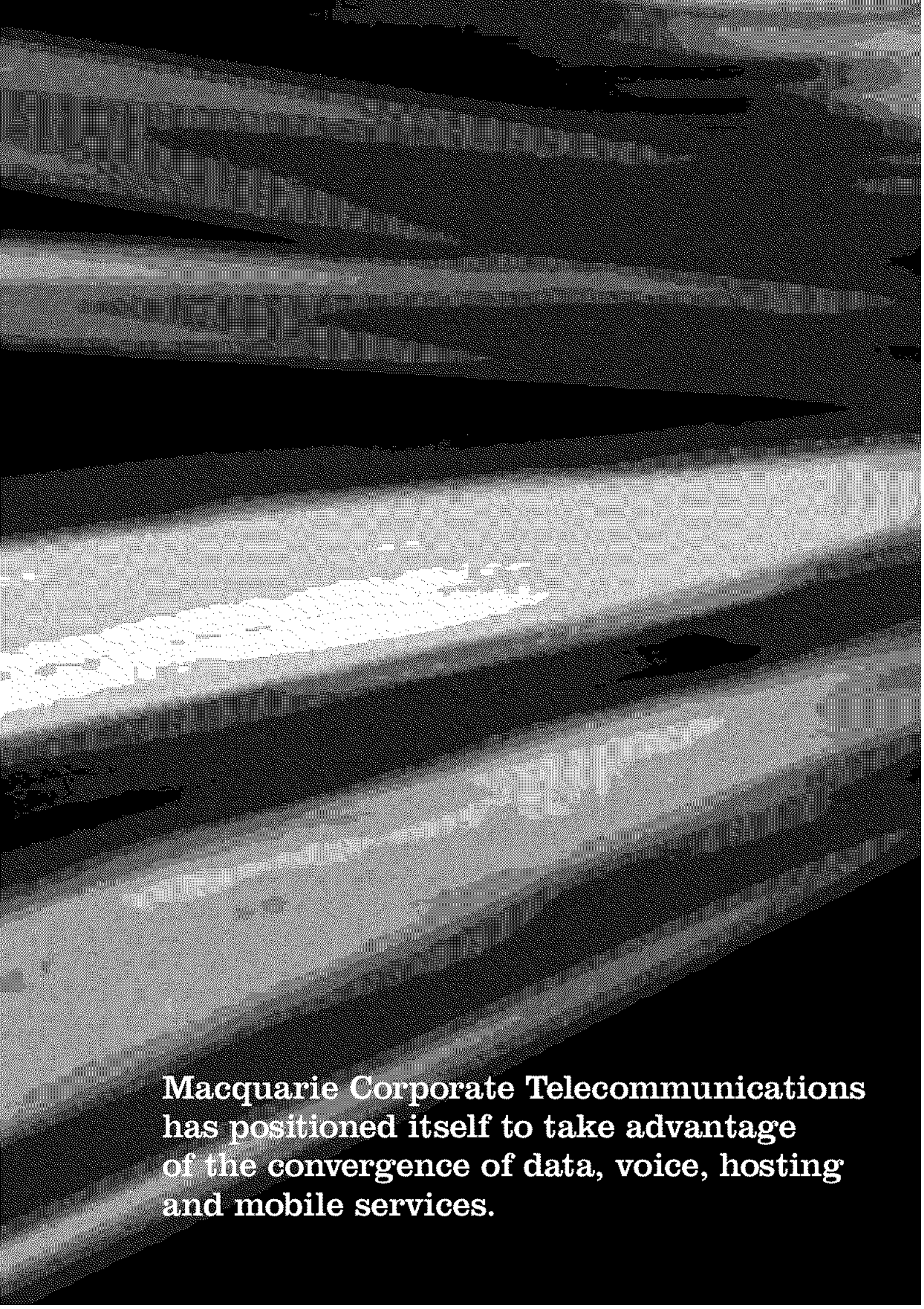


Data Data Data Voice Voice Voice Hosting Hosting Mobile Mobile



A black and white halftone illustration of a coastal landscape. The scene features a wide, sandy beach in the foreground, a calm ocean with a small boat in the distance, and rolling hills or mountains in the background. The entire image is rendered in a halftone dot pattern, giving it a textured, grainy appearance.

**Macquarie Corporate Telecommunications
has positioned itself to take advantage
of the convergence of data, voice, hosting
and mobile services.**

2004
2004
2004
2004
2004

AGM


Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Macquarie Corporate Telecommunications Holdings Limited will be held at the Museum of Sydney Auditorium (at the corner of Phillip and Bridge Streets) in Sydney on Monday, 29 November 2004, at 9am.

Macquarie Corporate
Telecommunications
Holdings Limited
ACN 056 712 228

Contents

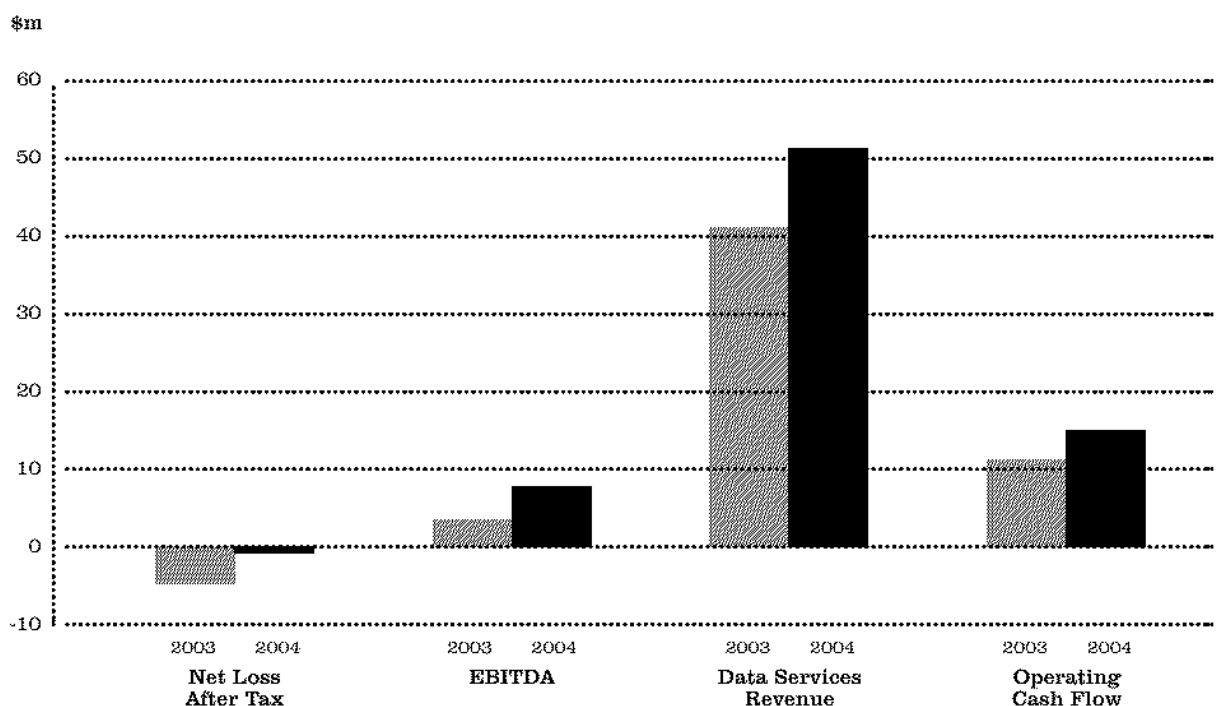
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The background of the slide is a complex, abstract pattern. It features a series of diagonal lines that create a sense of depth and movement, similar to a perspective view of a road or a series of parallel planes. The lines are rendered in various shades of gray, from light to dark, and are overlaid on a fine, repeating halftone dot pattern. The overall effect is a textured, three-dimensional look.

**Macquarie's business
fundamentals continued
to improve in 2004.**

Highlights

- » Macquarie achieved an EBITDA profit of \$7.9 million for the year ended 30 June 2004, a \$5.1 million improvement over the previous year.
- » Net loss after tax was \$787,000, a significant improvement over the net loss after tax for the year ended 30 June 2003 of \$4.7 million.
- » Total service revenue was \$226.9 million, a decrease of 3.2% compared with the year ended 30 June 2003.
- » Data service revenue was \$51.1 million, representing a 25.3% increase compared with the year ended 30 June 2003. The trend of improving revenue mix continued.
- » Data services achieved an EBITDA profit of \$4.2 million, up \$7.5 million on the loss of \$3.3 million for the year ended 30 June 2003.
- » The trend in improving gross profit margins continued for the year ended 30 June 2004.
- » Macquarie maintains a strong balance sheet, with \$31.8 million in cash and no debt at 30 June 2004. Operating cash flow was \$14.0 million. Net cash flow was \$1.9 million.





Robert Kaye

“We enter the new financial year confident we have a strong customer base, the strategies and the momentum in place to position Macquarie well in the evolving and converging telecommunications market.”

Chairman's Message

Macquarie's business fundamentals continued to improve during the 2004 financial year. Our operational and financial performance strengthened as we continued to focus on executing our strategy to position the Company as an integrated information technology and telecommunications carrier. We continued to evolve during the year into not just a supplier to our customers, but an important strategic partner critical to the success of their business. Our strong and growing customer base is evidence of the success of this strategy.

“Our early investment in the Intellicentre and pursuit of high levels of accreditation for this facility are now delivering positive growth.”

In the 2004 financial year, Macquarie achieved a profit in earnings before interest, tax, depreciation and amortisation (EBITDA) of \$7.9 million. This is a commendable result and represents a \$5.1 million improvement over the 2003 financial year. Net loss after tax was \$787,000 representing a significant improvement when compared with the net loss after tax for 2003 of \$4.7 million.

Across all our businesses, Macquarie generated service revenue of \$226.9 million.

Macquarie's traditional voice business was again characterised by intense competition and industry-wide price pressure. Because of these factors, voice revenues declined to \$161.6 million in 2004 from \$182.2 million in 2003. This trend of declining voice revenues reinforces Macquarie's strategy to diversify into other higher margin areas, particularly data products, and reduce reliance on voice service revenues.

We continue to pursue reductions in carrier costs to protect our margins, and to seek out opportunities to reduce our overall cost base, improve our margins and boost profitability in the current competitive environment. Per capita performance ratios continue to improve.

The decline in our voice revenues has been partially offset by an increase in our higher margin, higher value data service business. Data services revenue was \$51.1 million in 2004, a 25.3% increase over last year. In addition, our data services business achieved an EBITDA profit of \$4.2 million, an improvement of \$7.5 million over 2003. We are encouraged by the Company's continually improving revenue mix, with ongoing growth in data revenue and less reliance on voice services, and are confident this positive momentum in data revenue will be maintained.

Our early investment in the Intellicentre and pursuit of high levels of accreditation for this facility are now delivering positive growth fuelled by the convergence in telecommunications and emerging complex electronic security requirements. We are experiencing increasing recognition by our customers of the benefits of our dedicated world-class hosting facility.

Mobile revenues grew in 2004 to \$4.1 million in a highly competitive mobile market. The mobile business makes an important strategic contribution to the competitiveness of the overall Macquarie business model and our ability to provide a complete range of services, and we are confident our mobile offering will continue to grow.

Our Singapore business continues to fight fierce competition, an adverse pricing environment, and entry barriers to some telecommunications services and these challenges will continue in 2005.

Macquarie continues to maintain a solid balance sheet, with a strong liquidity position of \$31.8 million in cash and no debt at 30 June 2004. This will enable Macquarie to execute important new investments and to pursue further growth opportunities in the coming year.

Macquarie dedicated an enormous amount of time during financial year 2004 towards defining our road-map for future growth and profitability, and detailing strategies to ensure that the Company is equipped to execute to this road-map.

In this coming financial year, Macquarie intends to commence a capital investment program to establish an IP based Intelligent Business Network. This network will position Macquarie as a full service carrier, equipped with its own infrastructure, and provide it with both a reduced cost base and a high degree of self-reliance. This new Intelligent Business Network will also enable the Company to leverage the increasing convergence of voice and data communications. This investment is crucial to the ongoing enhancement of Macquarie's capability to meet its customers' increasingly sophisticated IP based needs.

Changes took place in the composition of the Macquarie Corporate Telecommunications Board following the end of June 2004. In July, John Priest retired from the position of Chairman of the Board, a role he had held since 2001, and Dr Jane Craig, a Non-Executive Director since 2003, also retired from the Board. John Priest's chairmanship saw Macquarie develop into a professional company with a clear strategy and culture and Dr Jane Craig's technical expertise in management and planning was invaluable. We wish them well in their future ventures. I have taken on the role of Chairman, having been a Board member since 2001.

Stephen Butler and John Palfreyman have joined the Board as Non-Executive Directors, each bringing a wealth of experience in emerging technologies, telecommunications and Australian industry and corporate practice. These will be essential as Macquarie faces new challenges in its next phase of development.

Our focus remains on the execution of our strategies. We are committed to building our customer base and becoming an integral part of their business. We are dedicated to improving our efficiency, competitiveness and performance. We enter the new financial year confident we have a strong customer base, the strategies and the momentum in place to position Macquarie well in the evolving and converging telecommunications market.

Robert Kaye
Chairman



David Tudehope

“Macquarie will commence a new capital investment program to establish an IP based Intelligent Business Network.”

Chief Executive's Message

The twelve months to 30 June 2004 represented a continued improvement in the fundamental drivers of Macquarie's business. We maintained our strategic focus on positioning Macquarie as an integrated information technology and telecommunications carrier offering a full range of data, voice, hosting and mobile services which address the increasingly complex needs of corporate and government customers.

Data revenue grew as management executed its strategy of improving Macquarie's revenue mix, with an increased contribution from higher value data and online services. Macquarie's data business, which provides secure data networking and data hosting services to Australian corporate and government customers, generated revenue of \$51.1 million. This represents a 25.3% increase compared with the twelve months ended 30 June 2003. Data represented more than 22% of Macquarie's service revenue for the year, and more than 24% in the second half.

During the year, Macquarie upgraded some of its internal systems, expanded capacity for the growth in customer data services and, in the final quarter, significantly upgraded its data networking assets. This was in response to a well established trend of traditional networking products evolving to IP based networking products. This upgrade strengthens the Company's capacity to handle further growth, and enhances its ability to deliver a wider range of IP based products to its customers. As a result, capital expenditures for the period totalled \$11.3 million, representing approximately 5% of service revenue.

In the coming year, Macquarie will continue to invest significant resources, both operating and capital, to position the Company for further growth, particularly in IP based products and services. This investment is crucial to the ongoing enhancement of Macquarie's capability to meet its customer's increasingly sophisticated IP based needs.

These investments will be focused on three major areas.

