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ABN 96 084 115 499

Half-Year Financial Report for
31 December 2011
and ASX Appendix 4D

APPENDIX 4D HALF-YEAR REPORT

1. Company details

Name of entity:	Vocus Communications Limited
ABN:	96 084 115 499
Reporting period:	Half-year ended 31 December 2011
Previous corresponding period:	Half-year ended 31 December 2010

2. Results for announcement to the market

Revenues from ordinary activities	up	57.2%	to	\$ 21,869,451
Underlying EBITDA *	up	63.2%	to	\$ 7,578,575
Profit from ordinary activities after tax attributable to the owners of Vocus Communications Limited	down	5.1%	to	\$ 3,493,141
Profit for the period attributable to the owners of Vocus Communications Limited	down	5.1%	to	\$ 3,493,141
Underlying NPAT **	up	66.0%	to	\$ 3,994,502

* Other gains/(losses) associated with foreign exchange have not been included in underlying EBITDA for the current and prior reporting period.

** Underlying NPAT is calculated by excluding the after tax effect of the other gains/(losses) associated with foreign exchange.

	31 Dec 2011	31 Dec 2010
	Cents	Cents
Underlying basic earnings per share ***	6.57	4.67
Basic earnings per share	5.74	7.14
Diluted earnings per share	5.50	7.08
Underlying diluted earnings per share ***	6.29	4.62

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

Dividends

There were no dividends paid or declared during the current and prior financial period by the Parent Entity.

Comments

The profit for the Consolidated Entity after providing for income tax amounted to \$3,493,141 (31 December 2010: \$3,682,361).

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

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(18.74) cents	(11.05) cents (restated)

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 2025. The cost of this asset has been capitalised as an intangible asset. The Consolidated Entity has shown as borrowings the corresponding contractual payments obligations which occur through to August 2016.

Therefore, whilst revenue generating, the indefeasible rights are treated as an intangible asset and are excluded in net tangible assets. If it were included, asset backing per ordinary share would be 61.71 cents and 28.19 cents for the current and prior reporting periods respectively.

4. Audit qualification or review

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

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

5. Attachments

Details of attachments (if any):

The Financial Report of Vocus Communications Limited for the half-year ended 31 December 2011 is attached.

7. Signed

Signed: _____

Date: 16 February 2012

James Spenceley
Director
Sydney

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Vocus Communications Limited

ABN 96 084 115 499

Half-Year Financial Report - 31 December 2011

Vocus Communications Limited
Directors' report
31 December 2011

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Vocus Communications Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the half-year ended 31 December 2011.

Directors

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

David Spence - Chairman

James Spenceley - Chief Executive Officer

Mark de Kock

Jon Brett

John Murphy

Nicholas McNaughton

Stephen Baxter

Principal activities

Vocus Communications Limited is a leading telecommunications provider of Data Centre, Dark Fibre and International Internet connectivity across Australia, NZ, Singapore and the US. The Company provides high performance, high availability, and highly scalable communications solutions, which allow service providers to quickly and easily deploy new services for their own customer base.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$3,493,141 (31 December 2010: \$3,682,361).

Excluding the after-tax effect of other gains/(losses), underlying profit for the Consolidated Entity after providing for income tax amounted to \$3,994,502 (31 December 2010: \$2,409,827).

Total revenue for the Consolidated Entity for the half-year ended 31 December 2011 was \$21,869,451 (31 December 2010: \$13,912,222).

Profit before interest, tax, depreciation and amortisation ('EBITDA') and excluding other gains/(losses) for the Consolidated Entity for the half-year ended 31 December 2011 was \$7,578,575 (31 December 2010: \$4,644,795).

At the reporting date 31 December 2011, the consolidated cash holdings stood at \$4,782,697 (30 June 2011: \$7,633,415). During the period, Vocus acquired additional IRU capacity to meet the increased demand for data and Vocus' services. Vocus also invested in and deployed dark fibre and ethernet services.

