowitz and Jonathan Brett, and 1,200,000 ordinary shares in Vocus Group Limited. No amount remains unpaid.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
30 June 2010	30 June 2011	\$0.75	333,333
30 June 2010	30 June 2012	\$0.90	333,333
30 June 2010	30 June 2013	\$1.20	333,334

Shares issued on the exercise of options

The following ordinary shares of Vocus Communications Limited were issued during the year ended 30 June 2010 on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
21 June 2010	\$0.60	2,000,000
30 June 2010 *	\$0.10	800,000
30 June 2010 *	\$1.00	400,000

* shares in Vocus Group Ltd

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Vocus Communications Limited
Directors' report
30 June 2010

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence for the following reasons:

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

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

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

Auditor's independence declaration

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

Auditor

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

This report is made in accordance with a resolution of directors.

On behalf of the directors



James Spenceley
Director

30 August 2010
Sydney

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

30 August 2010

Dear Board Members

Vocus Communications Limited (formerly known as First Opportunity Fund)

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

As lead audit partner for the audit of the financial statements of Vocus Communications Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

Vocus Communications Limited
(Formerly known as First Opportunity Fund Limited)
Corporate Governance Statement
30 June 2010

This is a Corporate Governance Statement for Vocus Communications Limited (ABN 96 084 115 499) ('Company') reporting on the Company's compliance with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council ('Corporate Governance Principles') as at 31 July 2010 in respect of the reporting period ended on 30 June 2010.

Recommendation	Comply (Yes/No)	Reference / explanation																								
1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	The Company's Board Charter is available on the Company's website.																								
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	A summary of the processes for performance evaluation of key executives, directors and the Board is available on the Company's website.																								
1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	No	<p>See response to Recommendation 1.1.</p> <p>A performance evaluation for senior executives has not taken place during the reporting period. Because of the acquisition of the Vocus Group of companies which took effect on 30 June 2010, current senior executives were not employed within the reporting group during the reporting period.</p>																								
2.1: A majority of the Board should be independent directors.	No	<p>The composition of the Board and the independence status of its directors are as follows:</p> <table border="1" data-bbox="762 1227 1501 2078"> <thead> <tr> <th data-bbox="767 1227 959 1294">Director</th> <th data-bbox="963 1227 1150 1294">Independent (Yes/No)</th> <th data-bbox="1155 1227 1497 1294">Comments</th> </tr> </thead> <tbody> <tr> <td data-bbox="767 1301 959 1368">David Spence</td> <td data-bbox="963 1301 1150 1368">Yes</td> <td data-bbox="1155 1301 1497 1368">Independent non-executive chairman.</td> </tr> <tr> <td data-bbox="767 1375 959 1442">James Spenceley</td> <td data-bbox="963 1375 1150 1442">No</td> <td data-bbox="1155 1375 1497 1442">Chief Executive Officer</td> </tr> <tr> <td data-bbox="767 1449 959 1471">Mark de Kock</td> <td data-bbox="963 1449 1150 1471">No</td> <td data-bbox="1155 1449 1497 1471">GM – Corporate Strategy.</td> </tr> <tr> <td data-bbox="767 1478 959 1545">Nicholas McNaughton</td> <td data-bbox="963 1478 1150 1545">Yes</td> <td data-bbox="1155 1478 1497 1545">Independent non-executive director.</td> </tr> <tr> <td data-bbox="767 1552 959 1798">Paul McConnell</td> <td data-bbox="963 1552 1150 1798">No</td> <td data-bbox="1155 1552 1497 1798">Non-executive director, who is associated with a substantial shareholder of the Company and was employed by a subsidiary of the Company within the last 3 years.</td> </tr> <tr> <td data-bbox="767 1805 959 1872">Jonathan Brett</td> <td data-bbox="963 1805 1150 1872">No</td> <td data-bbox="1155 1805 1497 1872">Non-executive director, who is associated with a substantial shareholder of the Company.</td> </tr> <tr> <td data-bbox="767 1879 959 1946">John Murphy</td> <td data-bbox="963 1879 1150 1946">No</td> <td data-bbox="1155 1879 1497 1946">Non-executive director, who is associated with a substantial shareholder of the Company.</td> </tr> </tbody> </table>	Director	Independent (Yes/No)	Comments	David Spence	Yes	Independent non-executive chairman.	James Spenceley	No	Chief Executive Officer	Mark de Kock	No	GM – Corporate Strategy.	Nicholas McNaughton	Yes	Independent non-executive director.	Paul McConnell	No	Non-executive director, who is associated with a substantial shareholder of the Company and was employed by a subsidiary of the Company within the last 3 years.	Jonathan Brett	No	Non-executive director, who is associated with a substantial shareholder of the Company.	John Murphy	No	Non-executive director, who is associated with a substantial shareholder of the Company.
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Vocus Communications Limited
(Formerly known as First Opportunity Fund Limited)
Corporate Governance Statement
30 June 2010

Recommendation	Comply (Yes/No)	Reference / explanation														
		Having considered the size and operations of the Company and the expertise and experience of the each director, the Board considers the composition of the Board is appropriate to the needs of the Company.														
2.2: The chair should be an independent director.	Yes	The Chairman of the Board is David Spence who is an independent non-executive director.														
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	The Chairman of the Board is David Spence who is an independent non-executive director. The Chief Executive Officer is James Spenceley.														
2.4: The Board should establish a Nomination and Remuneration Committee.	Yes	A copy of the Nomination and Remuneration Committee Charter is available on the Company's website.														
2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	<p>A summary of the processes for performance evaluation of key executives, directors and the Board is available on the Company's website.</p> <p>The Risk Management and Audit Committee and the Nomination and Remuneration Committee each conducts a self-assessment annually in accordance with the respective Charters for those Committees.</p>														
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	<p>The skills, experience and expertise of each of the Company's directors is set out in the Prospectus dated 16 May 2010 a copy of which is available on the Company's website.</p> <p>A list of directors and whether the Company considers them to be independent is set out in response to Recommendation 2.1 above.</p> <p>The directors are entitled to take independent legal advice in accordance with the procedure set out in clause 10 of the Board Charter, a copy of which is available on the Company's website.</p> <p>As at 31 July 2010, each director has been in office for the following periods:</p> <table data-bbox="762 1753 1329 1995"> <tr> <td>Jonathan Brett</td> <td>11 years 11 months</td> </tr> <tr> <td>John Murphy</td> <td>7 years 5 months</td> </tr> <tr> <td>David Spence</td> <td>1 month</td> </tr> <tr> <td>James Spenceley</td> <td>1 month</td> </tr> <tr> <td>Mark de Kock</td> <td>1 month</td> </tr> <tr> <td>Nicholas McNaughton</td> <td>1 month</td> </tr> <tr> <td>Paul McConnell</td> <td>1 month</td> </tr> </table> <p>The Nomination and Remuneration Committee was established on 28 June 2010 and comprises of Nicholas McNaughton, Paul McConnell and John Murphy.</p>	Jonathan Brett	11 years 11 months	John Murphy	7 years 5 months	David Spence	1 month	James Spenceley	1 month	Mark de Kock	1 month	Nicholas McNaughton	1 month	Paul McConnell	1 month
Jonathan Brett	11 years 11 months															
John Murphy	7 years 5 months															
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Paul McConnell	1 month															

