

Appendix 4D

Half year report Six months ended 31 December 2010

1. Results for announcement to the market

				\$A'000
Revenue and other income	Down	2.96%		117,584
Profit after tax attributable to members	Down	21.0%	to	9,724
Net profit for the period attributable to members	Down	21.0%	to	9,724

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	10 ¢	10 ¢
Previous corresponding period	NIL ¢	NIL ¢

Record date for determining entitlements to the dividend	17 March 2011
Payment date	14 April 2011

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

2. Net tangible assets per security

	31 December 2010	30 June 2010
Net tangible asset backing per ordinary security	3.16	3.07

3. Dividends

Macquarie Telecom's directors today declared an interim dividend of 10 cents per share fully franked payable to shareholders registered on 17 March 2011. The interim dividend paid for the prior corresponding period was nil.

On 14 October 2010, Macquarie Telecom paid to all shareholders registered on 16 September 2010, a special dividend of 20 cents per share fully franked and an ordinary dividend of 20 cents per share fully franked in respect of the financial year ended 30 June 2010.

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 2010.

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 December 2010

Contents	Page
Directors' Report	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Directors' Declaration	17
Independent Auditor's Review Report	18
Auditor's Independent Declaration	20

Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

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

Macquarie Telecom experienced a net profit after tax from continuing operations of \$9.7 million for the half year to 31 December 2010, improving 102% from a net profit after tax from continuing operations of \$4.8 million for the half year to 31 December 2009.

Service revenue from continuing operations decreased by 3.7% to \$115.0 million from \$119.4 million for the previous corresponding period.

Capital expenditure for the six months ended 31 December 2010 was \$19.8 million including the \$10.8 million purchase of a 215,000 square foot site in North Ryde to accommodate Macquarie Telecom's new data centre facility, Intellicentre 2.

The consolidated entity maintains a sound liquidity position including \$45.4 million in cash and no debt.

Auditor's Independence Declaration

Refer to page 21 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, 23 February 2011

**Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2010**

	Notes	2010 \$'000	2009 \$'000
Revenue and other income from continuing operations	3	117,584	120,242
Expenses	3	(103,567)	(113,356)
Profit before income tax and finance costs		14,017	6,886
Finance costs		(6)	(151)
Profit before income tax		14,011	6,735
Income tax expense		(4,287)	(1,912)
Profit from continuing operations		9,724	4,823
Profit from discontinued operation	9	-	7,485
Net profit for the half year		9,724	12,308
 Other comprehensive income			
Exchange differences on translation of foreign operations		-	74
Total comprehensive income for the half year		9,724	12,382
		Cents	Cents
 Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic profit per share	5	46.7	23.4
Diluted profit per share	5	46.5	23.2
 Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic profit per share	5	46.7	59.6
Diluted profit per share	5	46.5	59.1

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

**Consolidated Statement of Financial Position
As at 31 December 2010**

	31 December 2010	30 June 2010
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	45,435	56,304
Receivables	8,561	10,268
Accrued income	8,304	9,074
Other	2,435	2,091
TOTAL CURRENT ASSETS	64,735	77,737
NON-CURRENT ASSETS		
Property, plant and equipment*	33,270	20,930
Intangibles*	4,718	5,239
Deferred tax assets	6,266	6,157
Other	1,414	1,565
TOTAL NON-CURRENT ASSETS	45,668	33,891
TOTAL ASSETS	110,403	111,628
LIABILITIES		
CURRENT LIABILITIES		
Payables	32,461	34,058
Borrowings	-	342
Current tax liabilities	3,822	4,360
Provisions	1,312	1,260
Other	81	262
TOTAL CURRENT LIABILITIES	37,676	40,282
NON-CURRENT LIABILITIES		
Deferred tax liabilities	-	-
Provisions	775	981
Other	1,270	1,170
TOTAL NON-CURRENT LIABILITIES	2,045	2,151
TOTAL LIABILITIES	39,721	42,433
NET ASSETS	70,682	69,195
EQUITY		
Contributed equity	42,791	42,723
Reserves	169	148
Retained profit	27,722	26,324
TOTAL EQUITY	70,682	69,195

* Refer Note 2 (c).