Basic earnings per share for the Consolidated Entity for the half-year ended 31 December 2011 was 5.74 cents (31 December 2010: 7.14 cents). Underlying basic earnings per share excluding other gains/(losses) for the half-year ended 31 December 2011 was 6.57 cents (31 December 2010: 4.67 cents).

Significant changes in the state of affairs

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

Vocus Communications Limited
Directors' report
31 December 2011

Auditor's independence declaration

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

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

On behalf of the directors



James Spenceley
Director

16 February 2012
Sydney

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

16 February 2012

Dear Board Members

Vocus Communications Limited

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

As lead audit partner for the review of the financial statements of Vocus Communications Limited for the financial half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

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Vocus Communications Limited
Financial report
For the half-year ended 31 December 2011

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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 16 February 2012. The directors have the power to amend and reissue the financial report.

Vocus Communications Limited
Statement of comprehensive income
For the half-year ended 31 December 2011

		Consolidated	
	Note	31 Dec 2011	31 Dec 2010
		\$	\$
Revenue	4	21,869,451	13,912,222
Other gains/(losses)	5	(716,230)	1,817,906
Expenses			
Network and service delivery		(9,649,950)	(5,696,526)
Employee benefits expense	6	(3,311,841)	(1,904,473)
Depreciation and amortisation	6	(2,261,766)	(1,267,755)
Administration and other expenses		(1,329,085)	(1,666,428)
Finance costs	6	<u>(245,373)</u>	<u>(182,740)</u>
Profit before income tax expense		4,355,206	5,012,206
Income tax expense		<u>(862,065)</u>	<u>(1,329,845)</u>
Profit after income tax expense for the half-year attributable to the owners of Vocus Communications Limited		3,493,141	3,682,361
Other comprehensive income			
Net loss on hedging transactions		<u>(107,358)</u>	<u>(1,417)</u>
Other comprehensive income for the half-year, net of tax		<u>(107,358)</u>	<u>(1,417)</u>
Total comprehensive income for the half-year attributable to the owners of Vocus Communications Limited		<u><u>3,385,783</u></u>	<u><u>3,680,944</u></u>
		Cents	Cents
Basic earnings per share	12	5.74	7.14
Diluted earnings per share	12	5.50	7.08

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

Vocus Communications Limited
Statement of financial position
As at 31 December 2011

	Consolidated	
Note	31 Dec 2011	30 Jun 2011
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,782,697	7,633,415
Trade and other receivables	6,269,222	6,050,414
Other financial assets	463,993	483,500
Other	335,105	245,515
Total current assets	<u>11,851,017</u>	<u>14,412,844</u>
Non-current assets		
Property, plant and equipment	18,283,090	13,979,906
Intangibles	49,060,865	39,780,350
Deferred tax	916,848	1,083,234
Other	155,552	144,252
Total non-current assets	<u>68,416,355</u>	<u>54,987,742</u>
Total assets	<u>80,267,372</u>	<u>69,400,586</u>
Liabilities		
Current liabilities		
Trade and other payables	6,943,812	5,262,164
Borrowings	8,331,662	6,048,812
Derivative financial instruments	307,248	274,538
Income tax	1,129,117	2,709,733
Provisions	1,371,323	661,399
Other	110,431	372,814
Total current liabilities	<u>18,193,593</u>	<u>15,329,460</u>
Non-current liabilities		
Borrowings	22,197,145	16,635,113
Derivative financial instruments	503,115	951,976
Deferred tax	1,177,921	1,424,509
Provisions	557,500	1,282,500
Other	5,623	25,451
Total non-current liabilities	<u>24,441,304</u>	<u>20,319,549</u>
Total liabilities	<u>42,634,897</u>	<u>35,649,009</u>
Net assets	<u>37,632,475</u>	<u>33,751,577</u>
Equity		
Contributed equity	7 22,504,420	22,197,753
Contributed capital	62,008	62,008
Reserves	38,958	(42,132)
Retained profits	<u>15,027,089</u>	<u>11,533,948</u>
Total equity	<u>37,632,475</u>	<u>33,751,577</u>

Refer to note 2 for detailed information on restatement of comparatives.