Vocus Communications Limited
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Corporate Governance Statement
30 June 2010

Recommendation	Comply (Yes/No)	Reference / explanation
		A performance evaluation for the Board has not taken place given the short period of time for which the majority of the board has been in office, and the acquisition of the Vocus group of companies which took place in June 2010. For future evaluations of the Board, see response to Recommendation 2.5.
<p>3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	The Company's Code of Conduct is available on the Company's website.
<p>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.</p>	Yes	The Company's Securities Trading Policy is available on the Company's website.
<p>3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.</p>	Yes	See responses to Recommendations 3.1 and 3.2.
<p>4.1: The board should establish an audit committee</p>	Yes	A copy of the Risk Management and Audit Committee Charter is available on the Company's website.
<p>4.2: The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	No	<p>The Risk Management and Audit Committee comprises Jon Brett (Chair), Paul McConnell and Nicholas McNaughton.</p> <p>All are non-executive directors.</p> <p>Only Nicholas McNaughton is an independent director.</p> <p>The chair is not an independent director.</p> <p>There are three members of the committee</p>

Vocus Communications Limited
(Formerly known as First Opportunity Fund Limited)
Corporate Governance Statement
30 June 2010

Recommendation	Comply (Yes/No)	Reference / explanation
		Given the structure of the Board and experience and expertise of Board members, the Board's view is that the current membership of the Risk Management and Audit Committee are adequately qualified to fulfil this function.
4.3: The audit committee should have a formal charter.	Yes	The Company's Risk Management and Audit Committee Charter is available on the Company's website. The Charter also sets out information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	See response to Recommendations 4.2 and 4.3. The Risk Management & Audit Committee was established on 28 June 2010 so did not meet in the financial year ending 30 June 2010.
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	The Company's Communications and Continuous Disclosure Policy is available on the Company's website.
5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	See response to Recommendation 5.1.
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	The Company's Communications and Continuous Disclosure Policy is available on the Company's website.
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes	See response to Recommendation 6.1.
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Company has a Risk Management and Audit Committee which is responsible for the general oversight of risk management processes in the Company. The Company's Risk Management Policy and Risk Management and Audit Committee Charter are available on the Company's website.

Vocus Communications Limited
(Formerly known as First Opportunity Fund Limited)
Corporate Governance Statement
30 June 2010

Recommendation	Comply (Yes/No)	Reference / explanation
<p>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.</p>	Yes	<p>See response to Recommendation 7.1.</p> <p>In addition, the Company has adopted a Delegations Policy, a copy of which is available on the Company's website.</p>
<p>7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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.</p>	Yes	<p>Confirmation of receipt of a Declaration under section 295A of the Corporations Act 2001 is contained in the Annual Report.</p>
<p>7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.</p>	Yes	<p>See response to Recommendations 7.1, 7.2 and 7.3.</p>
<p>8.1: The board should establish a remuneration committee.</p>	Yes	<p>See response to Recommendation 2.4 above.</p>
<p>8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	Yes	<p>See response to Recommendation 2.5 above.</p>
<p>8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.</p>	Yes	<p>The Company's Nomination and Remuneration Committee Charter and Securities Trading Policy are available on the Company's website.</p> <p>The Nomination and Remuneration Committee was only established on 28 June 2010 and did not meet during the reporting period. Prior to that date, the function was carried out by the board.</p> <p>Current members of the Nomination and Remuneration Committee are Nicholas McNaughton (Chair), Paul McConnell and John Murphy.</p>

Vocus Communications Limited
Financial report
For the year ended 30 June 2010

Contents

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General information

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

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

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

Vocus House
Level 1
189 Miller Street
North Sydney NSW 2060

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 August 2010. The directors have the power to amend and reissue the financial report.

Vocus Communications Limited
Statement of comprehensive income
For the year ended 30 June 2010

	Note	Consolidated 2010 \$	2009 \$
Revenue	4	17,480,518	5,113,907
Other income	5	1,236,787	116,000
Expenses			
Network and service delivery		(6,487,690)	(2,476,240)
Employee benefits expense		(2,580,419)	(811,780)
Depreciation and amortisation expense	6	(2,075,215)	(117,926)
Share of losses of associate		-	(40,250)
Administration and other expenses		(1,501,094)	(801,678)
Finance costs	6	(378,411)	(34,920)
Profit before income tax expense		5,694,476	947,113
Income tax expense	7	(1,881,067)	(109,722)
Profit after income tax expense for the year attributable to the owners of Vocus Communications Limited	27	3,813,409	837,391
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Vocus Communications Limited		<u>3,813,409</u>	<u>837,391</u>
		Cents	Cents
Basic earnings per share	40	15.67	3.69
Diluted earnings per share	40	15.67	3.61

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Vocus Communications Limited
Statement of financial position
As at 30 June 2010

	Note	Consolidated 2010 \$	2009 \$
Assets			
Current assets			
Cash and cash equivalents	8	12,628,757	326,425
Trade and other receivables	9	3,643,762	1,439,186
Other financial assets	10	71,646	69,050
Other	11	115,034	427,585
Total current assets		<u>16,459,199</u>	<u>2,262,246</u>
Non-current assets			
Property, plant and equipment	12	2,089,717	1,062,371
Intangibles	13	19,853,401	479,758
Deferred tax	14	484,883	54,716
Other	15	144,252	88,904
Total non-current assets		<u>22,572,253</u>	<u>1,685,749</u>
Total assets		<u>39,031,452</u>	<u>3,947,995</u>
Liabilities			
Current liabilities			
Trade and other payables	16	9,627,668	1,164,026
Borrowings	17	4,252,174	156,252
Income tax	18	1,000,286	82,356
Provisions	19	103,360	32,941
Other	20	301,499	185,138
Total current liabilities		<u>15,284,987</u>	<u>1,620,713</u>
Non-current liabilities			
Borrowings	21	13,146,763	686,708
Deferred tax	22	721,410	-
Other	23	14,316	138,732
Total non-current liabilities		<u>13,882,489</u>	<u>825,440</u>
Total liabilities		<u>29,167,476</u>	<u>2,446,153</u>
Net assets		<u>9,863,976</u>	<u>1,501,842</u>
Equity			
Contributed equity	24	6,266,357	750,000
Contributed capital	25	62,008	62,008
Reserves	26	116,968	5,100
Retained profits	27	3,418,643	684,734
Total equity		<u>9,863,976</u>	<u>1,501,842</u>

