

# Appendix 4D

## Half year report Six months ended 31 December 2014

### 1. Results for announcement to the market

			\$A'000
Revenue and other income	Down	4.5%	95,331
Profit after tax attributable to members	Down	754% to	(2,529)
Net profit for the period attributable to members	Down	754% to	(2,529)

  

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	NIL ¢	NIL ¢
Previous corresponding period	12 ¢	12 ¢

  

Record date for determining entitlements to the dividend	N/A
Payment date	N/A

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

### 2. Net tangible assets per security

	31 December 2014	31 December 2013
Net tangible asset backing per ordinary security	3.56	3.84

### 3. Dividends

No dividend has been paid, declared or recommended by the company for the six months ending 31 December 2014. The interim dividend paid for the prior corresponding period was 12 cents per share.

### 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 2014.

# INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 December 2014

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## Directors' Report

Your directors submit their report on the consolidated entity consisting of Macquarie Telecom Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

### Directors

The names of the company's directors in office during the half-year and until the date of this report are as below.

Name	Directorship
Peter James	Chairman (appointed 22 July 2014)
Robert Kaye	Chairman (resigned 22 July 2014)
David Tudehope	Chief Executive
Aidan Tudehope	Managing Director, Hosting
Anouk Darling	Non-Executive Director
Bart Vogel	Non-Executive Director (appointed 22 July 2014)

### Review of Operations

Macquarie Telecom generated a net loss after tax of \$2.5 million for the half-year to 31 December 2014, compared to a net profit after tax of \$0.4 million for the half-year to 31 December 2013.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year was \$11.8 million, down from \$13.3 million in the prior corresponding period.

Service revenue decreased by 4.6% to \$95.1 million from \$99.7 million for the previous corresponding period.

Macquarie Telecom's Hosting business contributed \$30.8 million, or 32.4% of total revenue. The Hosting business recorded EBITDA of \$3.8 million, an increase on the previous corresponding period of \$2.8 million.

Macquarie Telecom's Telco (Data, Voice and Mobiles) business delivered \$64.3 million in revenue and EBITDA of \$10.6 million.

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

<b>Service Revenue</b> <i>(A\$ million)</i>	<b>6 months ended</b> <b>31 December 2014</b>	6 months ended 31 December 2013
<i>Hosting</i>		
<b>Hosting Total</b>	30.8	30.2
<i>Telco</i>		
Voice	24.8	29.0
Data	28.8	31.3
Mobiles	10.7	9.2
<b>Telco Total</b>	64.3	69.5
<b>Total Service Revenue</b>	95.1	99.7

## Directors' Report (cont'd)

<b>EBITDA</b> <i>(A\$ million)</i>	<b>6 months ended</b> <b>31 December 2014</b>	6 months ended 31 December 2013
<i>Hosting</i>		
<b>Hosting Total</b>	3.8	2.8
<i>Telco</i>		
Voice	6.8	8.0
Data	3.4	5.2
Mobiles	0.4	0.2
<b>Telco Total</b>	10.6	13.4
<i>Corporate Office</i>		
<b>Corporate Office Total</b>	(2.6)	(2.9)
<b>Total EBITDA</b>	<b>11.8</b>	<b>13.3</b>
<i>Reconciliation of EBITDA to profit before income tax</i>		
<b>Total EBITDA</b>	<b>11.8</b>	<b>13.3</b>
Interest revenue	0.1	0.1
Interest expense	(0.9)	(0.6)
Depreciation and amortisation expense	(14.8)	(12.3)
<b>Profit before income tax</b>	<b>(3.8)</b>	<b>0.5</b>

During the 6 months ending 31 December 2014, \$4.2 million was invested in growth capital expenditure including the expansion of Hosting capacity in Sydney and Canberra with a further \$8.2 million spent on maintenance capital expenditure.

Macquarie Telecom has generated operating cash flows of \$9.0 million and held cash and cash equivalents of \$7.0 million as at 31 December 2014.

## Auditor's Independence Declaration

Refer to page 16 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, 25 February 2015

**Consolidated Statement of Comprehensive Income  
For the half-year ended 31 December 2014**

	Notes	6 months ended 31 December 2014	6 months ended 31 December 2013
		\$'000	\$'000
Revenue and other income	3	95,331	99,808
Expenses	3	(98,278)	(98,820)
<b>Results from operating activities</b>		(2,947)	988
Finance income		60	90
Finance costs		(871)	(627)
<b>(Loss)/profit before income tax</b>		(3,758)	451
Income tax benefit/(expense)		1,229	(64)
<b>(Loss)/profit after income tax for the half-year attributable to owners of the parent</b>		(2,529)	387
<b>Other comprehensive income</b>			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(13)	(21)
<b>Total comprehensive (loss)/income for the half-year attributable to owners of the parent</b>		(2,542)	366
		cents	cents
<b>Earnings per share attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	6	(12.1)	1.8
Diluted earnings per share	6	(12.0)	1.8