First, the evolution of convergence in telecommunications and its inherently complex electronic security requirements have been recognised by Macquarie. Macquarie has therefore invested in both the necessary equipment and expertise, as well as achieving high levels of accreditation in this area. The potential for Macquarie to differentiate itself in this market is significant. Macquarie's Intellicentre hosting business is now delivering positive growth fuelled by increasing recognition by customers of the benefits of having a dedicated world-class complex hosting facility staffed by highly skilled specialists available 24 hours per day.

Second, Macquarie will commence a new capital investment program to establish an IP based Intelligent Business Network. The new Intelligent Business Network is consistent with Macquarie's strategy of investing in key infrastructure that will provide the Company with a competitive advantage, and will represent the next stage of the Company's evolution.

This new generation data and voice access network will give Macquarie customers access to an IP based network providing for vastly increased bandwidth demands, voice over IP, integrated access, end-to-end security services and other content driven services. The new IP network will also enhance Macquarie's capacity for product development, service delivery, security and end-to-end customer management. It will provide leverage in the increasing convergence of voice and data telecommunications.

Capital expenditure for financial year 2005 is expected to be approximately \$18 million, with about half of this amount invested in the new Intelligent Business Network. Macquarie expects the Intelligent Business Network will be deployed by the end of calendar year 2005. Macquarie has a strong track record of delivering core infrastructure projects on time and within budget.

Third, Macquarie will be investing in marketing, in building its brand profile within the corporate and government sectors, and creating heightened awareness of the Company's ability to deliver to customers' expectations.

As a result, based on current projections and expectations, Macquarie expects EBITDA profitability to be impacted in the short term, as the Company invests in both infrastructure and depth of expertise. With the bulk of additional operating expenditure due to be invested in the first half of the year, EBITDA in the first half of financial year 2005 is expected to be around breakeven. Second half profitability is expected to position earnings back on a growth path, but is unlikely to exceed that achieved in the second half of financial year 2004.

Macquarie expects the capital expenditure investment in the Intelligent Business Network, and the investment in enhancing its depth and level of expertise, will provide a solid platform for future growth and significant profitability in the medium term.

Macquarie continues to promote competition in the regulatory arena as we see this as fundamental to the long term health of the industry and its customers.

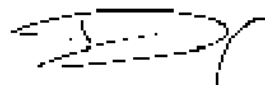
In Australia, we welcomed the formalisation of the Competitive Carriers Coalition (CCC), an industry grouping of non-dominant providers which, over the past two years, came together on common policy and regulatory issues. However, during the period of the Australian Competition and Consumer Commission's inquiry into mobile services, it became clear that because non-dominant providers will continue to have concerns, it would be beneficial to formalise and staff the CCC. Macquarie's role in co-founding the CCC was partly to handle broader policy and regulatory reviews demanding attention ahead of the 2004 Federal election – reviews seen as offering suppliers and consumers an opportunity to improve the structure of the industry and enhance competition for the future benefit of all.

Outside Australia, in servicing its customers overseas Macquarie has also exported its regulatory skills. Specifically, Macquarie welcomes the Singapore Australia Free Trade Agreement (SAFTA) which invokes the spirit and intent of open markets and transparent regulation to encourage the benefits of competition. The SAFTA includes a chapter on telecommunications services.

Macquarie is an active member of the Asia Pacific Carriers Coalition, which aims to work with governments, national regulatory authorities and consumers throughout Asia Pacific as they develop policies and regulatory frameworks to support further competition and encourage new investment in the telecommunications market.

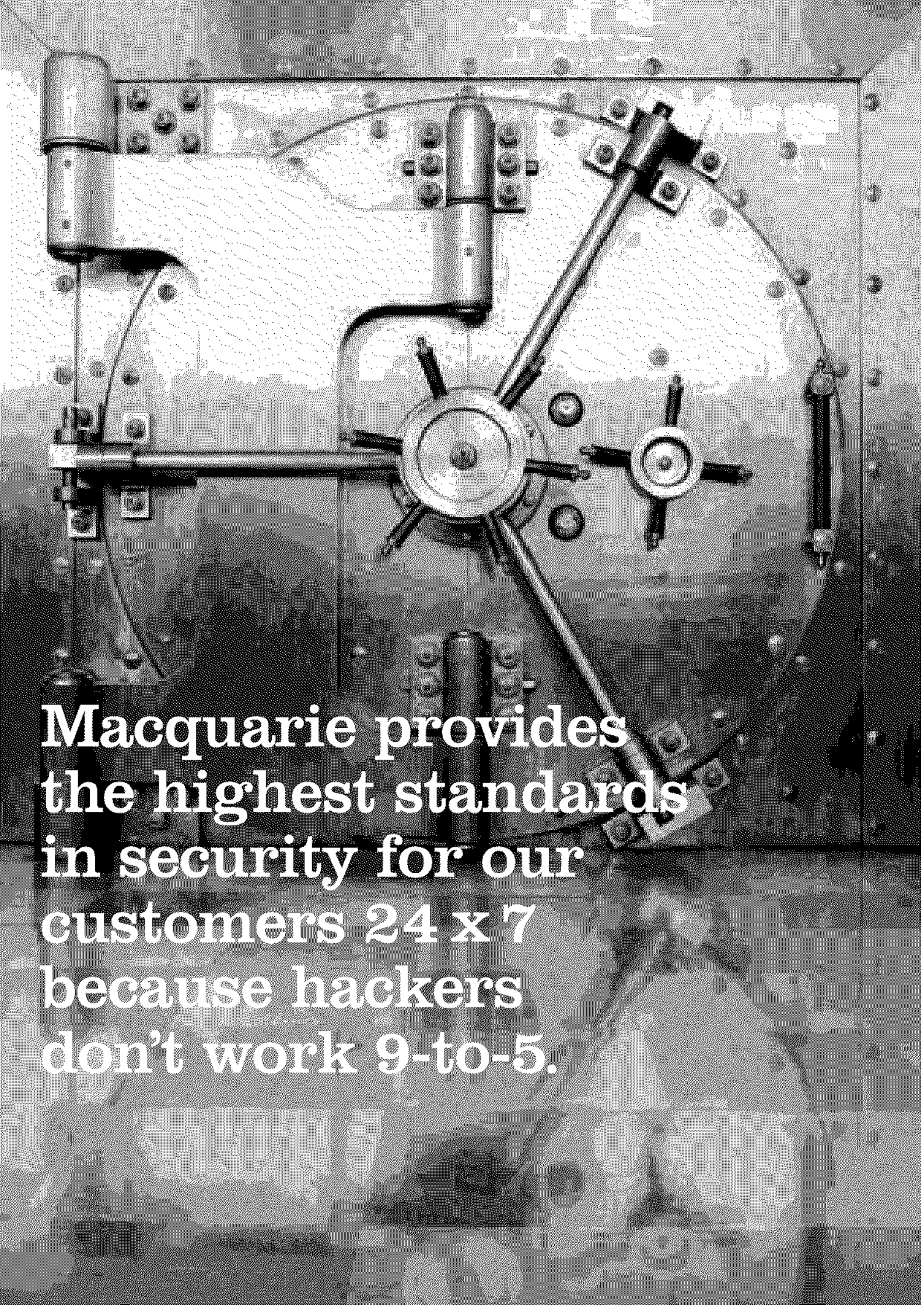
We are pleased with the progress made during this past financial year and are confident of Macquarie's ability to continue to deliver value into the future.

None of the achievements outlined would have been possible without the support and dedication of Macquarie's staff, and the loyalty and contribution of our business partners, customers and shareholders. On behalf of the Board and management, I thank them for their continuing efforts and support.



David Tudehope
Chief Executive

“Macquarie will be investing in marketing, in building its brand profile and creating heightened awareness of the Company’s ability to deliver to customers’ expectations.”



Macquarie provides
the highest standards
in security for our
customers 24 x 7
because hackers
don't work 9-to-5.

Business Review

In a year characterised by fierce competition and intense price pressure in all our markets, Macquarie made significant progress in terms of its financial performance and the positioning of its mix of businesses. The 2004 financial year saw the first full year in which the Company offered a complete range of data, voice, hosting and mobile services.

In 2004, Macquarie generated total service revenue of \$226.9 million, a modest decline of 3.2% over the previous corresponding period. The Company now provides services to more than 2,500 corporate and government customers in Australia and Singapore. In terms of earnings before interest, tax, depreciation and amortisation (EBITDA), Macquarie achieved a profit of \$7.9 million, a \$5.1 million improvement over 2003.

Net loss after tax of \$787,000 compared favourably with the net loss after tax of \$4.7 million for 2003.

Macquarie continues to maintain a strong balance sheet, underpinned by \$31.8 million in cash and no debt at 30 June 2004. The cash position improved by \$1.9 million during the year and was supported by a strong operating cash flow of \$14.0 million generated from improved earnings and effective working capital management.

Data Services

Macquarie's data business, which provides secure data networking and data hosting services to Australian corporate and government customers, generated revenue of \$51.1 million. This represents a 25.3% increase compared with the twelve months ended 30 June 2003.

Data revenue grew as management effected its strategy of improving Macquarie's revenue mix, with an increased contribution from higher value data and online services. The higher margin, higher value data services business accounted for more than 22% of Macquarie's service revenue for the year, and more than 24% in the second half.

The data services business contributed \$4.2 million to EBITDA, a \$7.5 million improvement over the equivalent EBITDA loss of \$3.3 million in 2003. The ongoing growth in data revenue and improved earnings result were a major contributor to the Company's improved financial performance in 2004.

The early investment by Macquarie in its Intellicentre is delivering positive growth. This is fuelled by increasing customer recognition of the benefits of an investment which provides a dedicated world-class, complex hosting facility staffed by highly skilled specialists available 24 hours a day.

The increasing importance for government of Macquarie's recent DSD Gateway security accreditation is evident in our Government Business Services group's significant expansion of services to a number of customers during the period and highlights the potential for Macquarie in the government sector.

“The evolution of convergence in telecommunications and its inherently complex electronic security requirements have been recognised by Macquarie.”

Voice Services

In its traditional Australian voice business, Macquarie generated revenue of \$161.6 million in the twelve months to 30 June 2004, compared with \$182.2 million in the twelve months to 30 June 2003. The voice service market was again characterised by intense competition and industry-wide price pressure. Voice revenue, which contributed 71.2% of revenue, was also adversely affected by the loss of the NSW Police contract, as announced at the 2003 Annual General Meeting.

The continuing pressure on price and decline in corporate voice revenue reinforce Macquarie's strategy to diversify into other, higher-margin areas and to continue to reduce reliance on voice service revenues.

Macquarie's Government Business Services group, which sells Macquarie's services to Australian Federal, State and Local Governments, continues to contribute to overall revenues and helps broaden Macquarie's customer base and market opportunity.

Macquarie has achieved GATS (Government Approved Telecommunications Services) status with the Victorian Government, giving Macquarie the right to tender for Victorian Government voice and data telecommunications business, a development that significantly boosts prospects in that state. Macquarie now has 'panel' status on Federal, NSW, Queensland and Victorian panels.

Mobile Services

Macquarie Corporate Mobile is an important element in Macquarie's integrated full service offering and is a competitive necessity as part of Macquarie's strategy to offer bundled telecommunications solutions to customers.

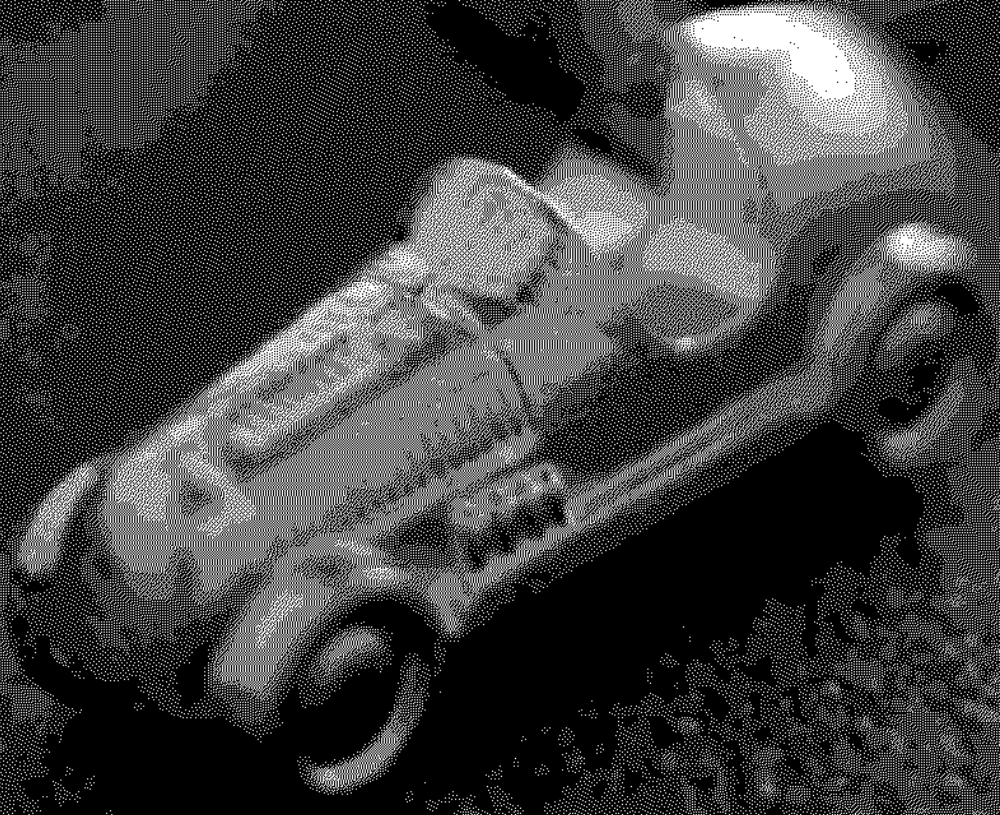
The Australian mobile market remains very competitive with the major players aggressively vying for market share. Despite this, Macquarie is confident the financial and strategic contribution of its mobile offering will strengthen and improve into the future. The EBITDA loss for this fairly new (begun in financial year 2003) business unit of \$2.4 million is in line with expectations.

Singapore

Macquarie's Singapore business, launched some three years ago, generated revenue of \$10.1 million in the twelve months ended 30 June 2004, a decrease of 9.7% compared with the previous corresponding period.

While the Singapore business continued to expand customer numbers to more than 550, the performance of the division reflects the significant reductions in price that are evident in the international voice market as well as the environment in Singapore.

Monopoly
should only
exist as a
board game.



Maintaining the Push for Regulatory Reform

Close regulatory oversight has been a constant for the telecommunications industry in recent years. Strong and effective regulatory frameworks are essential to enable the benefits of competition to flow to customers. A long-held view by Macquarie is that industry participation in regulatory processes is vital to achieving a vibrant telecommunications sector.