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

Vocus Communications Limited
Statement of changes in equity
For the year ended 30 June 2010

	Contributed equity \$	Contributed capital \$	Share based payment reserve \$	Retained profits \$	Total equity \$
Consolidated					
Balance at 1 July 2008	550,000	-	-	(152,657)	397,343
Total comprehensive income for the year	-	-	-	837,391	837,391
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	200,000	-	-	-	200,000
Share-based payments	-	-	5,100	-	5,100
Shareholder contribution	-	62,008	-	-	62,008
Balance at 30 June 2009	<u>750,000</u>	<u>62,008</u>	<u>5,100</u>	<u>684,734</u>	<u>1,501,842</u>

	Contributed equity \$	Contributed capital \$	Share based payment reserve \$	Retained profits \$	Total equity \$
Consolidated					
Balance at 1 July 2009	750,000	62,008	5,100	684,734	1,501,842
Total comprehensive income for the year	-	-	-	3,813,409	3,813,409
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	111,868	-	111,868
Contributions of equity in Vocus Group Limited, net of transaction costs	480,000	-	-	-	480,000
Additional contribution on group reorganisation	4,878,269	-	-	-	4,878,269
Share buy-back	(6,523,504)	-	-	-	(6,523,504)
Contributions of equity in Vocus Communications Limited, net of transaction costs	6,681,592	-	-	-	6,681,592
Dividends paid	-	-	-	(1,079,500)	(1,079,500)
Balance at 30 June 2010	<u>6,266,357</u>	<u>62,008</u>	<u>116,968</u>	<u>3,418,643</u>	<u>9,863,976</u>

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

Vocus Communications Limited
Statement of cash flows
For the year ended 30 June 2010

	Note	Consolidated	
		2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,796,086	4,111,413
Payments to suppliers (inclusive of GST)		<u>(10,543,400)</u>	<u>(3,719,364)</u>
Interest received		6,252,686	392,049
Other revenue		5,538	4,051
Interest and other finance costs paid		249,283	-
Income taxes paid		<u>(243,679)</u>	<u>(8,170)</u>
		<u>(450,000)</u>	<u>-</u>
Net cash from operating activities	39	<u>5,813,828</u>	<u>387,930</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(549,795)	(210,257)
Payment for term deposits		(57,944)	(19,050)
Payment for intangible assets		<u>(2,865,982)</u>	<u>-</u>
Net cash used in investing activities		<u>(3,473,721)</u>	<u>(229,307)</u>
Cash flows from financing activities			
Proceeds from issue of shares	24	7,680,000	-
Proceeds from issue of convertible notes		-	200,000
Capital raising costs		(518,408)	-
Repayment of borrowing to related parties		(650,000)	(76,019)
Repayment of leases		(348,136)	-
Additional contribution on group reorganisation		4,878,269	-
Dividends paid	28	<u>(1,079,500)</u>	<u>-</u>
Repayment of borrowings		-	<u>(76,302)</u>
Net cash from financing activities		<u>9,962,225</u>	<u>47,679</u>
Net increase in cash and cash equivalents		12,302,332	206,302
Cash and cash equivalents at the beginning of the financial year		<u>326,425</u>	<u>120,123</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>12,628,757</u></u>	<u><u>326,425</u></u>

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

Note 1. Significant accounting policies

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

New, revised or amending Standards and Interpretations

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

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the Consolidated Entity. The following Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 101 Presentation of Financial Statements ('AASB 101')

The Consolidated Entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the Consolidated Entity now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

AASB 7 Financial Instruments: Disclosure ('AASB 7')

This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidity management.

AASB 8 Operating Segments ('AASB 8')

The Consolidated Entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 January 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 3.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of Vocus Communications Limited ('Company' or 'Parent Entity') as at 30 June 2010 and the results of all subsidiaries and special purpose entities for the year then ended. Vocus Communications Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the Consolidated Entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

As a result of the group reorganisation as described in the 'business combinations' accounting policy, the Consolidated Entity presents its results as a continuation of Vocus Group Limited. The Consolidated Entity presents a full year of Vocus Group Limited and its controlled subsidiaries plus Vocus Communications Limited (formerly known as First Opportunity Fund Limited) for the 1 day of 30 June 2010, being the effective date of the group reorganisation. The comparatives are a full year of Vocus Group Limited and its controlled subsidiaries.

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

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

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

Operating segments

Change in accounting policy from 1 July 2009

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

Accounting policy up to 30 June 2009

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Note 1. Significant accounting policies (continued)

Foreign currency translation

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian Dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian Dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

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

Revenue recognition

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

Rendering of services

Rendering of services revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

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

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

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

Other revenue

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

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Note 1. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Consolidated Entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

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

Loans and receivables

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

Impairment of financial assets

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

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal can not exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

Property, plant and equipment

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

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

Network equipment	5 - 8 years
Plant and equipment	5 - 8 years

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

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

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

Note 1. Significant accounting policies (continued)

Leases

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

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

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

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Indefeasible Right to Use ('IRU')

Indefeasible right to use of capacity are brought to account as intangible assets at cost being the present value of the future cash flows payable for the right. Significant costs associated with IRU's are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 11.5 years.

Impairment of non-financial assets

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

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

Note 1. Significant accounting policies (continued)

Trade and other payables

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

Borrowings

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

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

- interest on short-term and long-term borrowings
- interest on finance leases

Provisions

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

Employee benefits

Wages and 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 current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Share-based payments

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

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

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

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

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

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

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

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

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

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

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

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.

Note 1. Significant accounting policies (continued)

Business combinations

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

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

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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

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

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

Group reorganisation - Vocus Communications Limited and Vocus Group Limited

When Vocus Communications Limited (the legal parent and legal acquirer) acquired Vocus Group Limited and its controlled entities (the legal subsidiary), the acquisition did not meet the definition of a business combination in accordance with AASB 3 'Business Combinations'. Instead, the acquisition has been treated as a group recapitalisation, using the principles of reverse acquisition accounting in AASB 3 'Business Combinations', since the substance of the transaction is that Vocus Group Limited has effectively been recapitalised. The consolidated financial statements have been prepared as if Vocus Group Limited had acquired Vocus Communications Limited and its controlled entities, not vice versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by Vocus Group Limited to have exactly the same percentage holding in the new structure based at the date of exchange.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

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

Adoption of AASB 1 'First time adoption of Australian Accounting Standards'

There were no reconciling differences on adoption of AASB 1.

