

Appendix 4D

Half year report Six months ended 31 December 2013

1. Results for announcement to the market

\$A'000			
Revenue and other income	Down	5.3%	99,808
Profit after tax attributable to members	Down	94.8%	to 387
Net profit for the period attributable to members	Down	94.8%	to 387

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	12 ¢	12 ¢
Previous corresponding period	12 ¢	12 ¢

Record date for determining entitlements to the dividend	20 March 2014
Payment date	17 April 2014

Refer commentary on review of operations in the Interim Financial Report attached.

2. Net tangible assets per security

	31 December 2013	31 December 2012
Net tangible asset backing per ordinary security	3.84	4.09

3. Dividends

Macquarie Telecom's directors today declared an interim dividend of 12 cents per share fully franked payable to shareholders registered on 20 March 2014. The interim dividend paid for the prior corresponding period was 12 cents.

On 10 October 2013, Macquarie Telecom paid to all shareholders registered on 12 September 2013, a final dividend of 12 cents per share fully franked in respect of the financial year ended 30 June 2013.

4. Compliance statement

This report, and the interim financial report upon which the report is based, use the same accounting policies. The interim financial report upon which this report is based has been reviewed. A copy of the reviewed Interim Financial Report is attached. The Appendix 4D is also to be read in conjunction with the annual financial report for the year ended 30 June 2013.

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 December 2013

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Directors' Report

Your directors submit their report on the consolidated entity consisting of Macquarie Telecom Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below.

Name	Directorship
Robert Kaye	Non-Executive Chairman
David Tudehope	Chief Executive
Aidan Tudehope	Managing Director, Hosting
John Palfreyman	Non-Executive Director
Peter James	Non-Executive Director
Anouk Darling	Non-Executive Director

Review of Operations

Macquarie Telecom generated a net profit after tax of \$0.4 million for the half-year to 31 December 2013, compared to a net profit after tax of \$7.4 million for the half-year to 31 December 2012.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year was \$13.3 million, down from \$19.6 million in the prior corresponding period.

Service revenue decreased by 5.4% to \$99.7 million from \$105.3 million for the previous corresponding period.

Macquarie Telecom's Hosting business contributed \$30.2 million, or 30.3% of total revenue. The Hosting business recorded EBITDA of \$2.8 million, below the previous corresponding period of \$6.9 million. The result includes establishment costs associated with Cloud Computing and Federal Government.

Macquarie Telecom's Telco (Data, Voice and Mobiles) business remains an important part of the company's overall offering, delivering \$69.5 million in revenue and EBITDA of \$13.4 million.

The following tables summarise the revenue and EBITDA performance of Macquarie Telecom's major lines of business.

Service Revenue <i>(A\$ million)</i>	6 months ended 31 December 2013	6 months ended 31 December 2012
<i>Hosting</i>		
Hosting Total	30.2	30.7
<i>Telco</i>		
Voice	29.0	34.2
Data	31.3	30.7
Mobiles	9.2	9.7
Telco Total	69.5	74.6
Total Service Revenue	99.7	105.3

Directors' Report (cont'd)

EBITDA <i>(A\$ million)</i>	6 months ended 31 December 2013	6 months ended 31 December 2012
<i>Hosting</i>		
Hosting Total	2.8	6.9
<i>Telco</i>		
Voice	8.0	8.7
Data	5.2	5.5
Mobiles	0.2	1.5
Telco Total	13.4	15.7
<i>Corporate Office</i>		
Corporate Office Total	(2.9)	(3.0)
Total EBITDA	13.3	19.6
<i>Reconciliation of EBITDA to profit before income tax</i>		
Total EBITDA	13.3	19.6
Interest revenue	0.1	0.4
Interest expense	(0.6)	(0.2)
Depreciation and amortisation expense	(12.3)	(9.6)
Profit before income tax	0.5	10.2

During the 6 months ending 31 December 2013, \$4.0 million was invested into the expansion of Hosting capacity in Sydney and Canberra with a further \$13.0 million spent on business as usual capital expenditure.

Macquarie Telecom has generated operating cash flows of \$5.8 million and held cash and cash equivalents of \$11.1 million as at 31 December 2013.