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

**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2010**

	Contributed Equity	Reserves	Retained Profits/ (Accumulated Losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	87,025	43	(36,244)	50,824
Total comprehensive income for the year	-	74	12,308	12,382
Capital reduction (note 10)	(44,643)	-	44,643	-
Transactions with owners in their capacity as owners:				
Share based payments expense	-	8	-	8
Exercise of options	286	-	-	286
	286	8	-	294
Balance at 31 December 2009	42,668	125	20,707	63,500
	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	42,723	148	26,324	69,195
Total comprehensive income for the year	-	-	9,724	9,724
Transactions with owners in their capacity as owners:				
Share based payments expense	-	21	-	21
Exercise of options	68	-	-	68
Dividends provided for or paid	-	-	(8,326)	(8,326)
	68	21	(8,326)	(8,237)
Balance at 31 December 2010	42,791	169	27,722	70,682

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2010

	2010	2009
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	127,242	133,780
Payments to suppliers and employees	(107,237)	(119,349)
Interest received	1,819	725
Interest paid	(6)	(151)
Income taxes paid	(5,008)	(1,717)
Other income	750	-
	17,560	13,288
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(19,829)	(7,566)
Disposal of subsidiary – net sale proceeds	-	8,527
Proceeds from other financial assets	-	1,222
	(19,829)	2,183
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	68	286
Repayment of finance lease principal	(342)	(744)
Dividends paid on ordinary shares	(8,326)	-
	(8,600)	(458)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		
NET (DECREASE)/INCREASE IN CASH HELD	(10,869)	15,013
Cash and cash equivalents at the beginning of the half-year	56,304	35,313
	45,435	50,326
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR	45,435	50,326

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2010

1. Corporate Information

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 Australian 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 2010. 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 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(c) Significant accounting policies and reclassification of property, plant & equipment

The half-year financial report has been prepared using the same accounting policies as used in the annual financial statements for 30 June 2010.

At 31 December 2010 \$4.7 million (2010 \$5.2 million) of software and product development assets were reclassified from property, plant & equipment to intangibles. There is no impact on the net profit of the consolidated entity for prior, current or future periods as a result of the reclassification. There were no changes to the useful lives or carrying amounts of any reclassified assets. All assets reported as intangibles are held at cost less accumulated amortisation and impairment losses. Prior period comparative amounts have been reclassified accordingly.

(d) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the consolidated statement of comprehensive income.

(e) Comparatives

Prior year comparatives have been restated where necessary to conform with current presentation.

**Notes to the consolidated financial statements
For the half-year ended 31 December 2010**

3. Revenue and expenses

	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
From continuing operations		
(i) Revenues and other income		
Revenue from services	115,038	119,360
Interest	1,787	882
Other income	759	-
Total revenue and other income	117,584	120,242
(ii) Expenses		
Operating lease rental	2,994	2,659
Employment costs	30,077	29,434
Carrier costs	53,736	64,143
Bad and doubtful debts – trade debtors*	(1,058)	587
Other expenses from ordinary activities	9,713	8,804
Depreciation and amortisation	8,105	7,729
Total expense	103,567	113,356
* Includes recoveries of debts previously provided of \$1.5 million.		
From discontinued operations (note 9)		
(i) Revenues and other income		
Revenue from services	-	934
Total revenue and other income	-	934
(ii) Expenses		
Operating lease rental	-	41
Employment costs	-	160
Carrier costs	-	459
Bad and doubtful debts – trade debtors	-	(20)
Other expenses from ordinary activities	-	155
Depreciation and amortisation	-	32
Total expense	-	827

Notes to the consolidated financial statements For the half-year ended 31 December 2010

4. Dividends

(a) Dividends paid during the reporting period

On 14 October 2010, Macquarie Telecom paid to all shareholders registered on 16 September 2010, a special dividend of 20 cents per share fully franked and an ordinary dividend of 20 cents per share fully franked in respect of the financial year ended 30 June 2010.

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

Since the end of the half-year, the directors declared the payment of an interim dividend of 10 cents per share fully franked and based on tax paid of 30%. The record date for determining entitlements to the dividend is 17 March 2011. The dividend will be paid on 14 April 2011.

The aggregate amount of the declared dividends expected to be paid on 14 April 2011 out of retained earnings at 31 December 2010, but not recognised as a liability at half-year end is \$2.09 million (2009: Nil).