Rounding of amounts

Amounts in this report have been rounded off to the nearest dollar.

New Standards and Interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Consolidated Entity's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the Consolidated Entity, are set out below.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the Consolidated Entity.

Note 1. Significant accounting policies (continued)

AASB 124 (revised) Related Party Disclosures

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This standard simplifies the definition of a related party and clarifies its intended meaning and eliminates inconsistencies. The adoption of this standard from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Consolidated Entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the Consolidated Entity.

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues

These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the Consolidated Entity.

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires 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. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9

This standard and the consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The adoption of this standard will not have a material impact on the Consolidated Entity from 1 July 2013.

Note 1. Significant accounting policies (continued)

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 July 2010. The amendments make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The main amendments deal with the transitional requirements arising as a result of revised AASB 127 'Consolidated and Separate Financial Statements' being issue; transitional requirements for contingent consideration from a business combination that occurred before the effective date of revised AASB 3 'Business Combinations' and amendments to the measurement of non-controlling interests; and unreplaced and voluntarily replaced share-based payments awards. The adoption of these amendments from 1 July 2010 will not have a material impact on the Consolidated Entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures'; clarification of statement of changes in equity in AASB 101 'Presentation of Financial Instruments' and disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets

The Consolidated Entity's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Goodwill and other indefinite life intangible assets

The Consolidated Entity tests annually whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the cash flows.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

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

Income tax

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset, if applicable, and provision.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by management taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Vocus Communications Limited is operating under one segment, however, the breakdown of revenue has been disclosed geographically and by products.

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Notes to the financial statements
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Note 3. Operating segments (continued)

Major customers

During the year ended 30 June 2010 approximately 23.85% (2009: 15.27%) of the Consolidated Entity's external revenue was derived from sales to two customers (2009: one customer).

Revenue by product

During the year ended 30 June 2010, data and voice sales were \$12,660,698 and \$4,814,282 respectively (2009: \$3,042,604 and \$2,067,252 respectively).

Revenue by Geographical area

During the year ended 30 June 2010, sales were split geographically between Australia, New Zealand and the United States totalling \$11,809,384, \$4,235,411 and \$1,430,185 respectively (2009: \$4,369,528, \$348,287 and \$392,041 respectively).

Note 4. Revenue

	Consolidated	
	2010	2009
	\$	\$
<i>Sales revenue</i>		
Rendering of services	<u>17,474,980</u>	<u>5,109,856</u>
<i>Other revenue</i>		
Interest	<u>5,538</u>	<u>4,051</u>
Revenue	<u><u>17,480,518</u></u>	<u><u>5,113,907</u></u>

Note 5. Other income

	Consolidated	
	2010	2009
	\$	\$
Net foreign exchange gain	1,236,787	-
Net gain on disposal of property, plant and equipment	-	16,000
Profit on sale of associate	-	100,000
Other income	<u><u>1,236,787</u></u>	<u><u>116,000</u></u>

Vocus Communications Limited
Notes to the financial statements
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Note 6. Expenses

	Consolidated	
	2010	2009
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	78,746	18,357
Network equipment	295,254	99,569
Total depreciation	<u>374,000</u>	<u>117,926</u>
<i>Amortisation</i>		
IRU capacity	1,701,215	-
Total depreciation and amortisation	<u>2,075,215</u>	<u>117,926</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	378,411	34,920
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	-	5,528
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	76,242	-
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	173,475	137,996
<i>Superannuation expense</i>		
Defined contribution superannuation expense	120,354	45,846
<i>Share-based payments expense</i>		
Share-based payments expense	111,868	5,100

Vocus Communications Limited
Notes to the financial statements
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Note 7. Income tax expense

	Consolidated	
	2010	2009
	\$	\$
<i>Income tax expense</i>		
Current tax	1,501,095	82,356
Deferred tax	513,418	27,366
Over provision in prior years	<u>(133,446)</u>	<u>-</u>
Aggregate income tax expense	<u>1,881,067</u>	<u>109,722</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	(207,992)	27,366
Increase in deferred tax liabilities (note 22)	<u>721,410</u>	<u>-</u>
	<u>513,418</u>	<u>27,366</u>
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit before income tax expense	5,694,476	947,113
Tax at the Australian tax rate of 30%	1,708,343	284,134
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	8,334	-
Share-based payments	35,511	-
Profit on deemed disposal of 25% interest in subsidiary	-	(30,000)
Notional interest expense	40,420	-
Tax asset write-down on Vocus Group Limited tax consolidation	<u>293,487</u>	<u>-</u>
	2,086,095	254,134
Over provision in prior years	(133,446)	-
Prior year tax losses not recognised now recouped	-	(144,412)
Prior year temporary differences not recognised now recognised	(52,736)	-
Investment allowance	<u>(18,846)</u>	<u>-</u>
Income tax expense	<u>1,881,067</u>	<u>109,722</u>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 14)	<u>(222,175)</u>	<u>-</u>

Vocus Communications Limited
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Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2010	2009
	\$	\$
Cash at bank	1,467,277	326,425
Cash on deposit	11,161,480	-
	<u>12,628,757</u>	<u>326,425</u>

Interest on cash on deposit is at a fixed rate of 5.5% per annum. \$6,524,504 due to shareholders, as shown in note 16, was paid subsequent to the year end, decreasing cash and cash equivalents.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2010	2009
	\$	\$
Trade receivables	2,885,919	1,140,927
Less: Provision for impairment of receivables	(53,000)	(35,000)
	<u>2,832,919</u>	<u>1,105,927</u>
Other receivables	940	31,818
Goods and services tax refundable	45,410	-
Other debtors	60,821	-
Accrued revenue	703,672	301,441
	<u>3,643,762</u>	<u>1,439,186</u>

Impairment of receivables

The Consolidated Entity has recognised a loss of \$78,972 (2009: \$35,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2010.

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

	Consolidated	
	2010	2009
	\$	\$
Opening balance	35,000	-
Additional provisions recognised	18,000	35,000
	<u>53,000</u>	<u>35,000</u>

Vocus Communications Limited
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Note 9. Current assets - trade and other receivables (continued)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$636,111 at 30 June 2010 (\$52,685 at 30 June 2009). Management did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

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

	Consolidated	
	2010	2009
	\$	\$
1 to 3 months overdue	427,402	44,222
3 to 6 months overdue	208,709	8,463
	<u>636,111</u>	<u>52,685</u>

Note 10. Current assets - other financial assets

	Consolidated	
	2010	2009
	\$	\$
Term deposits	<u>71,646</u>	<u>69,050</u>

The term deposits accrue interest ranging from 2.5% to 8.3% (2009: 2.5% to 8.3%) per annum.

