

Preliminary Final Report
Appendix 4E
Results for announcement to the market

Amcom Telecommunications Ltd (ACN 062 046 217)

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year ending 30 June 2014

Previous Corresponding Period: Financial Year ending 30 June 2013

Results		Percentage Change %	30 June 2014 \$'000	30 June 2013 \$'000
Revenue	up	8	170,414	157,735
Net profit after tax attributable to members	up	8	22,389	20,750
Net profit after tax (underlying)	up	12	23,152	20,750
Earnings per share – basic (cents)	up	7	9.12	8.50
Earnings per share (underlying) – basic (cents)	up	11	9.43	8.50
Net tangible assets per share (cents)	up	25	42.9	34.2

Dividend (final)

Amount per security ¢	Franked amount per security ¢
4.0	4.0

The Amcom Dividend Reinvestment Plan (DRP) will apply to this dividend.

A DRP discount of 2.5% will apply.

Key Dates

Annual Report	19 September 2014
Dividend record date	22 September 2014
DRP election closing	23 September 2014
Dividend payment date	7 October 2014
Annual General Meeting	19 November 2014

Amcom Telecommunications Ltd

Overview of Financial Performance

1. Profit Summary

The reported net profit after tax for the financial year ended 30 June 2014 was \$22.4m (2013: \$20.8m). After excluding significant items, the company recorded a 12% increase in net profit after tax before significant items to \$23.2m.

A summary of the result is shown below.

\$ 000	FY 14	FY 13	Δ %
Revenue	170,414	157,735	8%
EBITDA*	46,712	40,001	17%
EBIT*	35,238	30,507	16%
Interest expense (net)	(2,320)	(1,581)	
Profit before tax*	32,918	28,926	14%
Tax	(9,766)	(8,176)	
Net profit after tax before significant items *	23,152	20,750	12%
Significant items: Acquisition activity expenses and associated costs* (net of tax)	(763)	-	
Net profit after tax as reported	22,389	20,750	8%
EPS basic – NPAT before significant items*	9.4c	8.5c	11%
EPS basic – NPAT as reported	9.1c	8.5c	7%

*non AIFRS financial information is reconciled to AIFRS financial information at Note 12

Amcom Telecommunications Ltd

2. Cash flow

Amcom recorded a 24% increase in operating cash flow to \$41.2m for the financial year ended 30 June 2014. Free cash flow increased 44% to \$21.3m for the financial year as shown in the table below:

\$'000	Operating and Investing Cash Flow		
	FY 14	FY 13	Δ %
Operating Cash Flow	41,176	33,243	24%
Capex – customer connections growth	(11,405)	(10,746)	
Capex - stay in business	(10,286)	(7,770)	
Operating Free Cash Flow	19,485	14,727	32%
Capex - network upgrade and ACC (Cisco platform)	(5,532)	(5,499)	
Network upgrade and ACC funded by vendor loan	2,883	4,772	
Other capex funded by vendor loan	1,754	-	
Proceeds on sale and leaseback of PP&E	2,673	801	
Free Cash Flow	21,263	14,801	44%
Free Cash Flow per share	8.66c	6.06c	43%

In FY14 \$4.6m (FY13 \$4.8m) of property, plant and equipment was acquired via vendor loans not involving cash.

Dividends paid during the financial year were \$13.9m (2013: \$12.7m) or \$12.4m net of dividend reinvestment plan.

3. Review of operations

The company's business operations are reported under three operating segments based upon product or service groupings.

\$'000	Revenue			EBITDA		
	FY 14	FY 13	Δ %	FY 14	FY 13	Δ %
Data networks	82,717	73,446	13%	41,721	35,758	17%
Amnet - consumer	10,242	9,912		1,697	2,002	
Telecommunications	92,959	83,358	12%	43,418	37,760	15%
EBITDA/Rev margin %	47%	45%				
Hosted and Cloud Services	33,399	25,880	29%	6,716	5,713	18%
IT Services	43,747	48,221	-9%	2,132	1,623	31%
Sub Total	170,105	157,459	8%	52,266	45,096	16%
Corporate	309	276		(5,554)	(5,095)	
Totals	170,414	157,735	8%	46,712	40,001	17%
EBITDA / Revenue Margin %	27%	25%				

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Revenue from Telecommunications increased 12% to \$93m and EBITDA grew by 15% to \$43.4m.

The Hosted and Cloud Services segment increased EBITDA to \$6.7m and revenue grew by 29% to \$33.4m. The Hosted and Cloud Services segment includes the products of Cloud, IP Telephony and data centre operations.