5. Earnings per share

Details of basic and diluted EPS are as follows:

	Half year ended 31 December 2010	Half year ended 31 December 2009
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic profit per share	46.7 cents	23.4 cents
Diluted profit per share	46.5 cents	23.2 cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic profit per share	46.7 cents	59.6 cents
Diluted profit per share	46.5 cents	59.1 cents
	Number	Number
Weighted average number of ordinary shares used in calculating basic profit per share	20,838,391	20,650,408
Effect of dilutive securities: Share options	89,052	179,231
Adjusted weighted average number of ordinary shares used in calculating diluted profit per share	20,927,443	20,829,639
	\$000's	\$000's
Profit from continuing operations used in calculating basic and diluted profit per share	9,724	4,823
Profit used in calculating basic and diluted profit per share	9,724	12,308

Notes to the consolidated financial statements

For the half-year ended 31 December 2010

6. Contingent liabilities

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

7. Events subsequent to reporting date

On 23 February 2011, the directors declared a fully franked interim dividend of 10 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2010, to be paid to the shareholders on 14 April 2011

This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$2.09 million.

8. Segment reporting

Segment Description

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

Geographically, the consolidated entity operated in one location this financial reporting period being Australia and two locations in the previous corresponding period being Australia and Singapore.

Prior year change 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.

Notes to the consolidated financial statements
For the half-year ended 31 December 2010

8. Segment reporting (cont'd)

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	44,974	54,613	29,002	30,172	26,110	20,529	14,952	14,046	-	934	115,038	120,294	
Other income	450	-	300	-	-	-	-	-	-	-	750	-	
Intersegment revenue	-	-	-	-	-	-	-	-	-	305	-	305	
Total segment revenue	45,424	54,613	29,302	30,172	26,110	20,529	14,952	14,046	-	1,239	115,788	120,599	
Intersegment elimination										(305)	-	(305)	
Unallocated revenue										-	1,796	882	
Total consolidated revenue										-	934	117,584	121,176
Results													
Segment result before tax	9,666	7,322	1,358	(601)	3,946	2,856	1,787	656	-	139	16,757	10,372	
Unallocated expenses										(32)	(2,740)	(3,379)	
Interest expense										-	(6)	(151)	
Gain on sale of discontinued operation										7,378	-	7,378	
Consolidated entity profit from ordinary activities before income tax expense										-	7,485	14,011	14,220
Income tax expense										-	(4,287)	(1,912)	
Net profit										-	7,485	9,724	12,308

Notes to the consolidated financial statements
For the half-year ended 31 December 2010

8. Segment reporting (cont'd)

Balance sheet segments have been prepared for continuing operations only.

Business segments

	Voice		Data		Hosting		Mobiles		Consolidated	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Segment assets	29,159	35,321	25,446	26,551	38,841	24,365	10,603	10,434	104,049	96,671
Unallocated assets									6,354	14,957
Total assets									110,403	111,628

Segment information on geographic segments

	Australia		Singapore – discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	115,788	119,360	-	1,239	115,788	120,599

Notes to the consolidated financial statements For the half-year ended 31 December 2010

9. 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 (2009 column).

	Half-year	
	2010	2009
	\$'000	\$'000
Revenue	-	934
Expenses	-	(827)
Profit from operating activities	-	107
Finance costs	-	-
Profit before income tax	-	107
Income tax	-	-
Profit after income tax of discontinued operation	-	107
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

**Notes to the consolidated financial statements
For the half-year ended 31 December 2010**

9. Discontinued operation (cont'd)

(c) Cash flow information

	Half-year	
	2010	2009
	\$'000	\$'000
Net cash used in ordinary activities	-	(269)
Net cash inflow 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
Net cash outflow from financing activities	-	-
Net increase in cash generated from the discontinued operation	-	8,258

(d) Details of the sale of the discontinued operation

	Half-year	
	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

Notes to the consolidated financial statements For the half-year ended 31 December 2010

9. Discontinued operation (cont'd)

(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

10. 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 \$44,643,000 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.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Telecom Group Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



David Tudehope
Chief Executive

Sydney, 23 February 2011



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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 statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie Telecom Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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.

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.

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



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

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 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "PricewaterhouseCoopers" in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads "Wayne Andrews" in a cursive script.

Wayne Andrews
Partner

23 February 2011
Sydney



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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 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads "Wayne Andrews".

Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
23 February 2011