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

Vocus Communications Limited
Statement of changes in equity
For the half-year ended 31 December 2011

	Contributed equity	Contributed capital	Hedge reserve	Share-based payments reserve	Retained profits	Total equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2010	6,266,357	62,008	-	116,968	3,418,643	9,863,976
Other comprehensive income for the half-year, net of tax	-	-	(1,417)	-	-	(1,417)
Profit after income tax expense for the half-year	-	-	-	-	3,682,361	3,682,361
Total comprehensive income for the half-year	-	-	(1,417)	-	3,682,361	3,680,944
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	1,300,001	-	-	-	-	1,300,001
Share-based payments	-	-	-	53,580	-	53,580
Balance at 31 December 2010	<u>7,566,358</u>	<u>62,008</u>	<u>(1,417)</u>	<u>170,548</u>	<u>7,101,004</u>	<u>14,898,501</u>
Consolidated						
Balance at 1 July 2011	22,197,753	62,008	(297,276)	255,144	11,533,948	33,751,577
Other comprehensive income for the half-year, net of tax	-	-	(107,358)	-	-	(107,358)
Profit after income tax expense for the half-year	-	-	-	-	3,493,141	3,493,141
Total comprehensive income for the half-year	-	-	(107,358)	-	3,493,141	3,385,783
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	306,667	-	-	-	-	306,667
Share-based payments	-	-	-	188,448	-	188,448
Balance at 31 December 2011	<u>22,504,420</u>	<u>62,008</u>	<u>(404,634)</u>	<u>443,592</u>	<u>15,027,089</u>	<u>37,632,475</u>

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

Vocus Communications Limited
Statement of cash flows
For the half-year ended 31 December 2011

	Consolidated	
Note	31 Dec 2011	31 Dec 2010
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	22,011,295	14,357,986
Payments to suppliers and employees (inclusive of GST)	<u>(13,140,638)</u>	<u>(7,643,986)</u>
Interest received	8,870,657	6,714,000
Interest and other finance costs paid	154,585	112,995
Income taxes paid	<u>(245,373)</u>	<u>(182,740)</u>
	<u>(2,522,883)</u>	<u>(12,924)</u>
Net cash from operating activities	<u>6,256,986</u>	<u>6,631,331</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	10	-
Transaction costs paid in relation to purchase of business	-	(5,895,000)
Payments for property, plant and equipment	-	(401,436)
Proceeds from release of lease security deposits	<u>(5,107,275)</u>	<u>(1,871,542)</u>
	<u>8,207</u>	<u>23,111</u>
Net cash used in investing activities	<u>(5,099,068)</u>	<u>(8,144,867)</u>
Cash flows from financing activities		
Proceeds from issue of shares	7	306,667
Repayment of borrowings	-	1,300,001
Repayment of leases	-	(3,906,277)
Repayment of shareholder loans	-	(2,544,572)
	<u>(409,026)</u>	<u>-</u>
	<u>-</u>	<u>(6,523,504)</u>
Net cash used in financing activities	<u>(4,008,636)</u>	<u>(7,768,075)</u>
Net decrease in cash and cash equivalents	<u>(2,850,718)</u>	<u>(9,281,611)</u>
Cash and cash equivalents at the beginning of the financial half-year	<u>7,633,415</u>	<u>12,628,757</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>4,782,697</u></u>	<u><u>3,347,146</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Comparatives

Comparative figures in the statement of comprehensive income have been reclassified to align with disclosure per the latest annual report.

Comparative figures in the statement of financial position have been restated on the finalisation of business combination accounting, as detailed in note 2 and note 10.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

AASB 2009-12 Amendments to Australian Accounting Standards

The Consolidated Entity has applied AASB 2009-12 from 1 July 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which had no major impact on the requirements of the amended pronouncements. The main amendment was to AASB 8 'Operating Segments' and required 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.

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

The Consolidated Entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

Note 1. Significant accounting policies (continued)

AASB 2010-5 Amendments to Australian Accounting Standards

The Consolidated Entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

The Consolidated Entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The Consolidated Entity has applied AASB 2011-1 amendments from 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements.