IT Services segment comprises the sale of IT hardware and services, licensing, maintenance and outsourced services.

Corporate represents general overheads, new product development costs and costs not allocated to a particular segment.

4. Balance Sheet

The table below summarises the balance sheet position of the company.

\$'000	FY 14	FY 13
Total equity	167,764	120,646
Cash	31,443	25,310
Borrowings	24,179	37,155
Net debt / (cash)	(7,264)	11,845
NTA	113,126	83,712
Gearing (%) #	N/A	9%
NTA per share (c)	42.9c	34.2 c

calculated as Net debt / (Net debt + Shareholders equity)

On 13 June 2014 the company placed 19,512,195 shares at \$2.05 per share, raising \$38.5m cash, net of costs.

Amcom Telecommunications Ltd

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	<u>Note</u>	Consolidated	
		<u>Year ended 30 June 2014 \$'000</u>	<u>Year ended 30 June 2013 \$'000</u>
Continuing Operations			
Revenue	2	170,414	157,735
Network costs (inc. cloud and hosted costs)		(43,923)	(41,078)
Cost of hardware sold		(20,870)	(20,268)
Occupancy expenses		(6,674)	(4,483)
Depreciation and amortisation expenses		(11,474)	(9,494)
Employee benefits expenses		(40,377)	(40,130)
Finance costs		(2,629)	(1,857)
Marketing related expenses		(2,221)	(2,191)
Repairs and maintenance expenses		(1,837)	(1,545)
Other expenses		(8,470)	(7,763)
		31,939	28,926
Income tax expense		(9,550)	(8,176)
Net Profit attributable to members of Amcom Telecommunications Ltd		22,389	20,750
Other comprehensive income (items that may be reclassified subsequently to profit or loss)			
Cash flow hedge – (loss) / gain taken to equity, net of tax		(6)	(116)
Total comprehensive income attributable to members of Amcom Telecommunications Ltd, net of tax		22,383	20,634
Earnings per share from continuing operations			
Basic (cents per share)	5	9.12	8.50
Diluted (cents per share)	5	8.39	8.37

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated	
		Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Current assets			
Cash and cash equivalents		31,443	25,310
Trade and other receivables		15,301	15,983
Inventories		3,358	2,189
Other		2,790	2,332
Total current assets		52,892	45,814
Non-current assets			
Property, plant and equipment		140,981	123,209
Goodwill		48,599	34,472
Other intangible assets		6,039	2,462
Total non-current assets		195,619	160,143
Total assets		248,511	205,957
Current liabilities			
Trade and other payables		25,861	20,169
Deferred revenue		12,367	13,934
Borrowings		3,320	639
Income tax payable		1,982	1,851
Deferred consideration	7	1,000	-
Provisions and other liabilities		3,302	2,765
Total current liabilities		47,832	39,358
Non-current liabilities			
Borrowings		20,859	36,516
Provisions and other liabilities		3,179	1,530
Deferred revenue		557	718
Deferred tax liabilities		8,320	7,189
Total non-current liabilities		32,915	45,953
Total liabilities		80,747	85,311
Net assets		167,764	120,646
Equity			
Contributed equity	4	148,525	107,873
Reserved shares	4	(2,410)	-
Reserves		(295)	(720)
Retained profits		21,944	13,493
Total equity		167,764	120,646

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		Year ended 30 June 2014	Year ended 30 June 2013
		\$'000	\$'000
	Note		
Cash flows from operating activities			
Receipts from customers		185,409	177,610
Payments to suppliers and employees		(135,850)	(138,320)
Interest received		185	276
Interest and other costs of finance paid		(2,490)	(1,856)
Income tax paid		(6,078)	(4,467)
Net cash provided by operating activities	6	41,176	33,243
Cash flows from investing activities			
Payment for property, plant and equipment		(22,586)	(19,243)
Proceeds from sale and lease back of property, plant and equipment		2,673	801
Payments for acquisition of controlled entities, net of cash acquired	7	(14,283)	-
Acquisition activity expenses		(979)	(420)
Net cash (used in) investing activities		(35,175)	(18,862)
Cash flows from financing activities			
Repayment of loans to shareholders		189	86
Proceeds from borrowings		34,217	17,500
Repayment of borrowings		(56,763)	(18,182)
Equity raising (net of costs)		38,446	-
Acquisition of shares by Amcom Incentive Share Trust		(3,568)	-
Dividends paid (net of dividend reinvestment plan)		(12,389)	(12,717)
Net cash provided by / (used in) financing activities		132	(13,313)
Net increase in Cash and cash equivalents		6,133	1,068
Cash and cash equivalents at the beginning of the financial year		25,310	24,242
Cash and cash equivalents at the end of the financial year		31,443	25,310

