

Appendix 4D

Half year report Six months ended 31 December 2012

1. Results for announcement to the market

				\$A'000
Revenue and other income	Down	6.9%		105,771
Profit after tax attributable to members	Down	33.3%	to	7,376
Net profit for the period attributable to members	Down	33.3%	to	7,376
Dividends (distributions)	Amount per security		Franked amount per security	
Interim dividend	12 ¢		12 ¢	
Previous corresponding period	12 ¢		12 ¢	
Record date for determining entitlements to the dividend	14 March 2013			
Payment date	11 April 2013			

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

2. Net tangible assets per security

	31 December 2012	30 June 2012
Net tangible asset backing per ordinary security	4.09	3.96

3. Dividends

Macquarie Telecom's directors today declared an interim dividend of 12 cents per share fully franked payable to shareholders registered on 14 March 2013. The interim dividend paid for the prior corresponding period was 12 cents.

On 11 October 2012, Macquarie Telecom paid to all shareholders registered on 13 September 2012, a final dividend of 12 cents per share fully franked in respect of the financial year ended 30 June 2012.

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 2012.

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 December 2012

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2012.

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
John Palfreyman	Non-Executive Director
Peter James	Non-Executive Director
Anouk Darling	Non-Executive Director

Review of Operations

Macquarie Telecom generated a net profit after tax of \$7.4 million for the half-year to 31 December 2012, compared to a net profit after tax of \$11.1 million for the half-year to 31 December 2011.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year was \$19.6 million, down from \$21.1 million in the prior corresponding period.

Service revenue decreased by 6.1% to \$105.3 million from \$112.2 million for the previous corresponding period.

Macquarie Telecom's Hosting business grew by 3.7% when compared to the previous corresponding period, contributing \$30.7 million, or 29.2% of total revenue. The Hosting business recorded EBITDA of \$6.9 million, slightly below the previous corresponding period of \$7.7 million. The result includes establishment costs associated with Intellicentre 2, Cloud Computing and Federal Government.

Macquarie Telecom's Telco (Data, Voice and Mobiles) business remains an important part of the company's overall offering, delivering \$74.6 million in revenue and EBITDA of \$15.7 million.

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

Service Revenue <i>(A\$ million)</i>	6 months ended 31 December 2012	6 months ended 31 December 2011
<i>Hosting</i>		
Hosting Total	30.7	29.6
<i>Telco</i>		
Voice	34.2	39.8
Data	30.7	31.3
Mobiles	9.7	11.5
Telco Total	74.6	82.6
Total Service Revenue	105.3	112.2

Directors' Report (cont'd)

EBITDA <i>(A\$ million)</i>	6 months ended 31 December 2012	6 months ended 31 December 2011
<i>Hosting</i>		
Hosting Total	6.9	7.7
<i>Telco</i>		
Voice	8.7	9.2
Data	5.5	5.4
Mobiles	1.5	1.8
Telco Total	15.7	16.4
<i>Corporate Office</i>		
Corporate Office Total	(3.0)	(3.0)
Total EBITDA	19.6	21.1
<i>Reconciliation of EBITDA to profit before income tax</i>		
Total EBITDA	19.6	21.1
Interest revenue	0.4	1.4
Interest expense	(0.2)	(0.1)
Depreciation and amortisation expense	(9.6)	(7.9)
Profit before income tax	10.2	14.5

During the 6 months ending 31 December 2012, \$12.2 million was invested into the expansion of Hosting capacity in Sydney and Canberra with a further \$11.7 million spent on business as usual capital expenditure.

The consolidated entity maintains a sound liquidity position including \$17.1 million in cash and no debt.

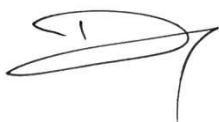
Auditor's Independence Declaration

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

Rounding

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

Signed in accordance with a resolution of the directors.