Auditor's Independence Declaration

Refer to page 17 for the independence declaration from our auditors, PricewaterhouseCoopers.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



David Tudehope
Director

Sydney, 26 February 2014

Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2013

	Notes	6 months ended 31 December 2013	6 months ended 31 December 2012
		\$'000	\$'000
Revenue and other income	3	99,808	105,346
Expenses	3	(98,820)	(95,366)
Results from operating activities		988	9,980
Finance income		90	425
Finance costs		(627)	(204)
Profit before income tax		451	10,201
Income tax expense		(64)	(2,825)
Profit after income tax for the half-year attributable to owners of the parent		387	7,376
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(21)	(8)
Total comprehensive income for the half-year attributable to owners of the parent		366	7,368
		cents	cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	6	1.8	35.2
Diluted earnings per share	6	1.8	35.2

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

**Consolidated Statement of Financial Position
As at 31 December 2013**

	31 December 2013	30 June 2013
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,143	9,703
Receivables	9,701	6,872
Accrued income	3,837	5,026
Current tax receivable	69	1,509
Other	4,895	4,029
TOTAL CURRENT ASSETS	29,645	27,139
NON-CURRENT ASSETS		
Property, plant and equipment	99,519	96,211
Intangibles	14,959	13,445
Deferred tax assets	2,986	3,052
Other	505	656
TOTAL NON-CURRENT ASSETS	117,969	113,364
TOTAL ASSETS	147,614	140,503
LIABILITIES		
CURRENT LIABILITIES		
Payables	24,636	30,278
Current tax liabilities	-	-
Provisions	1,503	1,443
Other	237	320
TOTAL CURRENT LIABILITIES	26,376	32,041
NON-CURRENT LIABILITIES		
Borrowings	24,000	9,000
Deferred tax liabilities	-	-
Provisions	1,060	1,277
Other	722	579
TOTAL NON-CURRENT LIABILITIES	25,782	10,856
TOTAL LIABILITIES	52,158	42,897
NET ASSETS	95,456	97,606
EQUITY		
Contributed equity	42,991	42,991
Reserves	158	179
Retained profit	52,307	54,436
TOTAL EQUITY	95,456	97,606

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

Consolidated Statement of Changes in Equity For the half-year ended 31 December 2013

	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	42,991	194	48,140	91,325
Total comprehensive income for the period	-	(8)	7,376	7,368
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(2,516)	(2,516)
	-	-	(2,516)	(2,516)
Balance at 31 December 2012	42,991	186	53,000	96,177

	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	42,991	179	54,436	97,606
Total comprehensive income for the period	-	(21)	387	366
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(2,516)	(2,516)
	-	-	(2,516)	(2,516)
Balance at 31 December 2013	42,991	158	52,307	95,456

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

Consolidated Statement of Cash Flows For the half-year ended 31 December 2013

	31 December 2013 \$'000	31 December 2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	107,622	113,735
Payments to suppliers and employees	(102,767)	(96,228)
Interest received	81	535
Interest paid	(593)	(204)
Income taxes refunded/(paid)	1,439	(5,083)
Other receipts	58	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,840	12,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(16,983)	(23,889)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(16,983)	(23,889)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	15,000	-
Dividends paid on ordinary shares	(2,516)	(2,516)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	12,484	(2,516)
NET INCREASE/(DECREASE) IN CASH HELD	1,341	(13,650)
Cash and cash equivalents at the beginning of the half-year	9,703	30,808
Effects of exchange rate changes on cash and cash equivalents	99	(35)
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR	11,143	17,123

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

Notes to the consolidated financial statements For the half-year ended 31 December 2013

1. Corporate Information

Macquarie Telecom Group Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the ASX (ASX Code: MAQ).

2. Summary of Significant Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

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

Accounting standards and interpretations which became effective for the first time for the December 2013 half year report did not materially affect the entity's accounting policies or any of the amounts recognised in the financial statements.

(b) Interim Reporting

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report.

Accordingly, the financial report should be read in conjunction with the Annual Financial Report of Macquarie Telecom Group Limited as at 30 June 2013. It is also recommended that the half-year financial report be considered together with any public announcements made by Macquarie Telecom Group Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(c) Significant accounting judgements, estimates and assumptions

In preparing the financial report, the consolidated entity is required to make estimates and assumptions about carrying values of assets and liabilities. The key estimates and accounting judgments for Macquarie Telecom Group Limited relate to income taxes and the useful life of non-current assets. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Notes to the consolidated financial statements

For the half-year ended 31 December 2013

3. Revenue and expenses

	Half-year ended 31 December 2013 \$'000	Half-year ended 31 December 2012 \$'000
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenues and other income		
Revenue from services	99,707	105,346
Net foreign exchange gains	40	-
Other income	61	-
Total revenue and other income	99,808	105,346
(ii) Expenses		
Operating lease rental	3,117	2,885
Employment costs	31,570	30,853
Carrier costs	39,518	41,599
Bad and doubtful debts – trade debtors	516	(17)
Net foreign exchange losses	-	44
Other expenses from ordinary activities	11,787	10,451
Depreciation and amortisation	12,312	9,551
Total expense	98,820	95,366

4. Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2013 is 14%, compared to 28% for the six months ended 31 December 2012. The lower tax rate this year is the result of R&D incentives proportionally higher to the profit before tax than last year.

