Macquarie Telecom Group Limited

Appendix 4E

Preliminary final report
Financial year ended 30 June 2010

1. Results for announcement to the market

$A'000

Revenue and other income	down	2.0%	to	238,117
Profit after tax attributable to members	up	141%	to	17,925
Net profit for the period attributable to members	up	141%	to	17,925

Dividends (distributions)	Amount per security	Franked amount per security
Special dividend	20 ¢	20 ¢
Ordinary dividend	20 ¢	20 ¢
Previous corresponding period	NIL ¢	NIL ¢

Record date for determining entitlements to the dividend	16 September 2010
Payment date	14 October 2010

2. Statement of Comprehensive Income

	Notes	CONSOLIDATED	
		2010	**2009**
		$'000	**$'000**
Revenue and other income	6.1	238,117	242,863
Expenses	6.1	(222,731)	(233,259)
Profit before income tax and finance costs		15,386	9,604
Finance costs		(204)	(402)
Profit before income tax		15,182	9,202
Income tax expense		(4,742)	(3,076)
Profit from continuing operations		10,440	6,126
Profit from discontinued operation net of tax	6.3	7,485	1,321
Net profit for the year		17,925	7,447
Other comprehensive income			
Exchange differences on translation of foreign operations		74	42
Total comprehensive income for the year		17,999	7,489

3. Statement of Financial Position

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
CURRENT ASSETS		
Cash and cash equivalents	56,304	35,313
Receivables	10,268	12,687
Accrued income	9,074	10,373
Other financial assets	-	1,506
Other	2,091	2,947
TOTAL CURRENT ASSETS	77,737	62,826
NON-CURRENT ASSETS		
Plant and equipment	26,169	25,581
Deferred tax assets	6,157	5,712
Other	1,565	1,868
TOTAL NON-CURRENT ASSETS	33,891	33,161
TOTAL ASSETS	111,628	95,987
CURRENT LIABILITIES		
Payables	34,058	37,628
Borrowings	342	1,430
Current tax liabilities	4,360	1,754
Provisions	1,260	971
Other	262	479
TOTAL CURRENT LIABILITIES	40,282	42,262
NON-CURRENT LIABILITIES		
Borrowings	-	342
Deferred tax liabilities	-	3
Provisions	981	1,136
Other	1,170	1,420
TOTAL NON-CURRENT LIABILITIES	2,151	2,901
TOTAL LIABILITIES	42,433	45,163
NET ASSETS	69,195	50,824
EQUITY		
Contributed equity	42,723	87,025
Reserves	148	43
Retained profit/(loss)	26,324	(36,244)
TOTAL EQUITY	69,195	50,824

4. Statement of Changes in Equity

	Contributed Equity	Reserves	Retained Profit/(Loss)	Total
	$'000	$'000	$'000	$'000
At 1 July 2008	87,025	4	(43,691)	43,338
Total comprehensive income for the year	-	42	7,447	7,489
Capital reduction	-	-	-	-
Transactions with owners in their capacity as owners:				
Share based payments expense/ (credit)	-	(3)	-	(3)
At 30 June 2009	87,025	43	(36,244)	50,824

	Contributed Equity	Reserves	Retained Profit/(Loss)	Total
	$'000	$'000	$'000	$'000
At 1 July 2009	87,025	43	(36,244)	50,824
Total comprehensive income for the year	-	74	17,925	17,999
Capital reduction (note 6.4)	(44,643)	-	44,643	-
Transactions with owners in their capacity as owners:				
Share based payments expense	-	31	-	31
Exercise of options	341	-	-	341
	341	31	-	372
At 30 June 2010	42,723	148	26,324	69,195

5. Statement of Cash Flows

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		262,773	282,210
Payments to suppliers and employees		(232,725)	(255,537)
Interest received		1,733	1,280
Interest paid		(204)	(402)
Income tax paid		(2,656)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	6.2	28,921	27,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(16,606)	(12,962)
Disposal of subsidiary – net sale proceeds	6.3	8,527	-
Proceeds from sale of non-current assets		-	11
Proceeds from other financial assets		1,238	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(6,841)	(12,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		341	-
Repayment of finance lease principal		(1,430)	(1,845)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(1,089)	(1,845)
NET INCREASE IN CASH HELD		20,991	12,755
Opening cash and cash equivalents brought forward		35,313	22,558
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	6.2	56,304	35,313