Note 11. Current assets - other

	Consolidated	
	2010	2009
	\$	\$
Prepayments	<u>115,034</u>	<u>427,585</u>

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2010	2009
	\$	\$
Plant and equipment - at cost	739,660	138,825
Less: Accumulated depreciation	(110,704)	(26,510)
	<u>628,956</u>	<u>112,315</u>
Network equipment - at cost	1,652,387	1,091,349
Less: Accumulated depreciation	(191,626)	(141,293)
	<u>1,460,761</u>	<u>950,056</u>
	<u>2,089,717</u>	<u>1,062,371</u>

Vocus Communications Limited
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Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

	Network equipment \$	Plant and equipment \$	Total \$
Consolidated			
Balance at 1 July 2008	133,534	102,196	235,730
Additions	946,045	28,476	974,521
Disposals	(29,954)	-	(29,954)
Depreciation expense	(99,569)	(18,357)	(117,926)
	<u>950,056</u>	<u>112,315</u>	<u>1,062,371</u>
Balance at 30 June 2009	950,056	112,315	1,062,371
Additions	805,959	671,629	1,477,588
Disposals	-	(76,242)	(76,242)
Depreciation expense	(295,254)	(78,746)	(374,000)
	<u>1,460,761</u>	<u>628,956</u>	<u>2,089,717</u>
Balance at 30 June 2010	<u>1,460,761</u>	<u>628,956</u>	<u>2,089,717</u>

Refer to note 33 for assets secured under finance leases.

Note 13. Non-current assets - intangibles

	Consolidated	
	2010	2009
	\$	\$
Goodwill - at cost	870,958	479,758
	<u>870,958</u>	<u>479,758</u>
IRU capacity - at cost	20,683,658	-
Less: Accumulated amortisation	(1,701,215)	-
	<u>18,982,443</u>	<u>-</u>
	<u>19,853,401</u>	<u>479,758</u>

Vocus Communications Limited
Notes to the financial statements
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Note 13. Non-current assets - intangibles (continued)

Reconciliations

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

	IRU capacity \$	Goodwill \$	Total \$
Consolidated			
Balance at 1 July 2008	-	-	-
Additions through business combinations	-	479,758	479,758
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2009	-	479,758	479,758
Additions	20,683,658	391,200	21,074,858
Amortisation expense	(1,701,215)	-	(1,701,215)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2010	<u>18,982,443</u>	<u>870,958</u>	<u>19,853,401</u>

On 1 July 2009, Vocus Connect Pty Limited entered into a Capacity Use Agreement, whereby capacity is supplied to the Consolidated Entity over a defined usage period in return for a non-refundable amount being paid over a defined payment term. The indefeasible right to use the asset has been recorded as an intangible asset. The intangible asset is being amortised over the usage period of 11.5 years on a straight line basis.

Refer to note 33 for intangible assets under finance arrangements.

Vocus Communications Limited
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Note 14. Non-current assets - deferred tax

	Consolidated	
	2010	2009
	\$	\$
<i>The balance comprises temporary differences attributable</i>		
Amounts recognised in profit or loss:		
Impairment of receivables	15,900	10,500
Employee benefits	75,648	9,178
Accrued expenses	16,725	23,040
Unrealised foreign exchange loss	13,476	3,335
Rental straight lining	-	8,663
Accruals	32,462	-
Transaction costs	61,425	-
Depreciation	47,072	-
	<u>262,708</u>	<u>54,716</u>
Amounts recognised in equity:		
Transaction costs on share issue	222,175	-
	<u>222,175</u>	<u>-</u>
Deferred tax asset	<u>484,883</u>	<u>54,716</u>
<i>Movements:</i>		
Opening balance	54,716	82,082
Credited/(charged) to profit or loss (note 7)	207,992	(27,366)
Credited to equity	222,175	-
Closing balance	<u>484,883</u>	<u>54,716</u>

Note 15. Non-current assets - other

	Consolidated	
	2010	2009
	\$	\$
Deposits	<u>144,252</u>	<u>88,904</u>

Deposits are predominantly associated with the office leases.

Vocus Communications Limited
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Note 16. Current liabilities - trade and other payables

	Consolidated	
	2010	2009
	\$	\$
Trade payables	2,090,733	854,853
Amount due to shareholders	6,523,504	-
Accruals	271,950	15,475
Goods and services tax payable	201,265	24,943
Other payables	540,216	268,755
	<u>9,627,668</u>	<u>1,164,026</u>

Amount due to shareholders represents the in-substance share buy-back for the exiting shareholders of Vocus Group Limited whom elected to take a cash payment in lieu of shares in the Company.

Note 17. Current liabilities - borrowings

	Consolidated	
	2010	2009
	\$	\$
IRU liability	3,808,434	-
Lease liability	443,740	156,252
	<u>4,252,174</u>	<u>156,252</u>

Refer to note 21 for further information on assets pledged as security and financing arrangements and note 29 for detailed information on financial instruments.

Note 18. Current liabilities - income tax

	Consolidated	
	2010	2009
	\$	\$
Provision for income tax	<u>1,000,286</u>	<u>82,356</u>

Note 19. Current liabilities - provisions

	Consolidated	
	2010	2009
	\$	\$
Employee benefits	95,860	32,941
Lease make good	7,500	-
	<u>103,360</u>	<u>32,941</u>

Vocus Communications Limited
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Note 19. Current liabilities - provisions (continued)

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$
Consolidated - 2010	
Carrying amount at the start of the year	-
Additional provisions recognised	<u>7,500</u>
Carrying amount at the end of the year	<u><u>7,500</u></u>

Note 20. Current liabilities - other

	Consolidated	
	2010	2009
	\$	\$
Deposits held	301,499	167,021
Lease incentive and rent straight lining	<u>-</u>	<u>18,117</u>
	<u><u>301,499</u></u>	<u><u>185,138</u></u>

Note 21. Non-current liabilities - borrowings

	Consolidated	
	2010	2009
	\$	\$
Loan from related party	-	202,842
Deferred settlement	-	312,426
IRU liability	12,683,154	-
Lease liability	<u>463,609</u>	<u>171,440</u>
	<u><u>13,146,763</u></u>	<u><u>686,708</u></u>

Refer to note 29 for detailed information on financial instruments.

Vocus Communications Limited
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Note 21. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	2010	2009
	\$	\$
Loan from related party	-	202,842
Deferred settlement	-	312,426
Lease liability	907,349	327,692
	<u>907,349</u>	<u>327,692</u>
	<u>907,349</u>	<u>842,960</u>

Assets pledged as security

A fixed and floating charge secured both the loan and the deferred settlement from a related party. These amounts were paid prior to 30 June 2010 and the charge was subsequently removed.