5. Dividends

(a) Dividends paid during the reporting period

On 10 October 2013, Macquarie Telecom paid to all shareholders registered on 12 September 2013, a final dividend of 12 cents per share fully franked in respect of the financial year ended 30 June 2013.

(b) Dividends not recognised at the end of the reporting period

Since the end of the half-year, the directors declared the payment of an interim dividend of 12 cents per share fully franked and based on tax paid of 30%. The record date for determining entitlements to the dividend is 20 March 2014. The dividend will be paid on 17 April 2014.

The aggregate amount of the declared dividends expected to be paid on 17 April 2014 out of retained earnings at 31 December 2013, but not recognised as a liability at half-year end is \$2.5 million (2012: \$2.5 million).

Notes to the consolidated financial statements

For the half-year ended 31 December 2013

6. Earnings per share

Details of basic and diluted EPS are as follows:

	Half-year ended 31 December 2013	Half-year ended 31 December 2012
	cents	cents
Basic earnings per share	1.8	35.2
Diluted earnings per share	1.8	35.2
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	20,967,121	20,967,121
Effect of dilutive securities: Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	20,967,121	20,967,121
	\$000's	\$000's
Profit used in calculating basic and diluted earnings per share	387	7,376

7. Financing facilities

On 30 October 2013, the consolidated entity executed an extension to its cash advance facility with a financial institution. The amended facility allows the entity to draw down up to \$30 million in \$500,000 parcels for interest periods of 1, 3 and 6 months until 12 January 2016, and an additional \$20 million in \$500,000 parcels for interest periods of 1, 3 and 6 months in a revolving facility with an annual review date of 16 May each year.

8. Capital expenditure commitments

As at the reporting date, the consolidated entity has \$7.3 million (30 June 2013: \$5.6 million) of estimated capital expenditure contracted for, but not recognised as liabilities, relating to the expansion of Hosting capacity in Sydney.

9. Events subsequent to reporting date

On 26 February 2014, the directors declared a fully franked interim dividend of 12 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2013, to be paid to the shareholders on 17 April 2014.

This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$2.5 million.

Notes to the consolidated financial statements

For the half-year ended 31 December 2013

10. Segment reporting

The consolidated entity operates in four primary business segments providing services to Australian corporate and Australian government customers. The voice segment relates to the provision of voice telecommunications services. The data segment relates to the provision of services utilising the Macquarie data network. The hosting segment relates to the provision of services utilising the Macquarie data hosting facility. The mobiles segment relates to the provision of mobile telecommunications services.

All activities are principally conducted in Australia.

Business segments

	Voice		Data		Hosting		Mobiles		Consolidated	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue										
Sales to customers outside the consolidated entity	28,973	34,234	31,297	30,690	30,238	30,692	9,199	9,730	99,707	105,346
Other income	-	-	-	-	84	-	-	-	84	-
Total segment revenue	28,973	34,234	31,297	30,690	30,322	30,692	9,199	9,730	99,791	105,346
Unallocated revenue									17	-
Total consolidated revenue									99,808	105,346
Results										
Segment result before tax	7,908	8,664	2,459	3,031	(4,940)	1,643	38	1,329	5,465	14,667
Unallocated revenue and expenses									(4,477)	(4,687)
Interest income									90	425
Interest expense									(627)	(204)
Consolidated entity profit from ordinary activities before income tax expense									451	10,201
Income tax expense									(64)	(2,825)
Net profit									387	7,376

Notes to the consolidated financial statements For the half-year ended 31 December 2013

10. Segment reporting (cont'd)

Other segment information

	Voice		Data		Hosting		Mobiles		Consolidated	
	31 December 2013 \$'000	30 June 2013 \$'000	31 December 2013 \$'000	30 June 2013 \$'000	31 December 2013 \$'000	30 June 2013 \$'000	31 December 2013 \$'000	30 June 2013 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Assets										
Segment assets	10,214	10,250	17,715	16,424	109,603	103,893	4,287	3,879	141,819	134,446
Unallocated assets									5,795	6,055
Total assets									147,614	140,501

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Telecom Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board



David Tudehope
Director

Sydney, 26 February 2014



Independent auditor's review report to the members of Macquarie Telecom Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie Telecom Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Macquarie Telecom Group (the consolidated entity). The consolidated entity comprises both Macquarie Telecom Group Limited (the company) and the entities it controlled during that half-year.

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 (including the Australian Accounting Interpretations) 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 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 2013 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 Macquarie Telecom Group 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.

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Independence

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

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 Macquarie Telecom Group 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 2013 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*.



PricewaterhouseCoopers



Scott Walsh
Partner

Sydney
26 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Telecom Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'SW', located below the declaration text.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
26 February 2014

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