David Tudehope
Director

Sydney, 20 February 2013

Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2012

	Notes	6 months ended 31 December 2012	6 months ended 31 December 2011
		\$'000	\$'000
Revenue and other income	3	105,771	113,576
Expenses	3	(95,366)	(98,931)
Profit before income tax and finance costs		10,405	14,645
Finance costs		(204)	(115)
Profit before income tax		10,201	14,530
Income tax expense		(2,825)	(3,465)
Profit after income tax for the half-year attributable to owners of the parent		7,376	11,065
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(8)	-
Total comprehensive income for the half-year attributable to owners of the parent		7,368	11,065
		cents	cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	5	35.2	52.9
Diluted earnings per share	5	35.2	52.8

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 2012

	31 December 2012	30 June 2012
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	17,123	30,808
Receivables	8,898	6,213
Accrued income	4,762	5,600
Other	3,763	2,378
TOTAL CURRENT ASSETS	34,546	44,999
NON-CURRENT ASSETS		
Property, plant and equipment	81,832	69,275
Intangibles	10,320	8,387
Deferred tax assets	3,784	4,389
Other	808	959
TOTAL NON-CURRENT ASSETS	96,744	83,010
TOTAL ASSETS	131,290	128,009
LIABILITIES		
CURRENT LIABILITIES		
Payables	30,952	29,826
Current tax liabilities	768	3,631
Provisions	1,360	1,239
Other	154	187
TOTAL CURRENT LIABILITIES	33,234	34,883
NON-CURRENT LIABILITIES		
Provisions	1,147	1,124
Other	732	677
TOTAL NON-CURRENT LIABILITIES	1,879	1,801
TOTAL LIABILITIES	35,113	36,684
NET ASSETS	96,177	91,325
EQUITY		
Contributed equity	42,991	42,991
Reserves	186	194
Retained profit	53,000	48,140
TOTAL EQUITY	96,177	91,325

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 2012

	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	42,811	182	33,600	76,593
Total comprehensive income for the year	-	-	11,065	11,065
Transactions with owners in their capacity as owners:				
Share based payments expense	-	12	-	12
Exercise of options	14	-	-	14
Dividends provided for or paid	-	-	(2,511)	(2,511)
	14	12	(2,511)	(2,485)
Balance at 31 December 2011	42,825	194	42,154	85,173

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

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 2012

	31 December 2012 \$'000	31 December 2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	113,735	122,128
Payments to suppliers and employees	(96,228)	(106,745)
Interest received	535	1,456
Interest paid	(204)	(115)
Income taxes paid	(5,083)	(3,728)
NET CASH FLOWS FROM OPERATING ACTIVITIES	12,755	12,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(23,889)	(16,315)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(23,889)	(16,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	14
Dividends paid on ordinary shares	(2,516)	(2,511)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,516)	(2,497)
NET DECREASE IN CASH HELD	(13,650)	(5,816)
Cash and cash equivalents at the beginning of the half-year	30,808	53,463
Effects of exchange rate changes on cash and cash equivalents	(35)	94
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR	17,123	47,741

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 2012

1. Corporate Information

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

2. Summary of Significant Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

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

(b) Interim Reporting

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

Accordingly, the financial report should be read in conjunction with the Annual Financial Report of Macquarie Telecom Group Limited as at 30 June 2012. 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 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(c) Significant accounting judgements, estimates and assumptions

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2012

3. Revenue and expenses

	Half-year ended 31 December 2012 \$'000	Half-year ended 31 December 2011 \$'000
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	105,346	112,161
Interest	425	1,415
Total revenue and other income	105,771	113,576
(ii) Expenses		
Operating lease rental	2,885	2,822
Employment costs	30,853	29,038
Carrier costs	41,599	49,918
Bad and doubtful debts – trade debtors	(17)	(69)
Other expenses from ordinary activities	10,495	9,321
Depreciation and amortisation	9,551	7,901
Total expense	95,366	98,931

4. Dividends

(a) Dividends paid during the reporting period

On 11 October 2012, Macquarie Telecom paid to all shareholders registered on 13 September 2012, a final dividend of 12 cents per share fully franked in respect of the financial year ended 30 June 2012.