In Australia, the year was dominated by the Australian Competition and Consumer Commission's (ACCC) review of mobile services. The key findings affecting Macquarie relate to the decision to continue regulation of the 'mobile terminating access' (MTA) service. Macquarie acquires this service from the mobile network operators when it transfers calls from its customers to the mobile network of the party being called. Macquarie, and several other fixed-line service providers, argued that the charges levied by mobile operators for MTA were effectively 'monopoly rents' that could not be avoided, given the increasing prevalence of calls to mobiles.

The ACCC largely adopted the arguments put by Macquarie and most other non-mobile network owners. The regulator has set a new MTA pricing regime that will see the cost of handing over mobile traffic reduced from 21 to 12 cents per minute over the coming three years. Macquarie was the first operator to commit publicly to passing these reductions to its customers, with an announcement on the day after the ACCC decision.

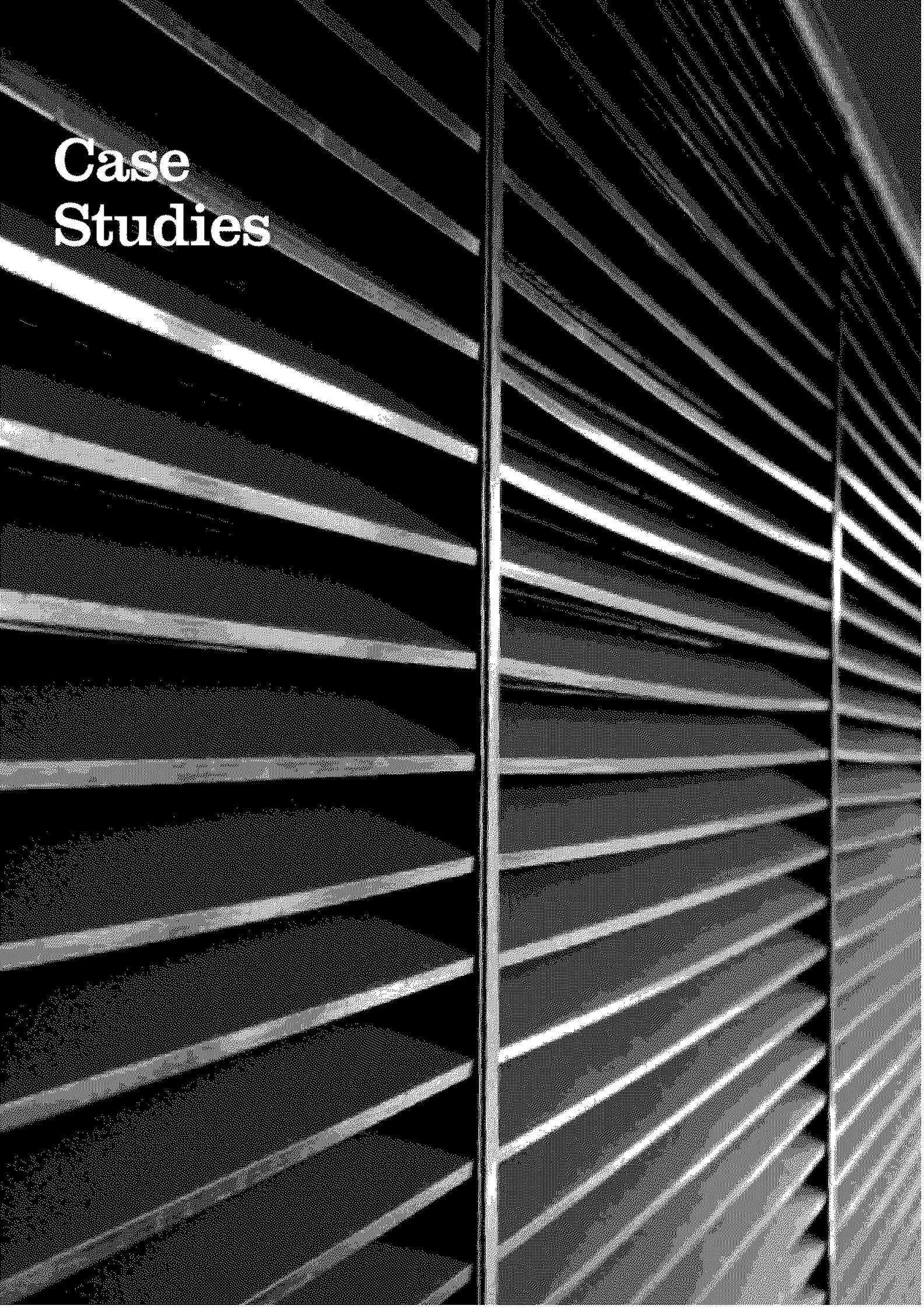
Other major initiatives were the inquiry into competition in the corporate sector and the investigation of Telstra over allegations of anti-competitive pricing for broadband services. Regarding the former, Macquarie urged the regulator to take into consideration the different telecommunications usage patterns of our customers compared with those of residential and smaller business consumers. As a result, regular ACCC reports will be produced that will highlight areas where Telstra is able to price in a manner that stifles competition. The first of these reports is expected to be made public early in 2005.

The ACCC has continued to investigate the key issue of broadband pricing and is expected to decide during the first half of financial year 2005 whether to litigate against Telstra.

While Australian markets over the past year have seen several significant regulatory inquiries and decisions, Singapore has enjoyed a broad review of the sector and a flurry of activity by policy makers and regulators. This will potentially deliver greater certainty for operators than is available in Australia.

For instance, SingTel has the benefit of a published wholesale pricing schedule, the Reference Interconnect Offer (RIO). As yet, there is no similar, transparent means of obtaining wholesale services from Telstra. Refinements of this regime were launched during the year that will affect the RIO as well as the industry-wide competition laws. These developments, and the introduction of more competitive leased-line circuit wholesale pricing into the RIO, should assist Macquarie in deciding on future investments in this market.

Case Studies



The Perth Convention Exhibition Centre

Macquarie's VoIP provides the edge for the Perth Centre

“The new, easy-to-access infrastructure gives The Perth Centre a vital competitive edge over similar facilities in Australia and Asia.”

One of Australia's most innovative VoIP implementations swung into action when the new Perth Convention Exhibition Centre (The Perth Centre) opened its doors on August 26.

To meet the events industry's growing demand for advanced communications on the show floor, The Perth Centre's operator, Spotless Services Australia Limited, contracted Macquarie Corporate Telecommunications to transform a basic PABX-based telephony system into a network that offers true 'any-to-any' services.

Using a combination of Category 6 cabling and fibre backbones, The Perth Centre network carries both data and VoIP traffic. A voice gateway at The Perth Centre connects to Macquarie's voice services, while a direct Ethernet connection gives users access to the Internet.

The VoIP infrastructure is a critical component in the delivery of affordable one-stop communications for The Perth Centre.

Unlike an office environment, the telecommunications set-up for an event lasts only as long as the event itself. The Perth Centre needed a flexible communications system so that a new environment with new users and new billing records could be created for each event.

“In the past, organisers, exhibitors and other attendees had to call the telecommunications provider weeks in advance to request a line,” said the Perth Centre's CEO Paul D'Arcy. “This request had to be co-ordinated with the centre, the venue and the organiser. The new, easy-to-access infrastructure gives The Perth Centre a vital competitive edge over similar facilities in Australia and Asia.”

Customised billing engines enable The Perth Centre to bill exhibitors and organisers for their access to voice and data traffic.

The same network supports around 50 Spotless staff involved in the day-to-day operation of The Perth Centre.

The Perth Centre has six exhibition pavilions, a 2,500-seat auditorium, reconfigurable ballroom space and 19 meeting rooms. It is expected to add billions of dollars, directly and indirectly, to Perth's economy.

“The system will put The Perth Centre at the forefront of the competitive conference and exhibition market in Australia,” D'Arcy said.

Showbiz

Macquarie's managed hosting solution – a star performer for Showbiz International

“Knowing that our critical technology is in safe hands gives us immeasurable peace of mind.”

With business projected to grow by 30% in 2004, Showbiz International, Australia's leading premium ticketing and packaging sales and marketing company, selected Macquarie Corporate Telecommunications' managed hosting solution to ensure the quality of its ticketing services.

Showbiz operates high profile websites that daily draw thousands of visitors. Customer numbers jumped by 200% in 2003 with online sales contributing up to 25% of revenue.

“Our business depends on the quality of our people and their access to great technology,” said Showbiz CEO Craig McMaster. “Macquarie's managed hosting solution enables us to expand our product and service range and still provide around-the-clock system availability for customers. Knowing that our critical technology is in safe hands gives us immeasurable peace of mind.”

Showbiz recently implemented a new streamlined operating system. Ensuring continuity for this platform was critical, as was maintaining service for partner websites such as Qantas Box Office.

Because Showbiz preferred to limit internal overheads, outsourcing to Macquarie was considered the best option.

The Showbiz solution is underpinned by the security, high availability and redundancy of Macquarie's \$30 million Intellicentre.

The Showbiz Information and Systems team worked with the Macquarie project management group on the hosting solution, which involved managing application servers, Microsoft SQL Server databases, Microsoft Windows 2000 servers, email accounts and numerous websites.

Macquarie also provided multiple data feeds from Showbiz's customer contact centre to its servers in the Intellicentre. The infrastructure is protected by Macquarie's antivirus, firewall, intrusion detection systems and 24x7 security monitoring services.

“The first thing we noticed was the improvement in performance. Performance was solid even during peak periods, including days when sales opened for a major concert or theatre event,” said McMaster. “Entrusting our systems to an expert in complex hosting solutions was a strategic business decision and one that very quickly delivered dividends for Showbiz.”

Wattyl

Macquarie puts the gloss on communications for Wattyl

“Outsourcing to an infrastructure and services specialist like Macquarie makes sound business sense...”

Australian-owned paint manufacturer Wattyl selected Macquarie Corporate Telecommunications to provide data communications for its eight Australian and New Zealand offices.

Under a collocation agreement, Wattyl will use Macquarie's physically secure hosting environment, the \$30 million Intellicentre. This provides multi-broadband connectivity, WAN integration and Internet connectivity as well as direct connectivity to Macquarie's ATM backbone.

“Macquarie provided the best bandwidth increase for the most affordable price,” said Wattyl CIO John Croker.

“The high standard of network traffic monitoring and reporting and the impressive security of the managed network were also key factors in Wattyl's choice of Macquarie.”

The Macquarie solution for Wattyl includes a private IP network with point-to-point digital data service providing high quality, high speed secure transmission combined with stringent service guarantees and performance reporting. While the network will be used initially for data traffic, Wattyl will consider VoIP as the technology becomes more reliable.

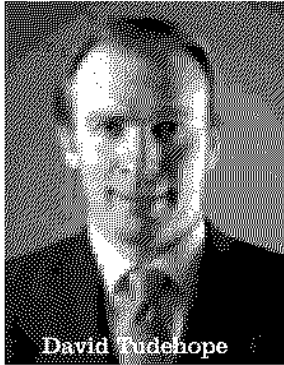
“We had been experiencing serious and continued congestion on our frame relay network and decided it was time to evaluate other options,” said Croker. “We believe the Macquarie Corporate solution will enable better integration and consequent uptake of integrated business systems across the company.

“Macquarie's system allows Wattyl to make more effective use of resources. Outsourcing to an infrastructure and services specialist like Macquarie makes sound business sense as it provides cost-effective protection against technological redundancy and growing security challenges.”

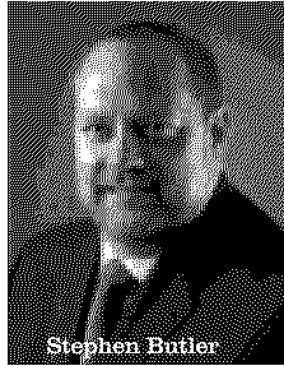
Board of Directors



Robert Kaye



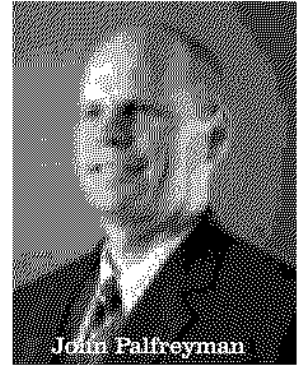
David Tudehope



Stephen Butler



Aidan Tudehope



John Palfreyman

“Our focus remains
on the execution of
our strategies.”

Robert Kaye | Chairman

Robert is Chairman of Macquarie and was appointed as a director in 2001. He was British Telecom's director of market and business development for the Australasian region, a former managing director of British Telecom's Australian operations, and a director of Clear Communications Ltd in New Zealand, until retirement in June 2002. Robert has held CEO positions in the past with several major IT&T companies. Robert is chairman of the Corporate Governance, Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

David Tudehope | Chief Executive

David is Chief Executive and co-founder of Macquarie and has been a director since 1992. He is responsible for overseeing the general management and strategic direction of the Company, and is actively involved in the Company's participation in regulatory issues. David was a former member of the Minister for Telecommunication's Australian Information Economy Advisory Council. He was previously a director of the Service Providers' Industry Association. David holds a Bachelor of Commerce degree. He is a member of the Corporate Governance, Nomination and Remuneration Committee.

Stephen Butler | Non-Executive Director

Stephen is currently executive vice president for S3 Matching Technologies, a telco billing systems specialist based in Texas, USA. He was formerly chief executive officer of PowerTel Ltd, a position he held for more than three years until 2003. During this time, Stephen led the transformation of PowerTel from a construction focused company to a customer service company, driving revenue growth and achieving positive operating cash flow. He has held board positions with PowerTel and WiTel Communications Australia, and advisory board positions with Newbridge Networks, Argon Networks and Edge Broadband Ltd. Stephen holds a Bachelor of Science (Electrical Engineering) degree. He joined the Board on 26 July 2004 and is a member of the Audit and Risk Management Committee and the Corporate Governance, Nomination and Remuneration Committee.

Aidan Tudehope | Chief Operating Officer

Aidan is the Chief Operating Officer and co-founder of Macquarie and has been a director since 1992. Aidan is responsible for the design and delivery of operational excellence within Macquarie. He has been instrumental in the development of Macquarie's Singaporean, data networking and Intellicentre strategies. He is also responsible for the direction of the Company's information technology strategy. Aidan holds a Bachelor of Commerce degree.

John Palfreyman | Non-Executive Director

John's career spans more than 20 years in the IT industry. He was executive chairman of 90East Inc, an Australian supplier of managed security services to Federal Government agencies, until the company's successful trade sale in early 2004. Previously, John was managing director of Baltimore Technologies (Asia Pacific), the region's dominant supplier of public key infrastructure based e-commerce and enterprise security systems. He holds a Bachelor of Commerce degree and qualified as a chartered accountant in 1982. John joined the Board on 26 July 2004 and is chairman of the Audit and Risk Management Committee and a member of the Corporate Governance, Nomination and Remuneration Committee.

