Appendix 4D

Half year report
Six months ended 31 December 2007

1. Results for announcement to the market

				$A'000
Revenue and other income	Up	0.22%		126,816
(Loss) after tax attributable to members	down	32%	to	(1,613)
Net (loss) for the period attributable to members	down	32%	to	(1,613)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	NIL ¢	NIL ¢
Previous corresponding period	NIL ¢	NIL ¢

Record date for determining entitlements to the dividend	N/A

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

2. Net tangible assets per security

	31 December 2007	30 June 2007
Net tangible asset backing per ordinary security	$2.09	$2.16

3. Dividends

The company has not declared an interim dividend in respect of the current period.

4. Compliance statement

This report, and the interim financial report upon which the report is based, use the same accounting policies. The interim financial report upon which this report is based has been reviewed. A copy of the reviewed Interim Financial Report is attached.

The appendix 4D is also to be read in conjunction with the annual financial report for the year ended 30 June 2007.

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Contents	Page

Directors' Report

Your directors submit their report for the half-year ended 31 December 2007.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	**Directorship**
Robert Kaye	Non-Executive Chairman
David Tudehope	Chief Executive
Aidan Tudehope	Managing Director, Hosting
Stephen Butler	Non-Executive Director
John Palfreyman	Non-Executive Director

Review of Operations

Service revenue increased by 0.2% to $126.3 million from $126.1 million for the previous corresponding period.

The consolidated entity experienced a net loss after tax of $1.6 million for the half year, improving from a net loss after tax of $2.4 million for the half year to 31 December 2006.

The consolidated entity maintains a sound liquidity position including $18.3 million in cash after a net cash outflow of $1.7 million for the half year to 31 December 2007.

Auditor's Independence Declaration

Refer to page 14 for the independence declaration from our auditors, PricewaterhouseCoopers.

Rounding

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

Signed in accordance with a resolution of the directors.

David Tudehope
Chief Executive

Sydney, 26 February 2008

Income statement
For the half-year ended 31 December 2007

		Consolidated	
	Notes	**2007**	**2006**
		$'000	**$'000**
Revenue and other income	3	126,816	126,537
Expenses	3	(128,118)	(128,956)
(Loss) before income tax and finance costs		(1,302)	(2,419)
Finance costs		(478)	(474)
(Loss) before income tax		(1,780)	(2,893)
Income tax benefit		167	527
Net (loss) attributable to members		(1,613)	(2,366)

Basic loss per share (cents per share)	4	(7.8)	(11.5)
Diluted loss per share (cents per share)	4	(7.8)	(11.5)

Balance Sheet
As at 31 December 2007

	Consolidated	
	31 December 2007	**30 June 2007**
	$'000	**$'000**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	18,284	19,998
Receivables	19,162	18,604
Work in progress	13,658	16,803
Other financial assets	1,817	1,246
Other	1,823	1,492
TOTAL CURRENT ASSETS	54,744	58,143
NON-CURRENT ASSETS		
Plant and equipment	28,053	29,729
Deferred tax assets	6,755	6,617
Other	2,323	2,474
TOTAL NON-CURRENT ASSETS	37,131	38,820
TOTAL ASSETS	91,875	96,963
LIABILITIES		
CURRENT LIABILITIES		
Payables	40,416	42,514
Interest bearing loans and borrowings	2,668	3,008
Provisions	568	381
Other	126	149
TOTAL CURRENT LIABILITIES	43,778	46,052
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	2,481	3,617
Deferred tax liabilities	31	60
Provisions	955	1,046
Other	1,639	1,702
TOTAL NON-CURRENT LIABILITIES	5,106	6,425
TOTAL LIABILITIES	48,884	52,477
NET ASSETS	42,991	44,486
EQUITY		
Contributed equity	87,025	87,025
Reserves	105	(13)
(Accumulated losses)	(44,139)	(42,526)
TOTAL EQUITY	42,991	44,486

Statement of Changes in Equity
For the half-year ended 31 December 2007

	Contributed Equity	Reserves	Accumulated Losses	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2006	87,025	214	(38,932)	48,307
Currency translation differences	-	(131)	-	(131)
Total income and expense for the period recognised directly in equity	-	(131)		(131)
Loss for the period	-		(2,366)	(2,366)
Share based payments expense	-	12	-	12
At 31 December 2006	87,025	95	(41,298)	45,822

	Contributed Equity	Reserves	Accumulated Losses	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2007	87,025	(13)	(42,526)	44,486
Currency translation differences		96		96
Total income and expense for the period recognised directly in equity		96		96
Loss for the period			(1,613)	(1,613)
Share based payments expense		22		22
At 31 December 2007	87,025	105	(44,139)	42,991