AASB 1054 Australian Additional Disclosures

The Consolidated Entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 124 Related Party Disclosures (December 2009)

The Consolidated Entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

Working capital management

At 31 December 2011, the consolidated statement of financial position reflected an excess of current liabilities over current assets of \$6,342,576 (30 June 2011: \$916,616 (restated)). The working capital deficit is primarily caused by the classification of \$7,709,259 (30 June 2011: \$5,290,536) of IRU borrowings within current liabilities whilst the intangible asset is capitalised within non-current assets. The IRU borrowings relate to a contractual obligation to make monthly payments for the right to access submarine fibre optic cable capacity.

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

Note 2. Restatement of comparatives

Finalisation of prior year business combination

The values identified in relation to the data centre acquisition of E3 Networks in the prior half-year (refer Note 10) have now been finalised and therefore the 30 June 2011 comparatives have been adjusted in accordance of AASB 3 'Business Combinations'. The effect of the change is to reflect receivables of \$527,047 from successful warranty claims and reduce purchase price and therefore goodwill. In addition, Vocus has established a warranty provision of \$295,850.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2010. However, as there were no adjustments made as at 1 July 2010, the Consolidated Entity has elected not to show the 1 July 2010 statement of financial position.

Vocus Communications Limited
Notes to the financial statements
31 December 2011

Note 2. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
	30 Jun 2011		30 Jun 2011
	\$	\$	\$
Extract	Reported	Adjustment	Restated
Assets			
Current assets			
Trade and other receivables	5,523,367	527,047	6,050,414
Total current assets	<u>13,885,797</u>	<u>527,047</u>	<u>14,412,844</u>
Non-current assets			
Intangibles	40,011,547	(231,197)	39,780,350
Total non-current assets	<u>55,218,939</u>	<u>(231,197)</u>	<u>54,987,742</u>
Total assets	<u>69,104,736</u>	<u>295,850</u>	<u>69,400,586</u>
Liabilities			
Current liabilities			
Provisions	365,549	295,850	661,399
Total current liabilities	<u>15,033,610</u>	<u>295,850</u>	<u>15,329,460</u>
Total liabilities	<u>35,353,159</u>	<u>295,850</u>	<u>35,649,009</u>
Net assets	<u>33,751,577</u>	<u>-</u>	<u>33,751,577</u>

Note 3. Operating segments

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

Major customers

During the half-year ended 31 December 2011 approximately 17% (2010: 15%) of the Consolidated Entity's external revenue was derived from sales to one customer (2010: one customer).

Revenue by product group

During the half-year ended 31 December 2011, data and voice sales were \$15,815,963 and \$5,898,903 respectively (2010: \$9,535,362 and \$4,200,485 respectively).

Revenue by Geographical area

During the half-year ended 31 December 2011, sales were split geographically between Australia, New Zealand and the United States totalling \$15,660,419, \$5,295,244 and \$759,203 respectively (2010: \$9,024,699, \$3,810,558 and \$900,590 respectively).

Vocus Communications Limited
Notes to the financial statements
31 December 2011

Note 4. Revenue

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
<i>Sales revenue</i>		
Rendering of services	<u>21,714,866</u>	<u>13,735,847</u>
<i>Other revenue</i>		
Interest	154,585	112,995
Other revenue	<u>-</u>	<u>63,380</u>
	<u>154,585</u>	<u>176,375</u>
Revenue	<u><u>21,869,451</u></u>	<u><u>13,912,222</u></u>

Note 5. Other gains/(losses)

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Net foreign exchange gain/(loss)	<u>(716,230)</u>	<u>1,817,906</u>

Note 6. Expenses

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	125,480	260,023
Network equipment	<u>678,611</u>	<u>80,346</u>
Total depreciation	<u>804,091</u>	<u>340,369</u>
<i>Amortisation</i>		
IRU capacity	1,328,027	927,386
Customer contracts	<u>129,648</u>	<u>-</u>
Total amortisation	<u>1,457,675</u>	<u>927,386</u>
Total depreciation and amortisation	<u>2,261,766</u>	<u>1,267,755</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>245,373</u>	<u>182,740</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>561,103</u>	<u>231,240</u>