Financial Highlights

2004 Financial Summary

Continued improvement in EBITDA

Operating cash flow \$14.0 million

Growth in data service revenue and customer numbers

Improved revenue mix

Reduction in net loss after tax

2004 Financial Summary

For the years ended 30 June, in \$m

	2004	2003	2002	2001	2000
Service revenue	226.9	234.5	228.4	219.4	193.8
EBITDA	7.9	2.8	(15.6)	(17.7)	10.8
EBIT	(0.8)	(6.3)	(25.5)	(23.7)	9.4
Net loss after tax	(0.8)	(4.7)	(17.7)	(13.7)	8.9
Operating cash flow	14.0	10.1	1.2	(4.5)	4.9
Customer numbers	2,562	2,350	2,018	1,600	1,359

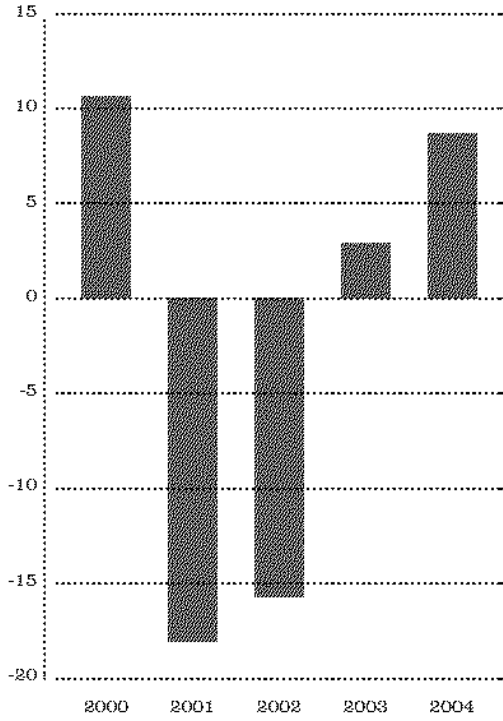
2004 Operating Results by Business Area

For the year ended 30 June 2004, in \$m

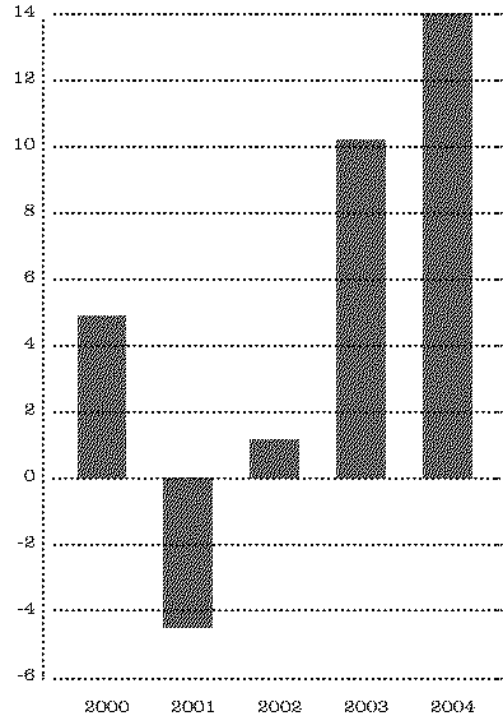
	Revenue	EBITDA
Voice Services	161.6	13.2
Data Services	51.1	4.2
Singapore	10.1	(1.0)
Mobiles	4.1	(2.4)
Corporate Office*	-	(6.1)
	226.9	7.9

* The Corporate Office figure represents overhead costs associated with Macquarie's corporate and regulatory activities.

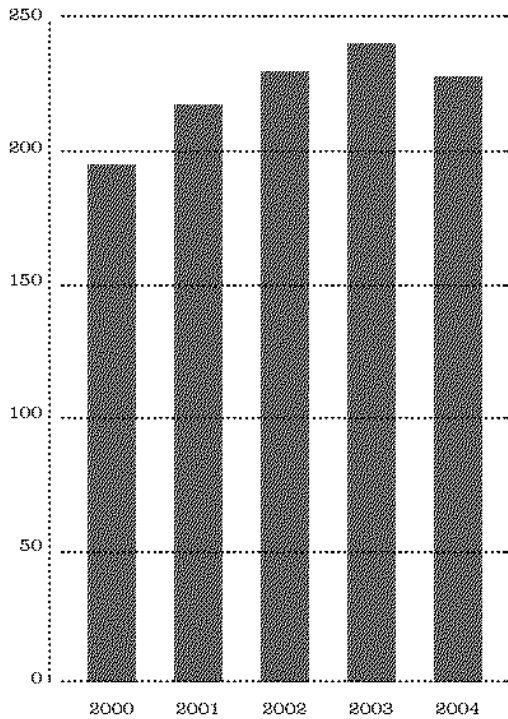
EBITDA in \$m
2000 - 2004



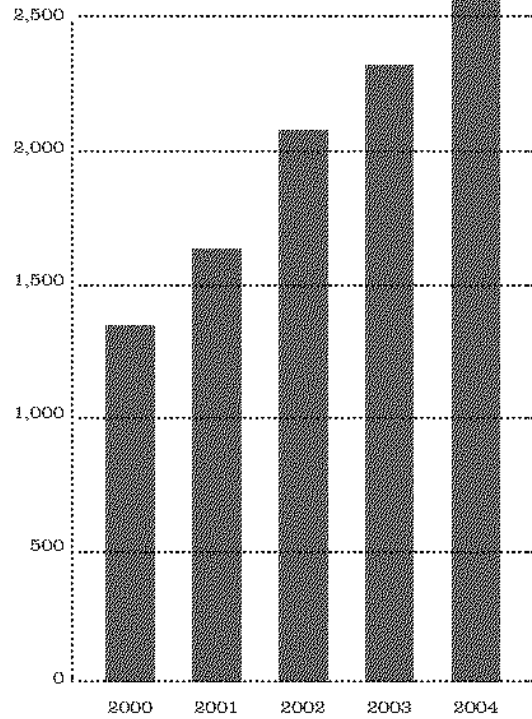
Operating Cash Flow in \$m
2000 - 2004



Service Revenue in \$m
2000 - 2004



Customer Numbers
2000 - 2004



Financial Statements

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Directors' Report

Your directors submit their report for the year ended 30 June 2004.

DIRECTORS

The names and details of the directors of Macquarie Corporate Telecommunications Holdings Limited ("Macquarie" or the "Company") in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Robert Kaye

(Chairman) Age 66

Robert is Chairman of Macquarie and was appointed as a director in 2001. He was British Telecom's director of market and business development for the Australasian region, a former managing director of British Telecom's Australian operations, and a director of Clear Communications Ltd in New Zealand, until retirement in June 2002. Robert has held CEO positions in the past with several major IT&T companies. Robert is chairman of the Corporate Governance, Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

David Tudehope

(Chief Executive) Age 37

David is Chief Executive and co-founder of Macquarie and has been a director since 1992. He is responsible for overseeing the general management and strategic direction of the Company, and is actively involved in the Company's participation in regulatory issues. David was a former member of the Minister for Telecommunication's Australian Information Economy Advisory Council. He was previously a director of the Service Providers' Industry Association. David holds a Bachelor of Commerce degree. He is a member of the Corporate Governance, Nomination and Remuneration Committee.

Aidan Tudehope

(Chief Operating Officer) Age 32

Aidan is the Chief Operating Officer and co-founder of Macquarie and has been a director since 1992. Aidan is responsible for the design and delivery of operational excellence within Macquarie. He has been instrumental in the development of Macquarie's Singaporean, data networking and Intellicentre strategies. He is also responsible for the direction of the Company's information technology strategy. Aidan holds a Bachelor of Commerce degree.

Stephen Butler

Age 37

Stephen is currently executive vice president for S3 Matching Technologies, a telco billing systems specialist based in Texas, USA. He was formerly chief executive officer of PowerTel Ltd, a position he held for more than three years until 2003. During this time, Stephen led the transformation of PowerTel from a construction focused company to a customer service company, driving revenue growth and achieving positive operating cash flow. He has held board positions with PowerTel and WiTel Communications Australia, and advisory board positions with Newbridge Networks, Argon Networks and Edge Broadband Ltd. Stephen holds a Bachelor of Science (Electrical Engineering) degree. He joined the Board on 26 July 2004 and is a member of the Audit and Risk Management Committee and the Corporate Governance, Nomination and Remuneration Committee.

John Palfreyman

Age 45

John's career spans more than 20 years in the IT industry. He was executive chairman of 90East Inc, an Australian supplier of managed security services to Federal Government agencies, until the company's successful trade sale in early 2004. Previously, John was managing director of Baltimore Technologies (Asia Pacific), the region's dominant supplier of public key infrastructure based e-commerce and enterprise security systems. He holds a Bachelor of Commerce degree and qualified as a chartered accountant in 1982. John joined the Board on 26 July 2004 and is chairman of the Audit and Risk Management Committee and a member of the Corporate Governance, Nomination and Remuneration Committee.

Jane Craig

Age 47

Jane has experience working with senior management teams at major companies and organisations in the banking, telecommunications, public utilities, insurance and government sectors. She holds a PhD in international strategic management, a MBA and a Bachelor of Arts degree. Jane was appointed as a director in 2003 and, until her retirement from the Board on 26 July 2004, was a member of the Audit and Risk Management Committee and Corporate Governance, Nomination and Remuneration Committee.

John Priest

Age 55

John is currently a non-executive director of Sydney Water. Previously, John served as executive director, chief financial officer and director of corporate development at Coca-Cola Amatil for 14 years and was a non-executive director of Prudential Corporation of Australia and the Woolmark Company. John holds a Bachelor of Business degree. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practising Accountants. John was appointed as a director in 2001 and, until his retirement from the Board on 26 July 2004, was a member of the Audit and Risk Management Committee and chairman of the Corporate Governance, Nomination and Remuneration Committee.

Directors' interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the Company and related bodies corporate were as follows:

- (a) D Tudehope and A Tudehope collectively wholly own Claiward Pty Ltd, an entity which held 125,013,900 (61%) of the ordinary shares of Macquarie. The relevant ownership interests in Claiward Pty Ltd are held by Semark Pty Ltd at 84% and Fenton Australia Pty Ltd at 16%. The shares in these latter companies are held by D Tudehope and A Tudehope respectively;
- (b) a director-related entity of D Tudehope and A Tudehope held 72,326 ordinary shares issued under the Employee Discretionary Share Plan and Share Purchase Plan, and held an interest in 210,000 options over ordinary shares issued under the Employee Option Plan;
- (c) a director-related entity of D Tudehope held 204,500 ordinary shares; and
- (d) R Kaye held an interest in 400,000 options over ordinary shares. A director-related entity of R Kaye held 50,000 ordinary shares.

PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity, comprising Macquarie (the parent entity) and all the entities which Macquarie controlled from time to time during the financial year and at the end of the year, were the provision of telecommunication services to corporate and government customers within Australia and Singapore.

There have been no significant changes in the nature of activities during the year.

EARNINGS PER SHARE

	2004 cents
Basic loss per share	(0.4)
Diluted loss per share	(0.4)

DIVIDENDS

There were no dividends recommended or paid on ordinary shares during the year.

REVIEW AND RESULTS OF OPERATIONS

Service revenue decreased by 3.4% to \$226.5 million from \$234.5 million.

The decline in revenues resulted from a fall in Australian voice revenue offset by an increase in revenue generated from the data and mobiles businesses.

The consolidated entity experienced a loss after tax of \$0.8 million for the year, representing a significant improvement, compared to a net loss after tax for the year ended 30 June 2003 of \$4.7 million.

The improvement in the consolidated entity result was largely attributable to the change in revenue mix to higher margin areas and carrier cost reductions.

The consolidated entity incurred start up costs during the year relating to its newest business initiative, Macquarie Corporate Mobiles. These costs exceeded the revenue generated for this new business during the year ended 30 June 2004.

The consolidated entity employed 362 employees as at 30 June 2004 (2003: 334 employees).

The Company maintains a strong liquidity position including \$31.8 million in cash, no corporate debt and a positive net cash flow of \$1.9 million for the year.

**SIGNIFICANT CHANGES IN
THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs during the year ended 30 June 2004.

**SIGNIFICANT EVENTS AFTER
THE BALANCE DATE**

There were no significant events after the balance date.

**LIKELY DEVELOPMENTS
AND EXPECTED RESULTS**

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the consolidated entity and the expected results of those operations in years after the current year would be likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been included in this report. Further developments by the time of the Annual General Meeting will be reported in the Chairman's address to that meeting.

SHARE OPTIONS

Unissued shares

Details of options on issue at 30 June 2004 and movements in options on issue during the year are included in Note 15 to the financial statements.

**INDEMNIFICATION AND INSURANCE OF
DIRECTORS AND OFFICERS**

During the year, the Company paid premiums in respect of a contract insuring all the directors of Macquarie against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

**DIRECTORS' AND OTHER
OFFICERS' EMOLUMENTS**

The Board is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are also provided in Note 22 to the financial statements.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and executive officers' emoluments to the Company's financial and operational performance. Senior executives have the opportunity to participate in various bonus arrangements which currently provide cash and share incentives where specified criteria are met. Details regarding the issue of shares and share options under the Company's plans are provided in Note 19 to the financial statements.

Details of the nature and amount of each element of the emoluments of each director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest emoluments for the year are as follows:

Emoluments of directors of Macquarie

	Annual emoluments			Long term emoluments			
	Base salary	Bonus	Other(i)	Granted during the year	Options(ii)	Super-annuation	
	\$	\$	\$		Amortised cost of unvested options \$	% of remuneration	\$
R Kaye	90,000	-	-	-	6,615	6.3%	8,100
D Tudehope	315,000	108,600	25,000	-	-	-	10,519
A Tudehope	300,000	67,875	25,000	-	-	-	10,519
J Craig	90,000	-	23,800	400,000	10,111	7.7%	8,100
J Priest	150,000	-	-	-	16,538	9.3%	10,753

Details of shares issued to and held by director-related entities are disclosed earlier in this report and in Note 22 to the financial statements.