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

Note 22. Non-current liabilities - deferred tax

	Consolidated	
	2010	2009
	\$	\$
<i>The balance comprises temporary differences attributable</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	304,489	-
Unbilled revenue	120,669	-
Unrealised foreign exchange gain	296,252	-
	<u>721,410</u>	<u>-</u>
Deferred tax liability	<u>721,410</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	-
Charged to profit or loss (note 7)	721,410	-
	<u>721,410</u>	<u>-</u>
Closing balance	<u>721,410</u>	<u>-</u>

Note 23. Non-current liabilities - other

	Consolidated	
	2010	2009
	\$	\$
Lease incentive and rent straight lining	<u>14,316</u>	<u>138,732</u>

Vocus Communications Limited
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Note 24. Equity - contributed

	Consolidated		Consolidated	
	2010	2009	2010	2009
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>51,069,053</u>	<u>10,116,062</u>	<u>6,266,357</u>	<u>750,000</u>

Group reorganisation

When Vocus Communications Limited (the legal parent and legal acquirer) acquired Vocus Group Limited and its controlled entities (the legal subsidiary), the acquisition did not meet the definition of a business combination in accordance with AASB 3 'Business Combinations'. Instead, the acquisition has been treated as a group recapitalisation since the substance of the transaction is that Vocus Group Limited has effectively been recapitalised. The consolidated financial statements and the share capital have been prepared as if Vocus Group Limited had acquired Vocus Communications Limited and its controlled entities, not vice versa as represented by the legal position. The principles used in accounting for the transaction are the same as reverse acquisition accounting in AASB 3.

The number of shares on issue shown reflects those of Vocus Communications Limited.

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2008	10,116,062		550,000
Convertible notes conversion in Vocus Group Limited ('VGL')	21 February 2009			<u>200,000</u>
Balance	30 June 2009	10,116,062		750,000
Exercise of options in Vocus Communications Limited ('VCL')	21 June 2010	2,000,000	\$0.60	1,200,000
Exercise of options in VGL	30 June 2010			80,000
Exercise of options in VGL	30 June 2010			400,000
Capital raising through private placement and public offer by VCL	30 June 2010	12,000,000	\$0.50	6,000,000
Less: transaction costs arising on shares issued	30 June 2010			(740,583)
Income tax relating to capital raising costs	30 June 2010			222,175
Share buy back in VGL	30 June 2010			(6,523,504)
Shares issued by VCL to effect 100% acquisition of VGL (group reorganisation)	30 June 2010	<u>26,952,991</u>		<u>4,878,269</u>
Balance	30 June 2010	<u>51,069,053</u>		<u>6,266,357</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

Shares issued under group reorganisation

Shares issued on group reorganisation to acquire 100% of the issued share capital of Vocus Group Limited have been recorded at the fair value of the cash consideration received.

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Note 24. Equity - contributed (continued)

Capital risk management

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

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

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Parent Entity's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2009 Annual Report.

Note 25. Equity - contributed capital

	Consolidated	
	2010	2009
	\$	\$
Contributed capital	62,008	62,008

In 2009 a related party provided a \$250,000 non-interest bearing loan. The contributed equity represents the difference between fair value of the loan and its face value.

Note 26. Equity - reserves

	Consolidated	
	2010	2009
	\$	\$
Share-based payments reserve	116,968	5,100
	Share-based payments \$	Total \$
Consolidated		
Balance at 1 July 2008	-	-
Recognition of share-based	5,100	5,100
Balance at 30 June 2009	5,100	5,100
Recognition of share-based	111,868	111,868
Balance at 30 June 2010	116,968	116,968

Share-based payments reserve

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

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Note 27. Equity - retained profits

	Consolidated	
	2010	2009
	\$	\$
Retained profits/(accumulated losses) at the beginning of the financial year	684,734	(152,657)
Profit after income tax expense for the year	3,813,409	837,391
Dividends paid (note 28)	<u>(1,079,500)</u>	<u>-</u>
Retained profits at the end of the financial year	<u><u>3,418,643</u></u>	<u><u>684,734</u></u>

Note 28. Equity - dividends

There were no dividends paid by the Parent Entity during the current or previous financial years.

Prior to being acquired by the Company, Vocus Group Limited paid dividends totalling \$1,079,500 (2009: \$nil) to holders of its ordinary shares.

	Consolidated	
	2010	2009
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>104,760</u>	<u>104,760</u>

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

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

There are also franking credits available to Vocus Group Limited at 30 June 2010 amounting to \$1,418,424.

Note 29. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk including foreign currency risk, price risk and interest rate risk, credit risk and liquidity risk.

The Company has established a Risk Management and Audit Committee on 28 June 2010 and it has general oversight of risk management processes at the Company inclusive of those financial risks identified here. During the period the Consolidated Entity did not have formal risk management policies, but the risks were monitored by executive management on a regular basis to minimise the potential adverse effects these risks may have on the financial performance of the Consolidated Entity.

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

The Consolidated Entity's financial assets and liabilities comprise cash and cash equivalents, receivables, payables, IRU contractual payment obligations and finance leases. Based on assessments during the period, the Consolidated Entity did not use any derivative financial instruments to hedge any of the risks during the period ended 30 June 2010.

Market risk

Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

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

	Assets		Liabilities	
	2010	2009	2010	2009
	\$	\$	\$	\$
Consolidated				
US Dollars	242,424	72,094	16,565,810	11,876
New Zealand Dollars	161,048	78,438	23,251	13,361
	<u>403,472</u>	<u>150,532</u>	<u>16,589,061</u>	<u>25,237</u>

The Consolidated Entity has managed its exposure to the currency risk associated with the United States Dollar by active monitoring of the currency risk from period to period due to the volatile nature of that currency. It is prepared to enter into foreign exchange contracts and cash flow hedge accounting to protect cashflows over a defined period under its foreign exchange risk management policy.

The Consolidated Entity considers its exposure to fluctuations in the New Zealand Dollar not to be a significant risk given the low volatility of this currency.

As at 30 June 2010, future movements in the USD/AUD currency of \$0.01 cents will have an approximate \$145,000 increase or decrease to profit and loss or an approximate \$65,000 increase or decrease in cash flow.

Note 29. Financial instruments (continued)

Price risk

Competitive pricing of products and services the group will sell may fall negatively impacting future revenue, margin and profitability. The Consolidated Entity mitigates this risk by entering into long term customer agreements between 12 and 36 months at fixed prices for its internet transit product.

Interest rate risk

The Consolidated Entity's main interest rate risk arises from term deposits, cash on deposit and long-term borrowings. Term deposits, cash on deposit and borrowings issued at variable rates expose the Consolidated Entity to interest rate risk. Term deposits, cash on deposit and borrowings issued at fixed rates expose the Consolidated Entity to fair value interest rate risk.