Non Cash Transactions

In 2014 \$4.6m (2013: \$4.8m) of property, plant and equipment was acquired via vendor loan facilities.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Contributed Equity	Shares Reserved for Employee Share Plans	Equity – Settled Benefits Reserve	Cash Flow Hedge Reserve	Option Cancellation Reserve	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
At 30 June 2012	107,787	-	1,956	-	(3,366)	5,460	111,837
Profit for the year	-	-	-	-	-	20,750	20,750
Other comprehensive income	-	-	-	(116)	-	-	(116)
Total comprehensive income	-	-	-	(116)	-	20,750	20,634
Repayment of shareholders loan	86	-	-	-	-	-	86
Shares based payment	-	-	806	-	-	-	806
Dividends paid	-	-	-	-	-	(12,717)	(12,717)
At 30 June 2013	107,873	-	2,762	(116)	(3,366)	13,493	120,646
Profit for the year	-	-	-	-	-	22,389	22,389
Other comprehensive income	-	-	-	(6)	-	-	(6)
Total comprehensive income	-	-	-	(6)	-	22,389	22,383
Equity raising (net of costs)	38,914	-	-	-	-	-	38,914
Dividend reinvestment plan	1,549	-	-	-	-	-	1,549
Repayment of shareholders loan	189	-	-	-	-	-	189
Share based payment	-	-	680	-	-	-	680
Acquisition of shares by Amcom Incentive Share Trust	-	(3,568)	-	-	-	-	(3,568)
LTI share plan transfer	-	1,158	(1,158)	-	-	-	-
Deferred tax on share based payment	-	-	909	-	-	-	909
Dividends paid	-	-	-	-	-	(13,938)	(13,938)
At 30 June 2014	148,525	(2,410)	3,193	(122)	(3,366)	21,944	167,764

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Notes to the Financial Statements For the Financial Year Ended 30 June 2014

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the consolidated financial report of 30 June 2013.

2. Revenue

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Profit from ordinary activities before income tax includes:		
Rendering of services	145,340	132,170
Sale of hardware	24,765	25,289
Interest and other income	309	276
	<u>170,414</u>	<u>157,735</u>

3. Dividends fully franked

	Date dividend paid / payable	Amount per security ¢	\$'000
2014			
Final	7 October 2014	4.0	10,593
Interim	21 March 2014	2.2	5,380
		<u>6.2</u>	<u>15,973</u>
2013			
Final	4 October 2013	3.5	8,560
Interim	28 March 2013	2.0	4,891
		<u>5.5</u>	<u>13,451</u>

4. Contributed equity

Fully paid ordinary shares on issue	Number of shares	\$'000
Opening balance @ 1 July 2013	244,557,101	107,873
Repayment of share based loan to Directors	-	189
Dividend reinvestment plan	765,793	1,549
Equity raising	19,512,195	38,914
Reserved shares	(1,150,000)	-
Closing balance	<u>263,685,089</u>	<u>148,525</u>

Reserved Shares*

	Number of shares	\$'000
Opening balance @ 1 July 2013	-	-
On market purchase of shares by trust (Tranche B)	(631,920)	(1,158)
Transfer of shares to employees on vesting of performance rights	631,920	1,158
On market purchase of shares by trust (Tranche C)	(1,150,000)	(2,410)
Closing balance	<u>(1,150,000)</u>	<u>(2,410)</u>

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*Shares are purchased by the Amcom Incentive Share Trust ("the Trust") off the ASX from time to time to transfer to participants of the long term incentive plan upon the vesting of Performance Rights. At year end, the Trust held 1,150,000 shares in the company.

Other securities on issue

Performance rights – Tranche C	1,150,000
Performance rights – Tranche D	1,025,000
Performance rights – Tranche E	1,060,000

Movement in Performance Rights	Tranche B	Tranche C	Tranche D	Tranche E
Opening balance @ 1 July 2013	480,000	1,150,000	1,135,000	-
Issued in year	-	-	-	1,160,000
Lapsed	-	-	(110,000)	(100,000)
Converted to ordinary shares	(480,000)	-	-	-
Closing balance @ 30 June 2014	-	1,150,000	1,025,000	1,060,000

Tranche B

The Tranche B performance rights vested during the year to performance rights holders as all vesting hurdles were met.