Emoluments of the five most highly paid executive officers of the Company and the consolidated entity

	Annual emoluments			Long term emoluments			
	Base salary	Bonus	Other(i)	Granted during the year	Options(ii)	Super-annuation	
	\$	\$	\$		Amortised cost of unvested options \$	% of remuneration	\$
C Greig	241,750	79,821	16,000	-	1,455	0.42%	11,002
M Krishnapillai	201,969	60,684	22,692	-	3,313	1.11%	11,002
J Losco	309,154	93,346	16,600	-	1,654	0.38%	11,002
G Thomson	232,211	71,634	15,000	-	3,109	0.93%	11,002
P Thomson	256,250	-	106,515	-	4,455	1.21%	-

The terms "director" and "executive officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity. Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

Notes

- (i) The category "Other" for executive officers includes the value of any non-cash benefits provided including expatriate package costs, and motor vehicle allowances.
- (ii) The directors have issued options over ordinary shares to a number of eligible employees. The terms of the Employee Option Plan stipulate that options will vest over certain timeframes. The plan is designed to encourage superior performance, and provide opportunity to all eligible employees to participate in the future success of the Company.
- (iii) The Company has adopted the fair value measurement provisions of AASB 1046 Director and Executive Disclosures for Disclosing Entities and AASB 2 Share Based Payment prospectively for all options granted to directors and relevant executives, which had not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight line basis

over the vesting period. No adjustments have been made or will be made to reverse amounts previously disclosed in relation to options that never vest (ie forfeitures). From 1 July 2003, all unvested options and options granted as part of director and executive emoluments have been valued using a Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying shares, current market price of the underlying shares and the expected life of the options. This model requires the input of highly subjective assumptions, including future stock price volatility and expected timing until exercise. As changes in any of the assumptions can materially affect the fair value estimate, the existing model may not necessarily provide a single reliable measure of the fair value of the options.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Meetings of Committees		
	Directors' Meetings	Audit and Risk Management	Corporate Governance, Nomination and Remuneration
Number of meetings held:	14	4	2
Number of meetings attended:			
R Kaye	13	4	2
D Tudehope	14	-	2
A Tudehope	13	-	-
J Craig*	14	4	2
J Priest*	13	4	2

* resigned from Board 26 July 2004.

As at the date of this report, the Company had an Audit and Risk Management Committee and a Corporate Governance, Nomination and Remuneration Committee.

The members of the Audit and Risk Management Committee are J Palfreyman, S Butler and R Kaye. The members of the Corporate Governance, Nomination and Remuneration Committee are R Kaye, S Butler, J Palfreyman and D Tudehope. J Palfreyman and S Butler were appointed to each of these committees on 16 August 2004.

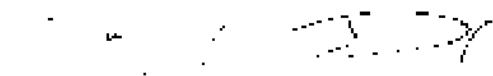
ROUNDING

The amounts contained in this report and in the 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 98/100. The Company is an entity to which the Class Order applies.

TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, Macquarie and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned Australian subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Signed in accordance with a resolution of directors:



Robert Kaye
Chairman

David Tudehope
Chief Executive

Sydney, 31 August 2004

Corporate Governance Statement

INTRODUCTION

The Board is responsible for the corporate governance practices of the Company. The major processes by which the Board fulfils that responsibility are described in this statement.

The Board considers that except to the extent expressly indicated in this statement, those corporate governance practices comply with the Australian Stock Exchange Corporate Governance Council's ("ASXCGC") Principles of Good Corporate Governance and Best Practice Recommendations, dated 31 March 2003. Also, except to the extent expressly indicated in this statement, those practices were followed throughout last year. However, the process of formalising and disclosing some of the practices was progressively implemented during the year.

A copy of the Audit and Risk Management Committee Charter and the Company's Code of Conduct are available in the corporate governance section of the Company's website at www.mct.com.au, together with all other information which the ASXCGC recommends be made publicly available.

PRINCIPLE 1

Lay solid foundations for management and oversight by the Board

The Board acts on behalf of and is accountable to the shareholders. The expectations of shareholders together with regulatory and ethical expectations and obligations are taken into consideration when defining the Board's responsibilities.

The Board's key responsibilities are:

- establishing, monitoring and modifying the Company's corporate strategies;
- monitoring the performance of management;
- reporting to shareholders and the market;
- ensuring that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- monitoring financial results;
- reviewing business results and monitoring budgetary control and corrective actions (if required);

- authorising and monitoring budgets and major investments and strategic commitments;
- monitoring Board composition, director selection and Board processes and performance;
- reviewing the performance of the Chief Executive, the Chief Operating Officer and senior management;
- endorsing key executive appointments and ensuring executive succession planning;
- reviewing and approving remuneration of the Chief Executive and the Chief Operating Officer;
- reviewing and approving remuneration policies for senior management; and
- ensuring best practice corporate governance.

The responsibility for the day-to-day operation and administration of the Company has been delegated to the Chief Executive and the executive team. The Board ensures that this team is appropriately qualified and experienced. The Board is also responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board.

All persons who are invited and agree to act as a director do so by a formal notice of consent. Non-executive directors have not received formal letters of appointment. Those directors are nevertheless fully informed of the various matters that would typically be outlined in such a letter and therefore clearly understand corporate expectations of them. Each of the executive directors is party to a formal executive service agreement with the Company.

Directors are appointed to Board committees by formal resolution of the Board.

PRINCIPLE 2

Structure the Board to add value

The Board has adopted a policy of ensuring that it is composed of a majority of non-executive directors with an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience. Each of the current non-executive directors is an independent director for the purposes of the criteria for independence outlined by the ASXCGC. The Chairman is selected from the non-executive directors and appointed by the Board.

The same person does not exercise the roles of Chairman and Chief Executive. The Board has agreed the division of responsibilities between these roles. That division is sufficiently clear and understood as to not require a formal statement of position.

The functions of the Corporate Governance, Nomination and Remuneration Committee were expanded in June 2003 to include those of a nomination committee. Details of the functions of the Committee are available in the corporate governance section of the Company's website at www.mct.com.au. Information about the directors, including their qualifications, experience and special responsibilities appears in the Directors' Report.

PRINCIPLE 3

Promote ethical and responsible decision making

The Board is committed to the highest standards of conduct. To ensure that the Board, management and employees have guidance in the performance of their duties, the Board has adopted a Code of Conduct that reinforces the requirement that the business be conducted ethically and with professionalism.

In order to guard against the misuse of price sensitive information, the Board has established a share trading policy relating to the Board, senior managers and other employees dealing in the Company's shares.

PRINCIPLE 4

Safeguard integrity in financial reporting

The Chief Executive and the Chief Financial Officer have stated to the Board in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has established an Audit and Risk Management Committee, which operates under a Charter approved by the Board in September 2003. Each of the members of the Committee is an independent director. The name of the members of the Committee and their attendances at meetings of the Committee appear in the Directors' Report.

The Chief Executive, Chief Financial Officer, Chief Operating Officer, Company Secretary and the external auditor attend meetings at the discretion of the Committee. The Committee also meets privately with the external auditor without management present.

Minutes of all Committee meetings are provided to the Board.

The Board has delegated to the Committee responsibility for making recommendations on the appointment, evaluation and dismissal of external auditors, setting their fees and ensuring that the auditors report to the Committee and the Board.

The Company is committed to audit independence. The Committee reviews the independence and objectivity of the external auditors. Those reviews include:

- seeking confirmation that the auditors are, in their professional judgement, independent of the Company. The external auditor, Ernst & Young, has declared its independence to the Board; and
- considering whether, taken as a whole, the various relationships between the Company and the external auditors impair the auditors' judgement or independence. The Committee is satisfied that the existing relationships between the Company and the external auditors do not give rise to any such impairment.

The Company's audit engagement partners will rotate every five years.

PRINCIPLE 5

Make timely and balanced disclosure

The Board has adopted a formal continuous disclosure plan, the object of which is to ensure that material information is identified and disclosed in a timely manner. The Board is advised of any notifiable events. In addition, the Board has developed a guidance paper on the Company's disclosure obligations, which is intended to provide guidance for all managers on those obligations.

The Board approves all releases that are made to the Australian Stock Exchange ("ASX").

The Company Secretary is responsible for communications with the ASX.

PRINCIPLE 6

Respect the rights of shareholders

In addition to complying with its continuous disclosure obligations under the ASX Listing Rules, the Company ensures that shareholders are kept informed in a variety of other ways.

- shareholders can gain access to information about the Company, including the 2003 Annual Report and financial statements, 2003 and 2004 half-year financial statements, Board commentaries on those financial statements, information provided to analysts during briefings on those financial statements and all relevant announcements made to the market, through the website at www.mct.com.au;

- in conducting analyst briefings, the Company takes care to ensure that any information provided to analysts is made available to the market prior to it being provided to analysts;
- the principal method of communication with shareholders is through the provision of the Annual Report and financial statements, the half-year financial statements and Annual General Meetings. Shareholders are encouraged to use these meetings to ask questions on any matters relating to the Company, its business and the performance of that business; and
- the Company requests the external auditors to attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditors' report.

PRINCIPLE 7

Recognise and manage risk

The Board is responsible for ensuring that the Company has in place a system of risk management and internal compliance and control that effectively safeguards assets and enhances the value of shareholders' investments.

To this end, the Company has commenced the review of its existing internal control mechanisms to assess the efficacy of those mechanisms and, where necessary and appropriate, identify the means by which those mechanisms can be improved. As a result of that review, the Board has adopted a formal risk management strategy and policy. In addition, the Company is in the process of establishing a formal framework for risk management and internal compliance, which will include the establishment of an internal business risk management function. The Audit and Risk Management Committee will be responsible for reviewing and reporting to the Board on the effectiveness of the Company's management of risk, including systems for internal controls.

The assets of the Company and its controlled entities are insured under a comprehensive insurance program which is reviewed annually.

The Chief Executive and the Chief Financial Officer have stated to the Board in writing that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system, in so far as it relates to financial reporting risk, is operating efficiently and effectively in all material respects.

PRINCIPLE 8

Encourage enhanced performance

The performance of the Board (including its Committees), individual directors and key executives is reviewed on a regular basis.

In the case of the Board and individual directors, performance is evaluated largely having regard to the Board's key responsibilities listed above.

In the case of executive directors and other key executives, performance is evaluated against both quantitative and qualitative indicators.

Responsibility for evaluating the Board's performance falls to the Corporate Governance, Nomination and Remuneration Committee. The performance of key executives is evaluated by the Chief Executive and Chief Operating Officer and, where considered appropriate, the Board as a whole.

Directors have the right, in connection with their duties and responsibilities as directors, to:

- have access to the Company Secretary, whose appointment and removal is a matter for decision by the Board as a whole; and
- seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

In addition, directors are provided with detailed financial information and reports by management on a monthly basis, and have the right to request additional information where they consider that the information supplied by management is insufficient to support informed decision making.

New directors receive special briefings from management to assist them to rapidly understand the Company's business and issues. Time is allocated at Board and Committee meetings for continuing education on significant issues facing the Company and changes to the regulatory environment.

PRINCIPLE 9**Remunerate fairly and responsibly**

The functions of the Corporate Governance, Nomination and Remuneration Committee include reviewing the remuneration arrangements for non-executive and executive directors and reviewing and approving the issue of shares and options under the Company's employee share and option plans. The Committee also determines remuneration for the senior management team and monitors, reviews and makes recommendations to the Board as to the remuneration policies of the Company generally. The name of the members of the Committee and their attendances at meetings of the Committee appear in the Directors' Report.

Non-executive directors receive fees determined by the Board, but within the aggregate limits approved by shareholders at general meetings of the Company.

The remuneration of senior managers consists of a combination of fixed and variable (at risk) remuneration. The bonus paid to a senior manager is based on a review of the individual manager's performance.

Details of shares and options issued to employees of controlled entities of the Company are included in Note 19 to the financial statements.

PRINCIPLE 10**Recognise the legitimate interests of stakeholders**

The Company had in place during the year a Code of Conduct that sets out the behaviour required of directors and employees. The Code provides a mechanism to enable employees to report breaches of the Code without any fear of retribution. The Board and senior managers are responsible for monitoring compliance with and dealing with breaches of the Code.

Statement of Financial Performance

For the year ended 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	228,279	235,532	4,062	11,746
Expenses from ordinary activities	2	(227,635)	(240,772)	(3,291)	(105,993)
Profit/(loss) from ordinary activities before income tax expense		644	(5,240)	771	(94,247)
Income tax benefit/(expense) relating to ordinary activities	4	(1,431)	516	(366)	(233)
Net profit/(loss) attributable to members	16(b)	(787)	(4,724)	405	(94,480)
Net exchange differences on translation of financial statements of foreign controlled entity	16(a)	(73)	(573)	-	-
Decrease in retained profits on adoption of revised Accounting Standard: <i>AASB 1028 Employee Benefits</i>		-	(38)	-	-
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		(73)	(611)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(860)	(5,335)	405	(94,480)
		Cents	Cents		
Basic loss per share	21	(0.4)	(2.3)		
Diluted loss per share	21	(0.4)	(2.3)		

Statement of Financial Position

At 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS					
Cash assets		31,808	29,920	15,976	15,224
Receivables	5	19,079	24,107	66	73
Work in progress	6	15,265	17,898	-	19
Investments	7	2,558	1,738	-	-
Other	8	1,697	1,678	-	-
TOTAL CURRENT ASSETS		70,407	75,341	16,042	15,316
NON-CURRENT ASSETS					
Receivables	5	-	-	90,093	93,564
Investments	9	-	-	70,400	70,400
Plant and equipment	10	27,758	24,798	-	-
Deferred tax assets	4	4,094	3,650	4,081	3,508
Other	11	3,722	4,055	-	-
TOTAL NON-CURRENT ASSETS		35,574	32,503	164,574	167,472
TOTAL ASSETS		105,981	107,844	180,616	182,788
CURRENT LIABILITIES					
Payables	12	39,540	42,180	160	3,037
Current tax liabilities	4	-	-	-	-
Provisions	13	1,463	1,158	-	-
Other	14	14	85	-	-
TOTAL CURRENT LIABILITIES		41,017	43,423	160	3,037
NON-CURRENT LIABILITIES					
Payables	12	-	-	5,308	6,532
Deferred tax liabilities	4	1,611	244	1,598	102
Provisions	13	582	467	-	-
Other	14	-	107	-	-
TOTAL NON-CURRENT LIABILITIES		2,193	818	6,906	6,634
TOTAL LIABILITIES		43,210	44,241	7,066	9,671
NET ASSETS		62,771	63,603	173,550	173,117
EQUITY					
Contributed equity	15	86,851	86,823	86,851	86,823
Reserves	16	(920)	(847)	-	-
(Accumulated losses)/retained profits	16	(23,160)	(22,373)	86,699	86,294
TOTAL EQUITY		62,771	63,603	173,550	173,117

Statement of Cash Flows

For the year ended 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		256,181	266,598	-	-
Payments to suppliers and employees		(239,353)	(253,452)	-	-
Interest received		1,388	1,023	752	668
Goods and services tax paid		(4,249)	(4,072)	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	17(a)	13,967	10,097	752	668
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of plant and equipment		(11,312)	(5,789)	-	-
Proceeds from sale of property plant and equipment		25	-	-	-
Cash outflow for short term deposits		(820)	(308)	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(12,107)	(6,097)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		28	-	28	-
Advances to related parties		-	-	(28)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		28	-	-	-
NET INCREASE IN CASH HELD		1,888	4,000	752	668
Opening cash brought forward		29,920	25,920	15,224	14,556
CLOSING CASH CARRIED FORWARD	17(b)	31,808	29,920	15,976	15,224

Notes to the Financial Statements

For the year ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year unless otherwise stated.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Macquarie (the parent entity) and all entities that Macquarie controlled from time-to-time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as that of the parent entity, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

(d) Foreign currencies

Translation of foreign currency transactions

Transactions denominated in a foreign currency are translated at the rates in existence at the date of the transactions.