Statement of Cash Flows
For the half-year ended 31 December 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		140,191	139,183
Payments to suppliers and employees		(131,362)	(127,428)
Interest received		497	416
Interest paid		(478)	(474)
Goods and services tax paid		(2,518)	(2,560)
NET CASH FLOWS FROM OPERATING ACTIVITIES		6,330	9,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(5,999)	(5,783)
Proceeds from sale of plant and equipment		-	-
Proceeds/(payments) for short term deposits		(571)	4
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(6,570)	(5,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale and leaseback of assets		-	3,505
Payment of finance lease principal		(1,474)	(1,165)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,474)	2,340
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(1,714)	5,698
Opening cash and cash equivalents brought forward		19,998	15,955
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD		18,284	21,653

Notes to the financial statements
For the half-year ended 31 December 2007

1. Corporate Information

The financial report of Macquarie Telecom Group Limited for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of directors on 26 February 2008.

Macquarie Telecom Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost convention, except for available for sale assets, equity based payments and derivative financial instruments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Interim Reporting

The half year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Macquarie Telecom Group Limited as at 30 June 2007. It is also recommended that the half-year financial report be considered together with any public announcements made by Macquarie Telecom Group Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(c) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial statements for 30 June 2007.

Notes to the financial statements
For the half-year ended 31 December 2007

3. Revenue and expenses

	Current period $'000	Previous corresponding period $'000
Specific items Profit/(loss) before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenues and other income		
Revenue from services	126,294	126,087
Interest	522	450
Proceeds on sale of plant and equipment	-	-
Total revenue and other income	**126,816**	**126,537**
(ii) Expenses		
Operating lease rental	1,526	1,600
Employment costs	26,578	25,811
Carrier costs	83,040	86,328
Other expenses from ordinary activities	9,147	7,568
Depreciation and amortisation	7,827	7,649
Total expense	**128,118**	**128,956**

Notes to the financial statements
For the half-year ended 31 December 2007

4. Earnings per share

Details of basic and diluted EPS are as follows:

	Current period	Previous corresponding period
	Cents	Cents
Basic loss per share	(7.8) cents	(11.5) cents
Diluted loss per share	(7.8) cents	(11.5) cents
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	20,608,621	20,608,621
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	20,608,621	20,608,621
	$000’s	$000’s
Loss used in calculating basic and diluted loss per share	(1,613)	(2,366)

5. Contingent liabilities

Since the last annual reporting date, there has been no material change to contingent liabilities for the disputed carrier cost.

The Company is currently in dispute with a former wholesale customer over unpaid bills. In turn this customer has lodged a claim against the Company. This customer has amended its statement of claim to increase the amount of its claim to $8.2million.The Company believes that the claims against it are wholly without merit and will vigorously pursue the collection of its unpaid debts.

The Company is also in dispute with one other wholesale customer over unpaid bills. This customer has also lodged claims against the Company. The Company believes the claims are without merit and will pursue the collection of the unpaid debts.

The Company has not recorded any amounts in the accounts in respect of the above claims.

6. Events subsequent to reporting date

There have not been any material subsequent events from the end of the interim period and the date of this report that have not been recognised in the interim financial report.

Notes to the financial statements
For the half-year ended 31 December 2007

7. Segment reporting

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, Australian government customers and Singapore corporate customers. The mobiles segment relates to the provision of mobile telecommunications services to Australian corporate and Australian government customers.

Geographically, the consolidated entity operates in two locations being Australia and Singapore.

Business segments

	Voice		Data/Hosting		Mobiles		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Revenue								
Sales to customers outside the consolidated entity	71,082	77,865	40,460	35,296	14,752	12,926	126,294	126,087
Unallocated revenue							522	450
Total consolidated revenue							126,816	126,537
Results								
Segment result before tax	3,688	3,519	(3,492)	(3,486)	889	5	1,085	38
Unallocated expenses							(2,387)	(2,457)
Interest expense							(478)	(474)
Consolidated entity loss from ordinary activities before income tax benefit							(1,780)	(2,893)
Income tax benefit							167	527
Net loss							(1,613)	(2,366)

Segment information on geographic segments

	Australia		Singapore		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Segment revenue	121,811	120,775	5,005	5,762	126,816	126,537

Director's Declaration

In accordance with a resolution of the directors of Macquarie Telecom Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

  (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and

  (ii) comply with Accounting Standard AASB 134: "Interim Financial Reporting" and the 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

David Tudehope
Chief Executive

Sydney, 26 February 2008

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Independent Auditor's Review Report to the members of Macquarie Telecom Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie Telecom Group Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the director's declaration for Macquarie Telecom Group Limited (the consolidated entity). The consolidated entity comprises both Macquarie Telecom Group Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie Telecom Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

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

PRICEWATERHOUSECOOPERS

Our review did not involve any analysis of the prudence of business decisions made by directors or management.

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner
Sydney

26 February 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half-year ended 31 December 2007, I declare to the best of my knowledge and belief, there have been:

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner
Sydney

26 February 2008