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

Credit risk

Credit risk is managed on a Consolidated Entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

The Company attempts to deal with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

Liquidity risk

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

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Consolidated Entity did not have any borrowing facilities at 30 June 2010.

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Note 29. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2010	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	2,089,735	-	-	-	2,089,735
Other payables	741,481	-	-	-	741,481
Amount payable to shareholders	6,524,503	-	-	-	6,524,503
Deposits held	144,252	301,499	-	-	445,751
<i>Interest-bearing - variable rate</i>					
Lease liability	513,991	430,653	107,641	-	1,052,285
IRU liability	3,845,938	3,845,938	9,614,845	-	17,306,721
Total non-derivatives	13,859,900	4,578,090	9,722,486	-	28,160,476

Consolidated - 2009	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	854,853	-	-	-	854,853
Other payables	293,698	-	-	-	293,698
Deposits held	86,904	167,021	-	-	253,925
<i>Interest-bearing - variable rate</i>					
Other loans	515,268	-	-	-	515,268
Lease liability	188,154	219,639	-	-	407,793
Total non-derivatives	1,938,877	386,660	-	-	2,325,537

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 30. Key management personnel disclosures

Directors

The following persons were directors of Vocus Communications Limited during the financial year:

David Spence	Non-Executive Director and Chairman
James Spenceley	Executive Director and Chief Executive Officer
Mark de Kock	Executive Director and General Manager of Corporate Strategy
Jonathan Brett	Non-Executive Director
John Murphy	Non-Executive Director
Nicholas McNaughton	Non-Executive Director
Paul McConnell	Non-Executive Director
Dr John Keniry AM	Non-Executive Director and Chairman (resigned)
Alan Chonowitz	Non-Executive Director (resigned)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Richard Correll	Chief Financial Officer
Paul Brooks	Director of Vocus Group Limited

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	832,579	179,000
Post-employment benefits	44,683	10,800
Share-based payments	81,981	1,594
	<u>959,243</u>	<u>191,394</u>

Vocus Communications Limited
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Note 30. Key management personnel disclosures (continued)

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
2010					
<i>Ordinary shares</i>					
Dr John Keniry AM	66,139	-	-	-	66,139
Jonathan Brett	1,589,391	-	1,205,304	-	2,794,695*
John Murphy	443,035	-	6,336	-	449,371
Alan Chonowitz	1,589,391	-	1,205,305	-	2,794,696*
Mark de Kock	-	-	400,636	-	400,636
Nicholas McNaughton	-	-	727,598	-	727,598
Paul Brooks	-	-	1,863,888	-	1,863,888
Paul McConnell	-	-	10,683,873	-	10,683,873
James Spenceley	-	-	8,698,290	-	8,698,290
Richard Correll	-	-	37,889	-	37,889

* 2,000,000 shares jointly held

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
2009					
<i>Ordinary shares</i>					
Dr John Keniry AM	66,139	-	-	-	66,139
Jonathan Brett	1,589,391	-	-	-	1,589,391*
John Murphy	426,992	-	16,043	-	443,035
Alan Chonowitz	1,589,391	-	-	-	1,589,391*

* shares jointly held

Option holding

The number of options over ordinary shares in the Parent Entity held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
2010					
<i>Ordinary shares</i>					
Jonathan Brett	1,000,000	-	(1,000,000)	-	-
Alan Chonowitz	1,000,000	-	(1,000,000)	-	-
Mark de Kock	-	500,000	-	-	500,000
James Spenceley	-	500,000	-	-	500,000

P McConnell, M de Kock and R Correll were granted 200,000, 100,000 and 10,000 options respectively in Vocus Group Limited during 2010. These options were exercised during the year.

P McConnell also exercised his 250,000 options in Vocus Group Limited granted in 2009 during the year.

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 30. Key management personnel disclosures (continued)

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
2009					
<i>Ordinary shares</i>					
Jonathan Keith Brett	1,000,000	-	-	-	1,000,000
Alan Harold Chonowitz	1,000,000	-	-	-	1,000,000

P D McConnell was granted 250,000 options in Vocus Group Limited during 2009.

Related party transactions

Related party transactions are set out in note 34.

Note 31. Remuneration of auditors

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

	Consolidated	
	2010	2009
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial report	93,000	18,000
<i>Other services - Deloitte Touche Tohmatsu</i>		
Tax compliance services	23,174	-
Other non-audit services *	339,626	9,500
	<u>362,800</u>	<u>9,500</u>
	<u>455,800</u>	<u>27,500</u>

* Other non-audit services primarily includes professional services in relation to the transaction and recapitalisation of Vocus Group Limited.

Note 32. Contingent liabilities

The Consolidated Entity has contingent liabilities for Performance contracts as follows:

	Consolidated	
	2010	2009
	\$	\$
Performance contracts	<u>50,000</u>	<u>65,000</u>

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 33. Commitments for expenditure

	Consolidated	
	2010	2009
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	236,152	172,632
One to five years	837,532	952,724
More than five years	234,094	197,025
	<u>1,307,778</u>	<u>1,322,381</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	513,991	188,154
One to five years	538,294	219,639
Total commitment	1,052,285	407,793
Less: Future finance charges	(144,936)	(80,101)
Net commitment recognised as liabilities	<u>907,349</u>	<u>327,692</u>
Representing:		
Lease liability - current (note 17)	443,740	156,252
Lease liability - non-current (note 21)	463,609	171,440
	<u>907,349</u>	<u>327,692</u>
<i>IRU commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	3,845,938	-
One to five years	13,460,783	-
Total commitment	17,306,721	-
Less: Future finance charges	(815,133)	-
Net commitment recognised as liabilities	<u>16,491,588</u>	<u>-</u>
Representing:		
IRU liability - current (note 17)	3,808,434	-
IRU liability - non-current (note 21)	12,683,154	-
	<u>16,491,588</u>	<u>-</u>

Finance lease commitments includes contracted amounts for various network plant and equipment costing \$1,247,942 (2009: \$355,434) less depreciation of \$173,640 (2009: \$35,286) leaving a written down value of \$1,074,302 (2009: \$320,148) under finance leases expiring within one to five years. Under the terms of the leases, the Consolidated Entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases. The IRU commitments includes contracted amounts for the IRU intangible asset with a cost of \$20,683,658 (2009: \$nil) less depreciation of \$1,701,215 (2009: \$nil) leaving a written down value of \$18,982,443 (2009: \$nil) expiring within one to five years.