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

Since the end of the half-year, the directors declared the payment of an interim dividend of 12 cents per share fully franked and based on tax paid of 30%. The record date for determining entitlements to the dividend is 14 March 2013. The dividend will be paid on 11 April 2013.

The aggregate amount of the declared dividends expected to be paid on 11 April 2013 out of retained earnings at 31 December 2012, but not recognised as a liability at half-year end is \$2.5 million (2011: \$2.5 million).

Notes to the consolidated financial statements

For the half-year ended 31 December 2012

5. Earnings per share

Details of basic and diluted EPS are as follows:

	Half-year ended 31 December 2012	Half-year ended 31 December 2011
	Cents	Cents
Basic earnings per share	35.2	52.9
Diluted earnings per share	35.2	52.8
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	20,967,121	20,922,777
Effect of dilutive securities: Share options	-	24,551
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	20,967,121	20,947,328
	\$000's	\$000's
Profit used in calculating basic and diluted earnings per share	7,376	11,065

6. Financing facilities

On 13 December 2012, the consolidated entity increased its cash advance facility with a financial institution to \$50 million. The facility allows the entity to draw down up to \$30 million in \$500,000 parcels for interest periods of 1, 3 and 6 months for a period of two years, and an additional \$20 million in \$500,000 parcels for interest periods of 1, 3 and 6 months for a period of one and a half years.

7. Capital expenditure commitments

As at the reporting date, the consolidated entity has \$3.3 million (30 June 2012: \$5.2 million) of estimated capital expenditure contracted for, but not recognised as liabilities, relating to the expansion of Hosting capacity in Sydney and Canberra.

8. Events subsequent to reporting date

On 20 February 2013, the directors declared a fully franked interim dividend of 12 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2012, to be paid to the shareholders on 11 April 2013.

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2012

9. Segment reporting

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

Geographically, the consolidated entity operated in one location this financial reporting period being Australia.

Business segments

	Voice		Data		Hosting		Mobiles		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue										
Sales to customers outside the consolidated entity	34,234	39,704	30,690	31,323	30,692	29,616	9,730	11,518	105,346	112,161
Other income	-	-	-	-	-	-	-	-	-	-
Total segment revenue	34,234	39,704	30,690	31,323	30,692	29,616	9,730	11,518	105,346	112,161
Unallocated revenue – interest received									425	1,415
Total consolidated revenue									105,771	113,576
Results										
Segment result before tax	8,664	9,072	3,031	2,930	1,643	3,980	1,329	1,746	14,667	17,728
Unallocated revenue and expenses									(4,262)	(3,083)
Interest expense									(204)	(115)
Consolidated entity profit from ordinary activities before income tax expense									10,201	14,530
Income tax expense									(2,825)	(3,465)
Net profit									7,376	11,065

Notes to the consolidated financial statements For the half-year ended 31 December 2012

9. Segment reporting (cont'd)

Other segment information

	Voice		Data		Hosting		Mobiles		Consolidated	
	31 December 2012 \$'000	30 June 2012 \$'000	31 December 2012 \$'000	30 June 2012 \$'000	31 December 2012 \$'000	30 June 2012 \$'000	31 December 2012 \$'000	30 June 2012 \$'000	31 December 2012 \$'000	30 June 2012 \$'000
Assets										
Segment assets	14,335	19,282	18,542	21,359	87,091	75,186	4,981	5,962	124,949	121,789
Unallocated assets									6,341	6,220
Total assets									131,290	128,009

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Telecom Group Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



David Tudehope
Director

Sydney, 20 February 2013



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie Telecom Group Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Macquarie Telecom (the consolidated entity). The consolidated entity comprises both Macquarie Telecom Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie Telecom Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Scott Walsh
Partner

Sydney
20 February 2013



Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'SW', with a stylized flourish at the end.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
20 February 2013

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