Tranche C

Issued for nil consideration pursuant to Amcom Executive Long Term Incentive Plan with no exercise price. Vesting conditions and performance hurdles: 33% at 30 June 2014; and 33% if Amcom TSR equals S&P ASX 300 Accumulation Index; and a further 33% if Amcom TSR equals or exceeds 110% of the S&P ASX 300 Accumulation Index. Unvested Performance Rights will lapse on 30 June 2014 or if employment is terminated. Change of control provisions also apply. The fair value of the rights granted during the period was in the range of 51.9 cents to 61.5 cents per right. The Tranche C Performance Rights vested subsequent to year end.

Tranche D

Performance Rights were granted for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan, with no exercise price. Vesting conditions and performance hurdles for the rights: 33.3% at 30 June 2015; and 33.3% if Amcom TSR equals the S&P ASX 300 Accumulation Index; and a further 33.3% if Amcom TSR equals or exceeds the S&P ASX 300 Accumulation Index by 10%. Unvested Performance Rights will lapse on 30 June 2015 or if employment is terminated. Change of control provisions apply. The fair value of the rights granted during the period was in the range of 70.5 cents to 95.7 cents per right.

Tranche E

Performance Rights were granted for nil consideration pursuant to the Amcom Executive Long Term Incentive Plan, with no exercise price. Vesting conditions and performance hurdles for the rights: 33.3% at 1 September 2016; and 33.3% if Amcom TSR equals the S&P ASX 300 Accumulation Index; and a further 33.3% if Amcom TSR which is equal to or greater than 110% of the percentage movement in the index of the vesting period. Unvested Performance Rights will lapse on 1 September 2016 or if employment is terminated. Change of control provisions apply. The fair value of the rights granted during the period was 134.85 – 138.84 cents per right.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2014

5. Earnings Per Share

	Year ended 30 June 2014	Year ended 30 June 2013
	¢ per share	¢ per share
Basic EPS	9.12	8.50
Basic EPS (Underlying)	9.43	8.50
Diluted EPS*	8.39	8.37
	2014	2013
Weighted average number of shares	No. '000	No. '000
Basic EPS	245,434	244,121
Diluted EPS*	266,920	247,817

* The dilution includes potential ordinary shares that could be issued upon vesting of performance rights (note 4).

6. Reconciliation of Profit to Operating Cash Flow

	Year ended 30 June 2014	Year ended 30 June 2013
Profit before tax	31,939	28,926
Tax paid	(6,078)	(4,467)
Depreciation and amortisation	11,474	9,494
Share based payment expense	680	565
Acquisition expenses	979	-
Other	726	320
Operating cash flow before working capital movements	39,720	34,838
Movements in working capital		
Receivables, inventory and other	(459)	(1,135)
Trade creditors, deferred revenue and provisions	1,915	(460)
Total movement in working capital	1,456	(1,595)
Operating cash flow	41,176	33,243

7. Acquisition of Controlled Entities

aCure Technology Pty Ltd

On the 26th of September 2013, the company acquired aCure Technology Pty Ltd for an initial cash consideration of \$11.7m plus \$1.5m cash deferred consideration to give a total consideration of \$13.2m. The company was acquired to increase Amcom's data centre capacity to over 650 racks, connected by Amcom's fibre network, and drive further revenue through cloud and hosted services.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2014

	Final Fair Value at acquisition date \$'000
Cash assets	124
Trade receivables and other current assets	681
Deferred tax assets	913
Total current assets	<u>1,718</u>
Property , plant and equipment	2,886
Customer contracts	787
Total non-current assets	<u>3,673</u>
Total assets	<u>5,391</u>
Trade payables, provisions and other	(1,797)
Financial liabilities	(349)
Deferred tax liabilities	(55)
Total current liabilities	<u>(2,201)</u>
Financial liabilities	(616)
Provision for onerous contract	(1,713)
Deferred tax liability	(221)
Total non-current liabilities	<u>(2,550)</u>
Total liabilities	<u>(4,751)</u>
Net assets	640
Goodwill	12,522
Acquisition cost	<u>13,162</u>
Fair value of consideration transferred:	
Initial payment on acquisition	11,662
Deferred cash	1,500
	<u>13,162</u>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	124
Cash paid (excluding deferred consideration)	(11,662)
	<u>(11,538)</u>

The goodwill of \$12,522k arising from the acquisition was allocated to the Hosted and Cloud services segment.

aCure Technology's contribution to net profit after tax for the 9 month period ended 30 June 2014 since acquisition was \$614k. The net profit after tax for the corresponding 9 month period ended 30 June 2013 was \$336k.