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 34. Related party transactions

Parent entity

Vocus Communications Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the 'remuneration report' in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2010	2009
	\$	\$
Sale of goods and services:		
Sale of services to other related parties	1,134,626	780,504
Payment for goods and services:		
Payment for services from other related parties	549,528	80,372

Receivable from and payable to related parties

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

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2010	2009
	\$	\$
Current borrowings:		
Loan from other related party	-	202,824
Deferred settlement	-	312,426

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 35. Parent entity information

Set out below is the supplementary information about the Parent Entity.

Statement of comprehensive income

	Parent	
	2010	2009
	\$	\$
Profit/(loss) after income tax	<u>(943,604)</u>	<u>164,820</u>
Total comprehensive income	<u>(943,604)</u>	<u>164,820</u>

Statement of financial position

	Parent	
	2010	2009
	\$	\$
Total current assets	<u>11,500,355</u>	<u>7,403,200</u>
Total assets	<u>16,592,616</u>	<u>7,403,200</u>
Total current liabilities	<u>6,728,641</u>	<u>84,384</u>
Total liabilities	<u>6,728,641</u>	<u>123,825</u>
Equity		
Contributed equity	10,402,290	6,874,086
Reserves	103,359	103,359
Retained profits/(accumulated losses)	<u>(641,674)</u>	<u>301,930</u>
Total equity	<u><u>9,863,975</u></u>	<u><u>7,279,375</u></u>

Contingent liabilities

The Parent Entity had no contingent liabilities at 30 June 2010 and 30 June 2009.

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 36. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		2010 %	2009 %
Vocus Group Limited	Australia	100.00	100.00
Vocus Pty Limited	Australia	100.00	100.00
Vocus Connect Pty Limited	Australia	100.00	100.00

Note 37. Deed of cross guarantee

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

Vocus Communications Limited
Vocus Group Limited
Vocus Pty Limited
Vocus Connect Pty Limited

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

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

The statement of comprehensive income and statement of financial position of the 'Closed Group' can be found in the consolidated statement of comprehensive income and statement of financial position along with the note on Vocus Communications Limited as parent found in this annual report.

Note 38. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 39. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2010	2009
	\$	\$
Profit after income tax expense for the year	3,813,409	837,391
Adjustments for:		
Depreciation and amortisation	2,075,215	117,926
Net loss/(gain) on disposal of non-current assets	76,242	(16,000)
Share-based payments	111,868	5,100
Profit on sale of associate	-	(100,000)
Share of loss of associate	-	40,250
Non-cash interest expense	134,732	26,750
Non-cash management fees	-	(275,900)
Non-cash other revenue	(987,504)	-
Non-cash deferred tax	(221,894)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,802,345)	(1,144,803)
(Increase)/decrease in deferred tax assets	(208,273)	27,366
Increase in accrued revenue	(402,231)	-
Increase in prepayments	(115,033)	-
Increase in other operating assets	-	(136,612)
Increase in trade and other payables	1,381,463	802,059
Increase in provision for income tax	917,930	82,356
Increase in deferred tax liabilities	721,410	-
Increase in employee benefits	62,919	30,592
Decrease in other provisions	(131,232)	-
Increase in other operating liabilities	387,152	91,455
Net cash from operating activities	<u>5,813,828</u>	<u>387,930</u>

Vocus Communications Limited
Notes to the financial statements
30 June 2010

Note 40. Earnings per share

	Consolidated	
	2010	2009
	\$	\$
Profit after income tax attributable to the owners of Vocus Communications Limited	<u>3,813,409</u>	<u>837,391</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	24,328,497	22,705,394
Adjustments for calculation of diluted earnings per share:		
Options	<u>1,468</u>	<u>483,394</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>24,329,965</u>	<u>23,188,788</u>
	Cents	Cents
Basic earnings per share	15.67	3.69
Diluted earnings per share	15.67	3.61

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- i) the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of Vocus Group Limited (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and
- ii) the number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of Vocus Communications Limited (the accounting acquiree) outstanding during that period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using Vocus Group Limited's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Vocus Communications Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37 to the financial statements.

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

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

On behalf of the directors



James Spenceley
Director

30 August 2010
Sydney

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Independent Auditor's Report to the Members of Vocus Communications Limited (formerly known as First Opportunity Fund)

Report on the Financial Report

We have audited the accompanying financial report of Vocus Communications Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion,

- (a) the financial report of Vocus Communications 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 2010 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; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Vocus Communications Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 30 August 2010

Vocus Communications Limited
Shareholder information
30 June 2010

The shareholder information set out below was applicable as at 25 August 2010.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	24
1,001 to 5,000	418
5,001 to 10,000	106
10,001 to 100,000	104
100,001 and over	34
	<hr/>
	686
	<hr/> <hr/>
Holding less than a marketable parcel	13
	<hr/> <hr/>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	% of total shares issued
	Number held	issued
Spenceley Management Pty Ltd <Spenceley Family A/c>	8,339,407	16.33
IWPE Nominees Pty Limited <IWPE Fund 3 A/c>	6,666,667	13.05
Tameion Pty Ltd <Tameion Super Fund A/c>	5,727,944	11.22
Tameion Pty Ltd <McConnell II Family A/c>	4,955,929	9.70
First Capital Partners Pty Limited	2,000,000	3.92
Investec Bank (Australia) Limited	2,000,000	3.92
Loftus Lane Investments Pty Ltd	1,973,963	3.87
Layer 10 Pty Ltd <Wiltongate A/c>	1,845,888	3.61
IWPE Nominees Pty Limited <IWPE Fund 3A A/c>	1,333,333	2.61
Daniel Whitford	1,016,666	1.99
Mr McDonald Whitford Richards	960,484	1.88
David Preston, Cassandra Lenevez and Mark Purcell <Officelink Partnership A/c>	945,638	1.85
Alsumary Pty Ltd <The Alsumary Super Fund A/c>	794,696	1.56
Dalesam Pty Ltd <Jon Brett Super Fund A/c>	794,695	1.56
Roman Empire Pty Ltd	727,598	1.42
Anthony Fabian	596,992	1.17
W Donnelly Services Pty Ltd <The Donnelly Super Fund A/c>	519,023	1.02
UBS Wealth Management Australia Nominees Pty Ltd	517,000	1.01
Tuwele Pty Limited <Rosella Superannuation A/c>	449,371	0.88
Monarch Trading Pty Ltd	436,942	0.86
	<hr/>	
	42,602,236	83.43
	<hr/> <hr/>	

Unquoted equity securities

There are no unquoted equity securities.

Vocus Communications Limited
Shareholder information
30 June 2010

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
P McConnell	10,683,873	20.92
Investec Wentworth Private Equity Limited	10,000,000	19.58
J Spenceley	8,732,907	17.10
J Brett *	2,794,695	5.47
A Chonowitz *	2,794,696	5.47

* 2,000,000 ordinary shares jointly held.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.