Exchange gains and losses are brought to account in determining the net profit or loss for the year.

Amounts payable to and by the entities within the consolidated entity that are outstanding at balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the year.

Translation of financial reports of overseas operation

The Company's overseas operation is deemed self sustaining as it is financially and operationally independent of the Company. The financial reports of the overseas operation are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(e) Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(f) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

(g) Investments

Bank deposits are measured at their nominal amount.

Investments in subsidiaries are recorded at the lower of cost and net recoverable amount.

(h) Work in progress

Work in progress represents the estimated amounts of unbilled services provided to all customers as at the balance date after taking into account all discounts as applicable.

(i) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined, risk adjusted discount rate.

(j) Plant and equipment*Cost and valuation*

Plant and equipment are recorded at the lower of cost or net realisable value. Plant and equipment includes costs in relation to IT development and infrastructure development projects where future benefits are expected, beyond any reasonable doubt, to exceed these costs.

Depreciation

Depreciation is provided on a straight line basis on all plant and equipment commencing from the time the asset is ready for use.

	2004	2003
Major depreciation periods are:		
Plant and equipment	1 to 10 years	1 to 10 years

Leasehold improvements are amortised over the lease term.

(k) Transmission capacity

Expenditure, relating to the acquisition of transmission capacity, is deferred to the extent that it is expected to provide future economic benefits to the Company. Deferred expenditure is amortised over the period in which the related benefits are expected to be realised or 15 years, whichever is the shorter.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability. Lease payments are allocated between rental expenses, reduction of the liability and, where appropriate, interest expense over the term of the lease.

(m) Payables

Liabilities for carrier suppliers are carried at the net amount the consolidated entity expects to have to pay each carrier, in respect of the services received.

Liabilities for other trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(n) Provisions

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(o) Contributed equity

Issued capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Service revenue

Service revenue is recognised when the telecommunication services have been provided to the customer. Service revenue is recognised net of customer discounts and allowances.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(q) Taxes*Income taxes*

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at appropriate rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued, no provision for potential capital gains tax has been made.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the balance date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the balance date are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. All other employee benefits liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the balance date.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and

- other types of employee benefits, are charged against profit from ordinary activities in their respective categories.

The value of the employee share scheme described in Note 19 is not being charged as an employee benefits expense.

(s) Earnings/(loss) per share

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

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2. PROFIT FROM ORDINARY ACTIVITIES					
(a) Revenue from ordinary activities					
<i>Revenue from operating activities</i>					
Revenue from services		226,510	234,453	104	1,124
<i>Revenue from non-operating activities</i>					
Management fee	25(b)	-	-	3,197	9,941
Interest					
– other persons/corporations		1,410	1,079	761	681
Proceeds on disposal of plant and equipment		25	-	-	-
Other		334	-	-	-
Total revenue from non-operating activities		1,769	1,079	3,958	10,622
Total revenue from ordinary activities		228,279	235,532	4,062	11,746
(b) Expenses from ordinary activities					
Amortisation of non-current assets					
Leasehold improvements		270	160	-	-
Transmission capacity		333	334	-	-
Depreciation of non-current assets					
Plant and equipment		8,075	8,613	-	-
Total depreciation and amortisation expense		8,678	9,107	-	-
Bad and doubtful debts – trade debtors		1,107	1,961	-	-
Operating lease rental					
Minimum lease payments		2,919	2,600	-	-
Written down value of plant and equipment disposed		7	-	-	-
Decrement in recoverable amount of plant and equipment	10	-	588	-	-
Decrement in recoverable amount of investment in related party:					
– wholly-owned subsidiary		-	-	-	95,249
Employment costs		43,091	39,718	-	-
Management fee	25(b)	-	-	103	1,107
Carrier costs		156,408	173,174	3,044	9,467
Other		15,425	13,624	144	170
		218,957	231,665	3,291	105,993
Total expenses from ordinary activities		227,635	240,772	3,291	105,993

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES				
(a) There were no dividends proposed or paid during the year (2003: nil).				
(b) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
– franking account balance as at the end of the financial year at 30%	137	137	137	137
	137	137	137	137
4. INCOME TAX				
The prima facie tax, using tax rates applicable in the country of operation, on profit/(loss) from ordinary activities differs from the income tax provided in the financial statements as follows:				
Prima facie tax on profit/(loss) from ordinary activities	193	(1,572)	231	(28,274)
Tax effect of permanent differences:				
Effect of lower tax rates on overseas income	226	47	-	-
Singapore tax losses not brought to account	603	533	-	-
Non-deductible expenses	274	259	-	-
Under/(over) provision of previous year	135	217	135	(68)
Decrement in recoverable amount of investment in related party	-	-	-	28,575
Income tax expense/(benefit) attributable to ordinary activities	1,431	(516)	366	233
Tax assets and liabilities				
Current tax payable	-	-	-	-
Provision for deferred income tax – non-current	1,611	244	1,598	102
Future income tax benefit – non-current	4,094	3,650	4,081	3,508

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
4. INCOME TAX continued					
Income tax losses					
Future income tax benefit arising from tax losses brought to account		87	3,452	87	3,452
Future income tax benefit arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.		2,241	1,900	-	-
The future income tax benefit will only be obtained if:					
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;					
(b) the conditions for deductibility imposed by the tax legislation continues to be complied with; and					
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.					
Tax consolidation					
Effective 1 July 2002, for the purposes of income tax, Macquarie and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned Australian subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Macquarie Corporate Telecommunications Holdings Limited.					
There has been no material effect on the provision for deferred tax liabilities.					
5. RECEIVABLES					
Current					
Trade debtors		23,099	28,407	-	16
Provision for doubtful debts		(4,411)	(4,744)	-	-
Other receivables		391	444	66	57
		19,079	24,107	66	73
Non-current					
Amounts other than trade debts receivable from related parties:					
Wholly-owned group					
- controlled entities	25(b)	-	-	90,093	93,564
		-	-	90,093	93,564
(a) Australian dollar equivalents					
Australian dollar equivalent of amounts receivable in foreign currencies not effectively hedged:					
- Singapore dollars		653	777	-	-
(b) Terms and conditions relating to the above financial instruments:					
(i) Credit sales are on 14 day terms; and					
(ii) Details of the terms and conditions of related party receivables are set out in Note 25(b).					

	Consolidated		Parent Entity		
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	
6. WORK IN PROGRESS					
Work in progress	15,265	17,898	-	19	
7. INVESTMENTS (CURRENT)					
Bank deposits	2,558	1,738	-	-	
Terms and conditions relating to the above financial instruments:					
(a) Short term deposits include interest bearing term deposit accounts for facilities existing at 30 June 2004 and effective interest rates of 0.77% to 5.16% (2003: 0.72% to 4.75%) per annum; and					
(b) These bank deposits are held by financial institutions as security against bank guarantees.					
8. OTHER CURRENT ASSETS					
Prepayments	1,697	1,678	-	-	
9. INVESTMENTS (NON-CURRENT)					
Interests in subsidiaries					
Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Parent Entity	
		2004	2003	2004	2003
		%	%	\$'000	\$'000
Macquarie Corporate Telecommunications Pty Ltd - ordinary shares	Australia	100	100	59,400	59,400
Macquarie Corporate Telecommunications Services Pty Ltd - ordinary shares	Australia	100	100	11,000	11,000
Macquarie Corporate Telecommunications Carrier Services Pty Ltd - ordinary shares	Australia	100	100	-	-
Macquarie Corporate Telecommunications Network Carrier Services Pty Ltd - ordinary shares	Australia	100	100	-	-
Macquarie Corporate Telecommunications Pte Ltd - ordinary shares	Singapore	100	100	-	-
				70,400	70,400
Investments at cost comprise:					
Unlisted shares				70,400	70,400

The valuations of the businesses reflected in the subsidiaries are not reflected by the current share market value of the Company; however, the directors believe the investments in, and advances to (Note 5), these subsidiaries are fully recoverable based upon the estimated present value of net cash flows expected to be derived from the underlying businesses.

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10. PLANT AND EQUIPMENT					
Leasehold improvements					
At cost		1,596	1,033	-	-
Accumulated amortisation		(627)	(357)	-	-
		969	676	-	-
Plant and equipment					
At cost		69,670	59,124	-	-
Provision for data hosting facility		(10,000)	(10,000)	-	-
		59,670	49,124	-	-
Accumulated depreciation		(32,881)	(25,002)	-	-
		26,789	24,122	-	-
Total written down amount		27,758	24,798	-	-
Reconciliations					
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year:					
<i>Leasehold improvements</i>					
Opening balance		676	632	-	-
Additions		563	204	-	-
Amortisation expense		(270)	(160)	-	-
		969	676	-	-
<i>Plant and equipment</i>					
Opening balance		24,122	27,738	-	-
Additions		10,749	5,585	-	-
Decrement in recoverable amount of plant and equipment	2(b)	-	(588)	-	-
Disposals		(7)	-	-	-
Depreciation expense		(8,075)	(8,613)	-	-
		26,789	24,122	-	-
11. OTHER NON-CURRENT ASSETS					
Transmission capacity		5,000	5,000	-	-
Accumulated amortisation		(1,278)	(945)	-	-
		3,722	4,055	-	-

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
12. PAYABLES					
Current					
Trade creditors	20	30,574	34,554	-	2,459
Other creditors and accruals		8,458	7,369	160	578
Withholding tax payable		508	257	-	-
		39,540	42,180	160	3,037
Non-current					
Amounts due to related parties:					
Wholly-owned group –					
controlled entities	25(b)	-	-	5,308	6,532
(a) Australian dollar equivalents					
Australian dollar equivalent of					
amounts payable in foreign					
currencies not effectively hedged:					
- Singapore dollars		570	258	-	-
(b) Included in trade creditors are amounts payable to various telecommunications carriers. As outlined in Note 20, the Company disputes certain charges levied by some of its carriers. Included in trade creditors are the amounts the Company believes are its obligations for the services provided, after a careful review of the carrier billings.					
(c) Terms and conditions relating to the above financial instruments:					
(i) Trade liabilities are normally settled on 30 to 60 day terms; and					
(ii) Details of the terms and conditions of related party payables are set out in Note 25(b).					
13. PROVISIONS					
Current					
Employee benefits	19	1,463	1,158	-	-
Non-current					
Employee benefits	19	582	467	-	-
Terms and conditions relating to the above are outlined in Note 19.					
14. OTHER LIABILITIES					
Current					
Lease incentive	18(b)	14	85	-	-
Non-current					
Lease incentive	18(b)	-	107	-	-

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		86,851	86,823	86,851	86,823
		2004	2004	2003	2003
		Number of shares	\$	Number of shares	\$
(b) Movements in shares on issue					
Balance at beginning of year		204,855,258	86,823,235	204,855,258	86,823,235
Issue of shares to employees	19	200,000	28,000	-	-
Balance at end of year		205,055,258	86,851,235	204,855,258	86,823,235

(c) Share options*Options over ordinary shares*

On 12 December 2003, 400,000 options were issued over ordinary shares, exercisable on or before 26 November 2008 at an exercise price of \$0.24. Of the options issued, nil were forfeited during the financial year.

At the end of the year, there were 7,245,000 (2003: 8,850,000) unissued ordinary shares in respect of which options were outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Information with respect to the number of options is as follows:

	2004		2003	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	8,850,000	0.69	8,900,000	0.72
Granted	400,000	0.24	850,000	0.14
Forfeited	(250,000)	0.22	(900,000)	0.50
Exercised	(200,000)	0.14	-	-
Cancelled	(1,555,000)	2.16	-	-
Balance at end of year	7,245,000	0.38	8,850,000	0.69
Exercisable at end of year	2,305,000	0.89	1,120,000	1.70

The following table summarises information about total options outstanding and exercisable at 30 June 2004:

Exercise price	Outstanding options	Average option life (years)	Exercisable number of options
\$1.44	150,000	5.25	150,000
\$2.16	735,000	1.05	735,000
\$0.17	1,400,000	2.42	1,400,000
\$0.14	4,560,000	3.21	20,000
\$0.24	400,000	4.41	-
	7,245,000	2.23	2,305,000

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
16. RESERVES AND (ACCUMULATED LOSSES)/RETAINED PROFITS					
Foreign currency translation reserve	16(a)	(920)	(847)	-	-
(Accumulated losses)/retained profits	16(b)	(23,160)	(22,373)	86,699	86,294
(a) Foreign currency translation					
<i>(i) Nature and purpose of reserve</i>					
The foreign currency translation reserve is used to record exchange differences arising from the translation of self sustaining foreign operations					
<i>(ii) Movements in reserve</i>					
Balance at beginning of year		(847)	(274)	-	-
Loss on translation of foreign controlled entity		(73)	(573)	-	-
Balance at end of year		(920)	(847)	-	-
(b) (Accumulated losses)/retained profits					
Balance at beginning of year		(22,373)	(17,611)	86,294	180,774
(Loss)/profit attributable to members		(787)	(4,724)	405	(94,480)
Adjustment arising from adoption of revised accounting standard – AASB 1028 <i>Employee Benefits</i>		-	(38)	-	-
Total available for appropriation		(23,160)	(22,373)	86,699	86,294
Dividends paid or provided for		-	-	-	-
Balance at end of year		(23,160)	(22,373)	86,699	86,294

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
17. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the (loss)/profit from ordinary activities after income tax benefit/(expense) to the net cash flows from operating activities				
(Loss)/profit from ordinary activities after income tax	(787)	(4,724)	405	(94,480)
Amortisation of non-current assets	603	494	-	-
Depreciation of non-current assets	8,075	8,613	-	-
Profit on sale of plant and equipment	(18)	-	-	-
Decrement in recoverable amount of plant and equipment	-	588	-	-
Decrement in recoverable amount of investment in related party	-	-	-	95,249
Net foreign currency gains	(73)	(573)	-	-
Changes in assets and liabilities				
Trade receivables	4,975	10,340	16	276
Other receivables	53	1,858	(9)	(13)
Related party receivables	-	-	3,499	7,418
Work in progress	2,633	680	19	144
Prepayments	(19)	(847)	-	-
Deferred tax assets	(444)	218	(573)	(3,345)
Trade and other creditors	(2,640)	(5,760)	(2,877)	(3,099)
Related party payables	-	-	(1,224)	(1,466)
Other liabilities	(178)	192	-	-
Deferred tax liabilities	1,367	(1,034)	1,496	(16)
Provision for employee benefits	420	52	-	-
Net cash flow from operating activities	13,967	10,097	752	668
(b) Reconciliation of cash				
Cash balance comprises:				
Cash on hand	15,833	14,697	1	1
On-call deposits with financial institutions	15,975	15,223	15,975	15,223
	31,808	29,920	15,976	15,224
(c) Financing facilities available				
At the end of the year, there were no financing facilities available to the consolidated entity.				