6. Notes to the financial statements

6.1 Revenue and expenses

	Current period - $'000	Previous corresponding period - $'000
Revenue – continuing operations		
Revenue		
Revenue from services	235,992	241,637
Other revenue		
Interest	2,125	1,226
	238,117	**242,863**
Revenue – discontinued operation		
Revenue		
Revenue from services	934	12,173
Other revenue		
Interest	-	9
	934	**12,182**
Expenses – continuing operations		
Bad and doubtful debts	360	1,782
Operating lease rental	5,063	4,793
Employment costs	59,165	52,548
Carrier costs	123,585	141,411
Other expenses from ordinary activities	18,822	17,841
Net loss on disposal of plant and equipment	-	16
Depreciation and amortisation	15,736	14,868
	222,731	**233,259**
Expenses – discontinued operation		
Bad and doubtful debts	(20)	9
Operating lease rental	41	602
Employment costs	160	3,677
Carrier costs	459	5,170
Other expenses from ordinary activities	155	940
Net loss on disposal of plant and equipment	-	-
Depreciation and amortisation	32	463
	827	**10,861**

6.2 Reconciliation of cash

	2010 $'000	2009 $'000
Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the financial statements is as follows.		
Cash on hand and at bank	31,404	19,313
Short term deposits	24,900	16,000
Total cash at end of period	**56,304**	**35,313**

Reconciliation of the profit after income tax to the net cash flows from operations		
Profit after income tax	17,925	7,447
Amortisation of non-current assets	602	580
Depreciation of non-current assets	15,166	14,751
Loss on disposal of non-current assets	-	16
Share based payments expense/(credit)	31	(3)
Gain on sale of discontinued operation – non cash elements	(7,378)	-
Net foreign currency gains/(losses)	74	(173)
Changes in assets and liabilities		
Receivables	1,973	6,128
Accrued income	705	503
Prepayments	746	(1,132)
Deferred tax assets	(445)	1,597
Payables	(2,765)	(4,281)
Current tax liabilities	2,606	1,440
Other liabilities	(449)	254
Deferred tax liabilities	(3)	(8)
Provision for employee benefits	133	432
Net cash inflow from operating activities	28,921	27,551

6.3 Discontinued operation

(a) Description

On 30 July 2009 Macquarie Telecom Group Limited, the parent entity of the consolidated group, announced that it had entered into a Share Sale Agreement in respect of its Singapore subsidiary Macquarie Telecom Pte Limited, with CITIC 1616 Holdings Limited. The transaction was completed on 31 July 2009 with Macquarie Telecom and CITIC subsequently agreeing on a final sale consideration of SGD$11.3 million (AUD$9.4 million).

(b) Financial performance

Macquarie Telecom Pte Limited's financial performance and cash flow information presented are for the one month ended 31 July 2009 (2010 column) and the full year ended 30 June 2009.

	2010	2009
	$'000	$'000
Revenue	934	12,182
Expenses	(827)	(10,861)
Profit from operating activities	**107**	**1,321**
Finance costs	-	**-**
Profit before income tax	**107**	**1,321**
Income tax	-	-
Profit after income tax of discontinued operation	**107**	**1,321**
Gain on sale of discontinued operation before income tax	7,378	-
Income tax	-	-
Gain on sale of discontinued operation after income tax	**7,378**	**-**
Profit from discontinued operation	**7,485**	**1,321**

(c) Cash flow information

	2010	2009
	$'000	$'000
Net cash used in ordinary activities	(269)	(92)
Net cash inflow/(outflow) from investing activities (includes inflow of $9,368,000 from the sale of the discontinued operation less selling costs of $716,000 and cash held by discontinued operation at date of disposal of $125,000)	8,527	(282)
Net cash outflow from financing activities	-	(1,270)
Net increase/(decrease) in cash generated from the discontinued operation	**8,258**	**(1,644)**

6.3 Discontinued operation (continued)

(d) Details of the sale of the discontinued operation

	2010	2009
	$'000	$'000
Consideration received:		
Total disposal consideration	9,368	-
Assignment of intercompany loan	(5,933)	-
Value of shares	**3,435**	**-**
Carrying amount of net liabilities	4,789	-
Components of equity to be reclassified to profit and loss	(77)	-
Intercompany elimination adjustment	8	-
Costs to sell	(777)	-
Gain on sale before income tax	**7,378**	**-**
Income tax expense	-	-
Gain on sale after income tax	**7,378**	**-**

(e) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities, excluding cash and intercompany accounts, as at the date of sale (31 July 2009) were:

	31 July 2009
	$'000
Trade and other receivables	397
Accrued income	594
Other financial assets	282
Other debtors	303
Plant and equipment	423
Total assets	**1,999**
Trade and other payables	958
Provisions and other liabilities	24
Total liabilities	**982**
Net assets	**1,017**

6.4 Capital reduction

On 27 November 2009, the shareholders resolved at the Annual General Meeting that the paid up capital of the parent company Macquarie Telecom Group Limited be reduced in the amount of $44,643,416 by debiting the capital account and crediting accumulated losses of the company in accordance with section 256B of the Corporations Act. The capital reduction does not affect any existing shareholder rights.

7. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$3.32	$2.47

8 Review of operations

8.1 Significant information on financial performance and position

Further commentary on significant information is contained in the press release dated 26 August 2010 accompanying this statement.

8.2 Events occurring after the reporting period

On 26 August 2010, the directors declared a fully franked special dividend of 20 cents per share and a fully franked ordinary dividend of 20 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2010, to be paid to the shareholders on 14 October 2010. These dividends have not been included as a liability in these financial statements. The total estimated dividends to be paid is $8.33 million.

9. Commentary on the results for the period

9.1 Earnings per share (EPS)

Details of basic and diluted EPS are as follows:

	Current period	Previous corresponding period
	cents	cents
Basic earnings per share		
From continuing operations	50.6	29.7
From discontinued operation	36.2	6.4
Total basic earnings per share	**86.8**	**36.1**
Diluted earnings per share		
From continuing operations	50.1	29.7
From discontinued operation	36.0	6.4
Total diluted earnings per share	**86.1**	**36.1**
	Number	Number
Weighted average number of ordinary shares used in calculating basic profit per share	20,659,729	20,608,621
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted profit per share	20,816,644	20,650,124
	$'000	$'000
Profit used in calculating basic and diluted profit per share		
From continuing operations	10,440	6,126
From discontinued operation	7,485	1,321
	17,925	**7,447**

9.2 Segment reporting

Refer attachment 1.

9.3 Trends in performance

Ratios	Current period	Previous corresponding period
Profit before tax from continuing operations / revenue from continuing operations Consolidated profit from continuing operations before tax as a percentage of revenue from continuing operations	6.4%	3.8%
Profit after tax from continuing operations / equity interests Consolidated net profit after tax from continuing operations attributable to members as a percentage of total equity (similarly attributable) at the end of the period	15.1%	12.1%

9.4 Additional commentary

Further commentary on the results for the period is contained in the press release dated 26 August 2010 accompanying this statement.

10. Annual meeting

The annual meeting will be held as follows:

Place	Museum of Sydney
Date	26 November 2010
Time	9.00am
Approximate date the annual report will be available	28 October 2010

Compliance statement

1. Basis of preparation of the Preliminary Final Report
   The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E and Australian Accounting Standards. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with the prior year.

2. Changes in accounting policies
   Nil.

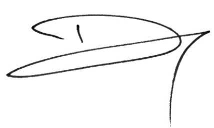
3. This report, and the financial statements upon which the report is based, use the same accounting policies.

4. This report does give a true and fair view of the matters disclosed.

5. This report is based on accounts which have been audited.

6 The entity has a formally constituted audit committee.

Signed:



David Tudehope
Director

Date: 26 August 2010

ATTACHMENT 1

Segment Description

The consolidated entity operates in four 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 to Australian corporate, Australian government and Singapore corporate customers. The hosting segment relates to the provision of services utilising the Macquarie 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.

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

Changes in reported segments

On 30 July 2009 Macquarie Telecom Group Limited, the Parent entity of the consolidated group sold to CITIC 1616 Holdings Limited all the issued shares in Macquarie Telecom Pte Limited, a wholly owned subsidiary incorporated in Singapore.

The Singapore business has been disclosed as a discontinued operation and has therefore been excluded from the Voice and Data business segments for 30 June 2010 reporting purposes.

Segment Accounting Policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 2 to the Financial Statements.

Business segments

	Voice		Data		Hosting		Mobiles		Discontinued Operation		Consolidated	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Revenue												
Sales to customers outside the consolidated entity	104,126	118,017	58,635	61,601	44,489	33,879	28,742	28,140	934	12,173	236,926	253,810
Inter-segment revenue	-	-	-	-	-	-	-	-	305	3,796	305	3,796
Total segment revenue	104,126	118,017	58,635	61,601	44,489	33,879	28,742	28,140	1,239	15,969	237,231	257,606
Inter-segment elimination									(305)	(3,796)	(305)	(3,796)
Unallocated revenue									-	9	2,125	1,235
Total consolidated revenue									934	12,182	239,051	255,045
Results												
Segment result before income tax	14,554	15,350	(2,319)	(4,894)	8,142	3,857	1,795	2,097	139	1,783	22,311	18,193
Unallocated expenses									(32)	(462)	(6,818)	(7,268)
Profit before income tax, finance costs and gain on sale of discontinued operation									107	1,321	15,493	10,925
Finance costs									-	-	(204)	(402)
Gain on sale of discontinued operation									7,378	-	7,378	-
Consolidated entity profit before income tax									7,485	1,321	22,667	10,523
Income tax expense									-	-	(4,742)	(3,076)
Consolidated entity profit after income tax									7,485	1,321	17,925	7,447