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Global Networks AMC Data Centre Pty Ltd

On 25 July 2013, the company acquired 100% of Global Networks AMC Data Centre Pty Ltd for cash consideration of \$2.243m (net of cash acquired). The company was acquired primarily to provide capacity to grow the hosted and cloud operations of the group.

The contribution of Global Networks AMC Data Centre Pty Ltd to the net profit for the entity for the period ended 30 June 2014 was immaterial. (Comparative period 30 June 2013: \$362k).

8. Operating Segments

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided.

Types of Services

Telecommunications

Data Networks

Provision of high-speed fibre based connectivity services. Development of high-speed technology links and supply of last mile fibre optic network connections and business grade internet.

Amnet

Consumer DSL services.

Hosted and Cloud Services

IP telephony voice services, cloud and data centre management.

IT Services

Sale of hardware and provision of implementation consultancy services.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 of the 2013 annual report and applied in the prior financial year.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest expense and revenue
- Corporate overheads
- Income tax expense
- Acquisition and integration expenses

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2014 and 2013.

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30 June 2014 \$'000	Telco	Hosted & Cloud Services	IT Services	Total
Revenue from external customers	92,959	33,399	43,747	170,105
Total segment revenue	92,959	33,399	43,747	170,105
Other revenue				309
Total revenue per the statement of comprehensive income				170,414
Segment earnings before interest, tax, depreciation and amortisation	43,418	6,716	2,132	52,266
Depreciation and amortisation	(9,301)	(1,996)	(177)	(11,474)
Segment result (EBIT)	34,117	4,720	1,955	40,792
Corporate Overhead				(5,554)
EBIT				35,238
Interest (net)				(2,320)
Acquisition and integration expenses (net of tax)				(763)
Net profit before tax				32,155
Tax expense				(9,766)
Net profit after tax				22,389
30 June 2013 \$'000	Telco	Hosted & Cloud Services	IT Services	Total
Revenue from external customers	83,358	25,880	48,221	157,459
Total segment revenue	83,358	25,880	48,221	157,459
Other revenue				276
Total revenue per the statement of comprehensive income				157,735
Segment earnings before interest, tax, depreciation and amortisation	37,760	5,713	1,623	45,096
Depreciation and amortisation	(8,473)	(850)	(171)	(9,494)
Segment result (EBIT)	29,287	4,863	1,452	35,602
Corporate Overhead				(5,095)
EBIT				30,507
Interest (net)				(1,581)
Net profit before tax				28,926
Tax expense				(8,176)
Net profit after tax				20,750

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Notes to the Financial Statements For the Financial Year Ended 30 June 2014

	Segment Assets	
	2014 \$'000	2013 \$'000
Telecommunications	152,773	134,499
Hosted and Cloud Services	54,149	36,555
IT Services	10,146	9,593
Total of all segments	217,068	180,647
Cash and cash equivalents	31,443	25,310
Total Assets	248,511	205,957

9. Material Contingent Liabilities

There has been no material change in contingent liabilities during the financial year.

10. Subsequent Events

The following significant event occurred after the balance date:

- a. In July 2014, 825,000 Amcom shares were transferred from the Amcom Incentive Share Trust to the holders of the Tranche C performance rights under the Amcom long term incentive plan.

11. Information on Audit or Review

This preliminary final report is based on financial statements that are in the process of being audited.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2014

12. Reconciliation of AIFRS and non AIFRS financial information

The directors believe that the presentation of non-AIFRS financial information is useful for readers of this document to provide information of the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the AIFRS based profit results included in the Statement of Comprehensive Income above to the non-AIFRS Profit summary on page 2.

	CONSOLIDATED	
	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Net Profit after tax	22,389	20,750
Income tax expense	9,550	8,176
Acquisition activity and other expenses*	979	-
Depreciation and amortisation	11,474	9,494
Interest revenue	(309)	(276)
Finance costs	2,629	1,857
EBITDA*	46,712	40,001
Depreciation and amortisation	(11,474)	(9,494)
EBIT*	35,238	30,507
Interest revenue	309	276
Finance costs	(2,629)	(1,857)
Profit before tax*	32,918	28,926
Income tax expense	(9,766)	(8,176)
Net Profit after tax before significant items*	23,152	20,750

* non AIFRS financial information