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
18. EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable not later than one year	310	695	-	-
Payable later than one year and not later than five years	-	-	-	-
Payable later than five years	-	-	-	-
	310	695	-	-
(b) Lease expenditure commitments				
<i>Operating leases (non-cancellable)</i>				
Minimum lease payments:				
Not later than one year	2,799	2,542	-	-
Later than one year and not later than five years	3,139	4,584	-	-
Later than five years	-	-	-	-
	5,938	7,126	-	-
Aggregate expenditure commitments comprise:				
Amounts provided for:				
Lease incentive liability – current	14	85	-	-
Lease incentive liability – non-current	-	107	-	-
Amounts not provided for:				
Rental commitments	5,938	7,126	-	-
	5,952	7,318	-	-

All operating leases relate to premises and parking spaces in various locations and have a lease term of between one and four years.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

19. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee benefits

The aggregate employee benefits liability is comprised of:

Accrued wages, salaries and on costs	2,597	2,636	-	-
Provisions (current)	1,463	1,158	-	-
Provisions (non-current)	582	467	-	-
	4,642	4,261	-	-

Employee share schemes

The consolidated entity has adopted the following three employee share plans:

- (a) Employee Option Plan;
- (b) Discretionary Share Plan; and
- (c) Share Purchase Plan.

Full-time and part-time employees of Macquarie or its subsidiaries are eligible to participate in these plans at the discretion of the directors. Directors (both executive and non-executive) are also eligible to participate in the plans. However, their participation is subject to the Corporations Act 2001 and the ASX Listing Rules. The plans are administered by the Board, which determines the directors or employees that will be made offers to participate in the plans and the terms of those offers. There are currently 365 employees and directors eligible for these plans.

Each of the plans contains provisions dealing with matters such as administration of the plans, variation of the plan rules, and termination or suspension of the plans. The plans are subject to the overriding application of the Corporations Act 2001 and the ASX Listing Rules.

The plans restrict the total number of shares issued under all of the plans (including as a result of the exercise of options) in the previous five years and the number of unexercised options issued to no more than 5% of the issued share capital of Macquarie.

During the year, there were no shares (2003: 850,000) issued under the Employee Option Plan to eligible employees. At 30 June 2004, there were 4,995,000 (2003: 7,000,000) options on issue under this plan. During the year 200,000 (2003: nil) options were exercised, 250,000 (2003: 900,000) options lapsed and 1,555,000 (2003: nil) options were cancelled.

During the year, there were no shares (2003: nil) issued under the Discretionary Share Plan to eligible employees, and no shares (2003: nil) issued under the Share Purchase Plan. Ordinary shares issued under the Discretionary Share Plan are not disposable for two years from the date of issuance, and forfeit upon termination of employment with Macquarie. Ordinary shares issued under the Share Purchase Plan are not disposable until the earlier of the date of termination of employment with Macquarie, or three years from the date of issuance.

The market value of Macquarie shares closed at 22.5 cents on 30 June 2004.

No other equities in any of the entities within the consolidated entity were acquired by or issued to employees during the year in relation to any other ownership based remuneration scheme.

19. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS continued

Information in respect to the number of options granted under the Employee Option Plan is as follows:

	2004		2003	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	7,000,000	0.72	7,050,000	0.76
Granted	-	-	850,000	0.14
Forfeited	(250,000)	0.22	(900,000)	0.50
Exercised	(200,000)	0.14	-	-
Cancelled	(1,555,000)	2.16	-	-
Balance at end of year	4,995,000	0.32	7,000,000	0.72
Exercisable at end of year	455,000	2.07	670,000	1.56

(a) Options held at the beginning of the reporting period

The following table summarises information about the options held by employees as at 1 July 2003:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$
140,000	28 September 1999	27 September 2002	27 September 2005	2.16
1,320,000	1 April 2000	31 March 2003 and 31 March 2004	31 March 2005	2.16
350,000	24 August 2000	23 August 2003	23 August 2005	2.16
190,000	20 October 2000	19 October 2003	19 October 2005	2.16
4,150,000	6 May 2002	1 July 2004 and 1 July 2005	1 July 2007	0.14
200,000	15 August 2002	31 December 2002	31 December 2003	0.14
200,000	15 August 2002	1 July 2005 and 1 July 2006	1 July 2007	0.14
250,000	18 June 2003	17 June 2006 and 17 June 2007	17 June 2008	0.14
200,000	18 June 2003	6 May 2005 and 6 May 2006	6 May 2007	0.14

(b) Options granted during the reporting period

There were no options granted by the Company to employees during the year.

19. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS continued

(c) Options exercised during the reporting period

The following table summarises information about options exercised by employees during the year.

Number of options	Grant date	Exercise date	Expiry date	Weighted average exercise price \$	Proceeds from shares issued \$	Number of shares issued	Issue date	Fair value of each share issued \$
200,000	15 August 2002	24 October 2003	31 December 2003	0.14	28,000	200,000	24 October 2003	0.26

(d) Options held as at the end of the reporting period

The following table summarises information about options held by the employees as at 30 June 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$
55,000	28 September 1999	27 September 2002	27 September 2005	2.16
240,000	1 April 2000	31 March 2003 and 31 March 2004	31 March 2005	2.16
30,000	24 August 2000	23 August 2003	23 August 2005	2.16
110,000	20 October 2000	19 October 2003	19 October 2005	2.16
3,910,000	6 May 2002	1 July 2004 and 1 July 2005	1 July 2007	0.14
200,000	15 August 2002	1 July 2005 and 1 July 2006	1 July 2007	0.14
250,000	18 June 2003	17 June 2006 and 17 June 2007	17 June 2008	0.14
200,000	18 June 2003	6 May 2005 and 6 May 2006	6 May 2007	0.14

Superannuation commitments

Macquarie Corporate Telecommunications Pty Ltd makes contributions in accordance with the superannuation law in respect of each eligible employee. At the end of the financial year, contributions of up to 9% (2003: 9%) of employees' salaries and wages are legally enforceable in Australia.

20. CONTINGENT LIABILITIES

- (a) The consolidated entity currently disputes certain charges levied by some of its suppliers which total \$0.9 million (2003: \$2.1 million). In each case, the supplier has indicated certain amounts it alleges are due or payable for the period to 30 June 2004 in respect of services provided up to that date. The consolidated entity is disputing that not all of these charges are either due or payable. The consolidated entity is disputing certain of these charges on the grounds of incorrect billing, including that the services were not provided to the consolidated entity or its customers, and services supplied were not in accordance with agreed criteria. The consolidated entity is currently in discussion with each of the suppliers to resolve the disputes and expects that satisfactory solutions will be agreed. The consolidated entity has recorded an amount in trade creditors, being the net amount it expects to have to pay each supplier, in respect of the services received. A contingent asset or liability could exist for the difference between the amount recorded in the trade creditors and the negotiated settlement of these disputes, the extent of which cannot currently be determined.
- (b) The Company has provided a letter of ongoing financial support to Macquarie Corporate Telecommunications Pty Ltd ("MCT"), a wholly-owned subsidiary of the Company, for the purpose of assisting MCT to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise made available to MCT to meet such liabilities. The period of the financial support and guarantee is until 31 October 2005.
- (c) On 7 September 2001, MCT entered into a strategic alliance with PowerTel Ltd ("PowerTel"). Under the terms of the alliance PowerTel provides access to the PowerTel network which handles Macquarie's voice traffic. The Company has guaranteed MCT's performance, including payments owed, under the strategic alliance.
- (d) On 25 June 2004 and in September 2002, MCT entered into service agreements with two external parties. The Company has provided, by way of deed, a performance guarantee to the external parties to take the place of MCT or remedy any expenses incurred in the event that MCT fails to execute and perform its undertakings under the agreement. The guarantee will continue in force and effect until completion of MCT's obligations under the agreement.

21. EARNINGS PER SHARE

	Consolidated	
	2004 cents	2004 cents
Basic loss per share	(0.4)	(2.3)
Diluted loss per share	(0.4)	(2.3)
	2004	2003
	\$'000	\$'000

The following reflects the loss and share data used in the calculations of basic and diluted loss per share:

Net loss attributable to members	(787)	(4,724)
Adjustments	-	-
Loss used in calculating basic and diluted loss per share	(787)	(4,724)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	204,992,244	204,855,258
Effect of dilutive securities:		
Share options	1,949,130	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	206,941,374	204,855,258
Number of options that are not dilutive and not included in the calculation of diluted loss per share		
- Options over ordinary shares	1,285,000	8,850,000

Since the end of the financial year, one million ordinary shares have been issued upon the exercise of options.

22. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

Specified directors

R Kaye	Chairman
D Tudehope	Chief Executive
A Tudehope	Chief Operating Officer
S Butler	Non-executive director (appointed 26 July 2004)
J Palfreyman	Non-executive director (appointed 26 July 2004)
J Craig	Non-executive director (resigned 26 July 2004)
J Priest	Non-executive director (resigned 26 July 2004)

Specified executives

T Blackwell	Chief Financial Officer
C Greig	Sales Director
J Losco	Head of Government Business
G Noble	General Manager, Intellicentre Hosting Solutions
G Thomson	Senior Executive, Carrier and Strategy
P Thomson	Managing Director, South East Asia

(b) Remuneration of specified directors and specified executives

(i) *Remuneration policy*

The Corporate Governance, Nomination and Remuneration Committee comprises all the non-executive directors and the Chief Executive. Its main responsibilities are to review all matters relating to the appointment, retirement and performance of the Board, the Board Committees and the Chief Executive and Chief Operating Officer of the Company.

The Committee addresses the people management processes and reviews the remuneration arrangements for non-executives and executive directors. The Committee also reviews and approves the issue of shares and options under the Company's share and option plans.

The Chief Operating Officer joins the Committee to determine the remuneration policy for the senior management team.

22. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(b) Remuneration of specified directors and specified executives continued

(ii) Remuneration of specified directors and specified executives

Specified directors	Primary		Non-monetary benefits	Post employment	Equity	Other	Total
	Salary & fees	Cash bonus		Superannuation	Options	Consulting fees	
	\$	\$	\$	\$	\$	\$	\$
R Kaye							
2004	90,000	-	-	8,100	6,615	-	104,715
2003	60,000	-	-	5,309	10,037	30,387	105,733
D Tudehope							
2004	315,000	108,600	25,000	10,519	-	-	459,119
2003	294,692	60,000	15,116	11,433	-	-	381,241
A Tudehope							
2004	300,000	67,875	25,000	10,519	-	-	403,394
2003	287,308	37,500	16,471	11,324	-	-	352,603
J Craig							
2004	90,000	-	-	8,100	10,111	23,800	132,011
2003	30,000	-	-	2,700	-	-	32,700
J Priest							
2004	150,000	-	-	10,753	16,538	-	177,291
2003	120,000	-	-	10,519	25,092	-	155,611
Total remuneration: specified directors							
2004	945,000	176,475	50,000	47,991	33,264	23,800	1,276,530
2003	792,000	97,500	31,587	41,285	35,129	30,387	1,027,888
Specified executives							
T Blackwell							
2004	199,827	58,265	-	11,002	3,109	-	272,203
C Greig							
2004	241,750	79,821	16,000	11,002	1,455	-	350,028
J Losco							
2004	309,154	93,346	16,600	11,002	1,654	-	431,756
2003	275,756	93,000	15,706	10,519	-	-	394,981
G Noble							
2004	197,885	61,545	16,577	11,002	3,313	-	290,322
2003	187,885	80,100	15,000	10,519	4,093	-	297,597
G Thomson							
2004	232,211	71,634	15,000	11,002	3,109	-	332,956
2003	206,769	61,751	15,000	10,519	3,821	-	297,860
P Thomson							
2004	256,250	-	106,515	-	4,455	-	367,220
2003	245,855	-	122,273	-	6,371	-	374,499
Total remuneration: specified executives							
2004	1,437,077	364,611	170,692	55,010	17,095	-	2,044,485
2003	916,265	234,851	167,979	31,557	14,285	-	1,364,937

Group totals in respect of the financial year ended 30 June 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

22. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(c) Remuneration options: vested and granted during the year

During the financial year, options were granted as equity compensation benefits to certain specified directors and specified executives as disclosed below. The options were issued free of charge.

	Vested	Granted	Terms and conditions for each grant				
	Number	Number	Grant date	Value per option at grant date \$	Exercise price per share \$	First exercise date	Last exercise date
<i>Specified directors</i>							
R Kaye	400,000	-	-	-	-	-	-
J Craig	-	400,000	12 Dec 2003	0.06	0.24	26 Nov 2005	26 Nov 2008
J Priest	1,000,000	-	-	-	-	-	-
<i>Specified executives</i>							
Nil							

(d) Option holdings of specified directors and specified executives held directly, indirectly or beneficially

	Balance	Granted as remuneration	Options exercised	Net change other*	Balance	Vested and exercisable at 30 June 2004		
	1 July 2003				30 June 2004	Total	Not vested nor exercisable	Vested and exercisable
<i>Specified directors</i>								
R Kaye	400,000	-	-	-	400,000	400,000	-	400,000
D Tudehope	172,500	-	-	(67,500)	105,000	105,000	105,000	-
A Tudehope	172,500	-	-	(67,500)	105,000	105,000	105,000	-
J Craig	-	400,000	-	-	400,000	400,000	400,000	-
J Priest	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000
<i>Specified executives</i>								
T Blackwell	400,000	-	-	(200,000)	200,000	200,000	200,000	-
C Greig	200,000	-	-	-	200,000	200,000	200,000	-
J Losco	200,000	-	-	-	200,000	200,000	200,000	-
G Noble	435,000	-	-	(225,000)	210,000	210,000	210,000	-
G Thomson	200,000	-	-	-	200,000	200,000	200,000	-
P Thomson	635,000	-	-	(225,000)	410,000	410,000	410,000	-
Total	3,815,000	400,000	-	(785,000)	3,430,000	3,430,000	2,030,000	1,400,000

* relates to cancelled options.

22. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(e) Shareholdings of specified directors and specified executives held directly, indirectly or beneficially

	Balance 1 July 2003	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2004
<i>Specified directors</i>					
R Kaye	50,000	-	-	-	50,000
D Tudehope	240,663	-	-	-	240,663
A Tudehope	36,163	-	-	-	36,163
D & A Tudehope*	125,013,900	-	-	-	125,013,900
J Craig	50,000	-	-	-	50,000
J Priest	1,549,727	-	-	-	1,549,727
<i>Specified executives</i>					
T Blackwell	61,326	-	-	-	61,326
J Losco	180,000	-	-	-	180,000
G Noble	220,835	-	-	-	220,835
G Thomson	61,326	-	-	-	61,326
P Thomson	72,326	-	-	-	72,326
Total	127,536,266	-	-	-	127,536,266

* D Tudehope and A Tudehope collectively wholly own Claiward Pty Ltd, an entity which held 125,013,900 (61%) of the ordinary shares of Macquarie. The relevant ownership interests in Claiward Pty Ltd are held by Semark Pty Ltd at 84% and Fenton Australia Pty Ltd at 16%. The shares in these latter companies are held by D Tudehope and A Tudehope respectively.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(f) Other transactions and balances with specified directors and specified executives

Services

During the current year, J Craig provided consulting services to Macquarie. R Kaye provided consulting services to Macquarie in the prior year.

Amounts recognised at the reporting date in relation to other transactions:

Assets and liabilities	2004 \$'000	2003 \$'000	Revenues and expenses	2004 \$'000	2003 \$'000
<i>Current liabilities</i>			<i>Expenses</i>		
Trade creditors	26	-	Consultant fees	24	30
Total liabilities	26	-	Total expenses	24	30

23. IMPACT OF ADOPTING AUSTRALIAN ACCOUNTING STANDARDS BOARD ("AASB") EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IASB") STANDARDS

Macquarie has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards ("IFRS"). The Company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Macquarie has graded impact areas as high, medium or low and has established dedicated project teams to address each of the areas in order of priority as presented by the gradings. An IFRS steering committee has been established to oversee the progress of each of the project teams and make necessary decisions. As Macquarie has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future and is required when Macquarie prepare its first fully IFRS compliant financial report for the year ending 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Macquarie. At this stage, the Company has not been able to reliably quantify the impacts on the financial reports.

(i) Impairment of assets

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the consolidated entity's current accounting policy, which determines the recoverable amount of an asset on the basis of discounted cash flows. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

(ii) Share based payments

Under AASB 2 Share Based Payment, the Company will be required to determine the fair value of options and shares issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002, which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

(iii) Income taxes

Under AASB 112 Income Taxes, the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax based balance sheet.

	2004 \$	2003 \$	2004 \$	2003 \$
24. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of Macquarie for:				
– an audit or review of the financial report of the Company and any other entity in the consolidated entity	195,000	195,000	195,000	195,000
– other services in relation to the entity and any other entity in the consolidated Company	183,900	298,034	183,900	298,034
	<u>378,900</u>	<u>493,034</u>	<u>378,900</u>	<u>493,034</u>

25. RELATED PARTY DISCLOSURES

(a) The directors of Macquarie during the year were:

R Kaye
D Tudehope
A Tudehope
J Craig
J Priest.

(b) The following related party transactions occurred during the financial year:

Transactions with related parties in the wholly-owned group

Business Development Agreement

On 29 June 1998, the Company entered into a Business Development Agreement with its wholly-owned subsidiary, Macquarie Corporate Telecommunications Pty Ltd ("MCT"). Under this agreement, the Company charged during the year, MCT a fee for the provision of services to customers of \$3,196,725 (2003: \$9,940,469) and was charged a management fee of \$102,998 (2003: \$1,107,336) by MCT for servicing customers still contracted to the Company.

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Macquarie and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned Australian subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Amounts due from/payable to wholly-owned entities

On 30 June 2004, the Company had a non-current net receivable of \$90,093,051 (2003: \$93,564,022) due from MCT, which was a result of charges relating to the Business Development Agreement, tax consolidations and advances made to MCT in relation to normal commercial transactions.

On 30 June 2004, the Company had an amount payable to Macquarie Corporate Telecommunications Carrier Services Pty Ltd ("MCTCS") of \$5,030,886 (2003: \$6,509,277), which was a result of tax losses transferred to the Company during the year for full consideration and charges relating to tax consolidations.

On 30 June 2004, the Company had an amount payable to Macquarie Corporate Telecommunications Services Pty Ltd ("MCTS") of \$276,663 (2003: \$22,493), which was for charges relating to tax consolidations.

25. RELATED PARTY DISCLOSURES continued**(c) Equity instruments of directors**

Interests in the equity instruments of entities in the consolidated entity held by directors of the reporting entity and their director-related entities at 30 June 2004, being the number of instruments held, were:

- (i) D Tudehope and A Tudehope collectively wholly own Claiward Pty Ltd, an entity which owns 61% (2003: 61%) of the ordinary shares of Macquarie. The relevant ownership interests in Claiward Pty Ltd are held by Semark Pty Ltd at 84% and Fenton Australia Pty Ltd at 16%. The shares in these latter companies are held by D Tudehope and A Tudehope respectively;
- (ii) 72,326 ordinary shares and 210,000 options (2003: 345,000) over ordinary shares were on issue to a director-related entity of D Tudehope and A Tudehope;
- (iii) 204,500 ordinary shares were on issue to a director-related entity of D Tudehope;
- (iv) 1,549,727 ordinary shares were on issue to director-related entities of J Priest. J Priest also has an interest in 1,000,000 options over ordinary shares;
- (v) 50,000 ordinary shares were on issue to a director-related entity of R Kaye. R Kaye also has an interest in 400,000 options over ordinary shares; and
- (vi) 50,000 ordinary shares were on issue to J Craig. J Craig also has an interest in 400,000 options over ordinary shares. The issue of those options was approved at a general meeting of the Company held on 26 November 2003.

Apart from the changes noted, there have been no other changes in equity instruments of directors during the year.

(d) Director-related entity transactions*Services*

R Kaye was paid nil (2003: \$30,387) for the provision of consulting services to the consolidated entity during the year.

J Craig was paid \$23,800 (2003: nil) for the provision of consulting services to the consolidated entity during the year.

26. SEGMENT INFORMATION

Segment description

The consolidated entity operates in three primary business segments. The voice segment relates to the provision of voice telecommunications services to Australian corporate, Australian government and Singapore corporate customers. The data segment relates to the provision of services utilising the Macquarie data network and data hosting facility, to Australian corporate and Australian government customers. The mobiles segment relates to the provision of mobile telecommunications services to Australian corporate and Australian government customers. This latter segment commenced operations on 1 January 2003. Geographically, the consolidated entity operates in two locations, being Australia and Singapore.

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

Segment information on primary business segments

	Voice		Data		Mobiles		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to customers outside the consolidated entity	171,641	193,411	50,763	40,773	4,106	269	226,510	234,453
Other revenues from customers outside the consolidated entity	-	-	334	-	-	-	334	-
Segment revenue	171,641	193,411	51,097	40,773	4,106	269	226,844	234,453
Unallocated revenue							1,435	1,079
Total consolidated revenue							228,279	235,532
Results								
Segment result before income tax	7,861	9,133	7	(8,521)	(2,508)	(1,620)	5,360	(1,008)
Non-cash expenses other than amortisation and depreciation	-	-	-	-	-	-	-	-
Adjusted segment result before income tax	7,861	9,133	7	(8,521)	(2,508)	(1,620)	5,360	(1,008)
Unallocated expenses							(4,716)	(4,232)
Consolidated entity profit/(loss) from ordinary activities before income tax							644	(5,240)
Income tax (expense)/benefit							(1,431)	516
Consolidated entity loss from ordinary activities after income tax							(787)	(4,724)

26. SEGMENT INFORMATION continued

Segment information on primary business segments

	Voice		Data		Mobiles		Consolidated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Assets								
Segment assets	58,383	63,607	26,599	25,400	676	359	85,658	89,366
Unallocated assets							20,323	18,478
Total assets							105,981	107,844
Liabilities								
Segment liabilities	38,268	40,824	2,623	876	560	196	41,451	41,896
Unallocated liabilities							1,759	2,345
Total liabilities							43,210	44,241

Other segment information

Acquisition of plant and equipment, intangible assets and other non-current assets	684	490	7,051	3,425	41	275	7,776	4,190
Unallocated acquisitions							3,536	1,599
Total acquisitions							11,312	5,789
Depreciation	1,224	1,065	4,509	4,883	92	18	5,825	5,966
Unallocated depreciation							2,250	2,647
Total depreciation							8,075	8,613
Amortisation	-	-	333	334	-	-	333	334
Unallocated amortisation							270	160
Total amortisation							603	494

Segment information on geographic segments

	Australia		Singapore		Consolidated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Segment revenue	218,160	224,330	10,119	11,202	228,279	235,532
Segment assets	101,416	102,850	4,565	4,994	105,981	107,844
Other segment information						
Acquisition of plant and equipment, intangible assets and other non-current assets	10,810	5,262	502	527	11,312	5,789

27. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Floating interest rate		Fixed interest rate maturing in 1 year or less		Fixed interest rate maturing in Over 1 to 5 years	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(i) Financial assets</i>						
Cash	31,808	29,920	-	-	-	-
Receivables – trade	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
Short term deposits	-	-	2,558	1,738	-	-
Other – current	-	-	-	-	-	-
Total financial assets	31,808	29,920	2,558	1,738	-	-
<i>(ii) Financial liabilities</i>						
Payables	-	-	-	-	-	-
Other – current	-	-	-	-	-	-
Other – non-current	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-

N/A – not applicable for non-interest bearing financial instruments.

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of recognised financial instruments:

(i) Cash, cash equivalents and short term investments

The carrying amount approximates fair value because of their short term to maturity.

(ii) Trade receivables, work in progress and payables

The carrying amount approximates fair value.

No financial assets are carried at an amount in excess of their net fair value.

(c) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

As at 30 June 2004, the consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties.

Fixed interest rate maturing in		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
More than 5 years		2004	2003	2004	2003	2004	2003
2004	2003	2004	2003	2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	% pa	% pa
-	-	-	-	31,808	29,920	4.59	4.03
-	-	18,688	23,663	18,688	23,663	N/A	N/A
-	-	15,265	17,898	15,265	17,898	N/A	N/A
-	-	-	-	2,558	1,738	4.55	4.18
-	-	1,191	1,238	1,191	1,238	N/A	N/A
-	-	35,144	42,799	69,510	74,457		
-	-	39,540	42,180	39,540	42,180	N/A	N/A
-	-	14	85	14	85	N/A	N/A
-	-	-	107	-	107	N/A	N/A
-	-	39,554	42,372	39,554	42,372		

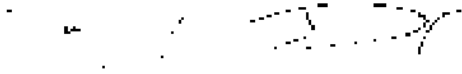
Directors' Declaration

In accordance with a resolution of the directors of Macquarie Corporate Telecommunications Holdings Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:



Robert Kaye
Chairman

David Tudehope
Chief Executive

Sydney, 31 August 2004

Independent Audit Report

to members of Macquarie Corporate Telecommunications Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Macquarie Corporate Telecommunications Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of Management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and Management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Macquarie Corporate Telecommunications Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Macquarie Corporate Telecommunications Holdings Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Sydney, 31 August 2004

Meredith Scott
Partner

ASX Additional Information

Additional information required by the Australian Stock Exchange and not shown elsewhere in the report is as follows:

A. Distribution of Equity Securities

The numbers of shareholders, by size of holding, in each class of share at 5 October 2004 are:

	Ordinary shares		Share Purchase Plan ⁽ⁱ⁾		Discretionary Share Plan ⁽ⁱⁱ⁾	
	Number of holders	Number of shares	Number of holder	Number of shares	Number of holders	Number of shares
1 - 1,000	179	118,742	52	30,754	9	9,000
1,001 - 5,000	1,072	2,989,903	70	100,560	-	-
5,001 - 10,000	292	2,472,184	-	-	22	220,000
10,001 - 100,000	482	16,894,614	-	-	42	1,475,000
100,001 and over	66	181,744,501	-	-	-	-
	2,091	204,219,944	122	131,314	73	1,704,000

The number of shareholders holding less than a marketable parcel of shares are:

	824	1,349,454	122	131,314	9	9,000
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- (i) Ordinary shares issued under the Share Purchase Plan are not disposable until the earlier of the date of participant termination of employment with the Company, or three years from the date of issuance.
- (ii) Ordinary shares issued under the Discretionary Share Plan are not disposable for two years from the date of issuance, and forfeit upon participant termination of employment with the Company.

B. Twenty Largest Shareholders

The names of the 20 largest holders of quoted shares at 5 October 2004 are:

		Quoted ordinary shares	
		Number of shares held	% Held
1	Claiward Pty Limited	125,013,900	61.22
2	PowerTel Limited	20,370,000	9.97
3	Cogent Nominees Pty Limited	7,500,000	3.67
4	Carrier International Pty Limited	3,297,988	1.61
5	Merrill Lynch (Australia) Nominees Pty Ltd	2,648,777	1.30
6	Dupain Holdings Pty Limited	2,525,903	1.24
7	ANZ Nominees Limited	2,017,000	0.99
8	Westpac Custodian Nominees Limited	1,486,752	0.73
9	Elmarco Pty Limited	1,449,727	0.71
10	Laurie John Newman	1,339,395	0.66
11	Mr John Priest	1,000,000	0.49
12	N Martin and L Martin	900,000	0.44
13	V Tech	883,703	0.43
14	J P Morgan Nominees Australia Limited	857,138	0.42
15	Citicorp Nominees Pty Limited	654,492	0.32
16	Megan Pty Ltd	583,000	0.29
17	Mr Anthony John Wilson	400,000	0.20
18	Irrewarra Investments Pty Ltd	348,900	0.17
19	R Wallace and C Wallace	320,000	0.16
20	Mr Roger Meyrick Croker	300,000	0.15
Total		173,896,675	85.17

C. Substantial Shareholders

The Company has not received any substantial shareholding notices in accordance with section 671B of the Corporations Act 2001 during the year.

D. Voting Rights

All ordinary shares carry one vote per share without restriction.

Company Information

ACN 056 712 228

DIRECTORS

Robert Kaye | Chairman
David Tudehope | Chief Executive
Aidan Tudehope | Chief Operating Officer
Stephen Butler | Non-Executive Director
John Palfreyman | Non-Executive Director

COMPANY SECRETARIES

Albert Koolmees
Timothy Blackwell

REGISTERED OFFICE

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Canberra

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F | 03 6214 0088

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Melbourne VIC 3004
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F | 03 9206 6888

Perth

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East Perth WA 6004
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F | 03 9229 0088

Townsville

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Townsville QLD 4814
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F | 07 4725 6816

Intellicentre

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Singapore

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Sydney NSW 2000
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AUDITORS

Ernst & Young

BANKERS

Australia and New Zealand
Banking Group Limited

SOLICITORS

Gilbert & Tobin