Vocus Communications Limited
Notes to the financial statements
31 December 2011

Note 6. Expenses (continued)

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	201,987	108,711
Share-based payment expense	188,448	53,580
Other employee benefits expense	2,921,406	1,742,182
Total employee benefits expense	<u>3,311,841</u>	<u>1,904,473</u>

Note 7. Equity - contributed

	Consolidated		Consolidated	
	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>60,982,675</u>	<u>60,369,344</u>	<u>22,504,420</u>	<u>22,197,753</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2011	60,369,344		22,197,753
Issue of shares on exercise of ESOP	6 July 2011	166,666	\$0.50	83,334
Issue of shares on exercise of ESOP	21 July 2011	233,333	\$0.50	116,666
Issue of shares on exercise of ESOP	25 October 2011	174,999	\$0.50	87,500
Issue of shares on exercise of ESOP	1 December 2011	<u>38,333</u>	\$0.50	<u>19,167</u>
Balance	31 December 2011	<u>60,982,675</u>		<u>22,504,420</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.

Note 8. Equity - dividends

There were no dividends paid or declared during the current or previous financial half-year.

Vocus Communications Limited
Notes to the financial statements
31 December 2011

Note 9. Contingent liabilities

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

	Consolidated	
	31 Dec 2011	30 Jun 2011
	\$	\$
Performance contracts	<u>50,000</u>	<u>50,000</u>

Note 10. Business combinations

E3 Networks (prior period)

On 12 November 2010, Vocus Communications Limited acquired the Sydney and Melbourne data centre businesses from E3 Networks for a total consideration of \$5,917,000. The acquisition builds on Vocus' reputation for technical and customer service excellence. It provided Vocus with a platform to further expand into data centres and attract new customers for its wholesale internet business, its new peering product and other business opportunities. The goodwill of \$1,472,470 (previously stated at \$1,703,667) represents the residual value of the purchase price over the fair value of identifiable tangible and intangible assets shown below. The values identified in relation to the acquisition of E3 Networks data centre businesses are final at 31 December 2011.

Details of the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	\$	\$
Cash equivalents	22,000	22,000
Other receivables	-	527,047
Plant and equipment	4,152,741	4,152,741
Customer contracts	-	338,592
Lease make good provision	-	(300,000)
Warranty provision	-	(295,850)
Net assets acquired	<u>4,174,741</u>	4,444,530
Goodwill		<u>1,472,470</u>
Acquisition-date fair value of the total consideration transferred		<u>5,917,000</u>
Representing:		
Cash paid or payable to vendor		<u>5,917,000</u>
Acquisition costs expensed to profit or loss		<u>483,255</u>

Vocus Communications Limited
Notes to the financial statements
31 December 2011

Note 10. Business combinations (continued)

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	5,917,000
Less: cash equivalents acquired	-	(22,000)
	<u>-</u>	<u>(22,000)</u>
Net cash used	<u>-</u>	<u>5,895,000</u>

On finalisation of the business combination accounting, other receivables increased by \$527,047, warranty provision increased by \$295,850 and goodwill decreased by \$231,197. (Refer Note 2 for details of the restatement).

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Profit after income tax attributable to the owners of Vocus Communications Limited	<u>3,493,141</u>	<u>3,682,361</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	60,810,583	51,555,887
Adjustments for calculation of diluted earnings per share:		
Options	<u>2,654,844</u>	<u>431,877</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>63,465,427</u>	<u>51,987,764</u>
	Cents	Cents
Basic earnings per share	5.74	7.14
Diluted earnings per share	5.50	7.08

Vocus Communications Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



James Spenceley
Director

16 February 2012
Sydney

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

We have reviewed the accompanying half-year financial report of Vocus Communications Limited, which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 16.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Communications Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 16 February 2012