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 2014**

	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6,998	4,715
Receivables	8,105	9,793
Accrued income	4,611	4,489
Current tax receivable	-	605
Other	4,917	5,167
<b>TOTAL CURRENT ASSETS</b>	<b>24,631</b>	<b>24,769</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	100,217	102,012
Intangibles	14,629	15,052
Deferred tax assets	5,278	4,047
Other	201	353
<b>TOTAL NON-CURRENT ASSETS</b>	<b>120,325</b>	<b>121,464</b>
<b>TOTAL ASSETS</b>	<b>144,956</b>	<b>146,233</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Payables	22,819	27,357
Current tax liabilities	-	-
Provisions	1,493	1,588
Other	279	299
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,591</b>	<b>29,244</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	29,000	23,500
Deferred tax liabilities	-	-
Provisions	994	991
Other	1,100	707
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>31,094</b>	<b>25,198</b>
<b>TOTAL LIABILITIES</b>	<b>55,685</b>	<b>54,442</b>
<b>NET ASSETS</b>	<b>89,271</b>	<b>91,791</b>
<b>EQUITY</b>		
Contributed equity	42,991	42,991
Reserves	181	172
Retained profit	46,099	48,628
<b>TOTAL EQUITY</b>	<b>89,271</b>	<b>91,791</b>

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 2014**

	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2013</b>	42,991	179	54,436	97,606
<b>Total comprehensive income for the period</b>	-	(21)	387	366
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	-	-	(2,516)	(2,516)
	-	-	(2,516)	(2,516)
<b>Balance at 31 December 2013</b>	42,991	158	52,307	95,456
	Contributed Equity	Reserves	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2014</b>	42,991	172	48,628	91,791
<b>Total comprehensive loss/(income) for the period</b>	-	(13)	(2,529)	(2,542)
<b>Transactions with owners in their capacity as owners:</b>				
Share-based payment expense	-	22	-	22
	-	22	-	22
<b>Balance at 31 December 2014</b>	42,991	181	46,099	89,271

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 2014**

	<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	106,994	107,622
Payments to suppliers and employees	(97,922)	(102,767)
Interest received	58	81
Interest paid	(876)	(593)
Income taxes refunded	605	1,439
Other receipts	163	58
	9,022	5,840
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of non-current assets	(12,420)	(16,983)
	(12,420)	(16,983)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from borrowings	5,500	15,000
Dividends paid on ordinary shares	-	(2,516)
	5,500	12,484
<b>NET INCREASE IN CASH HELD</b>		
Cash and cash equivalents at the beginning of the half-year	4,715	9,703
Effects of exchange rate changes on cash and cash equivalents	181	99
	6,998	11,143
<b>CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR</b>	<b>6,998</b>	<b>11,143</b>

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 2014**

#### **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 2014 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 including the accounting policy for the equity-settled shared based payments which applies to the performance rights issued during the period.

Accounting standards and interpretations which became effective for the first time for the December 2014 half year report did not materially affect the entity's accounting policies or any of the amounts recognised in the financial statements.

##### **(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 2014. 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 2014 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 judgments for Macquarie Telecom Group Limited relate to income taxes and the useful life of carrying value 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 2014**

**3. Revenue and expenses**

	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(i) Revenues and other income</b>		
Revenue from services	95,098	99,707
Net foreign exchange gains	62	40
Other income	171	61
<b>Total revenue and other income</b>	<b>95,331</b>	<b>99,808</b>
<b>(ii) Expenses</b>		
Operating lease rental	3,329	3,117
Employment costs	28,543	31,570
Carrier costs	41,076	39,518
Bad and doubtful debts – trade debtors	(2)	516
Other expenses from ordinary activities	10,543	11,787
Depreciation and amortisation	14,789	12,312
<b>Total expense</b>	<b>98,278</b>	<b>98,820</b>

**4. Income tax**

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2014 is 33%, compared to 14% for the six months ended 31 December 2013. The higher tax rate this year is the result of R&D incentives proportionally lower to the result before tax than last year.

**5. Dividends**

No dividend has been paid, declared or recommended by the company for the six months ending 31 December 2014. The interim dividend paid for the prior corresponding period was 12 cents per share.

## Notes to the consolidated financial statements

### For the half-year ended 31 December 2014

#### 6. Earnings per share

Details of basic and diluted EPS are as follows:

	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	cents	Cents
Basic earnings per share	(12.1)	1.8
Diluted earnings per share	(12.0)	1.8
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	20,967,121	20,967,121
Effect of dilutive securities: Performance rights	91,728	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	21,058,849	20,967,121
	\$000's	\$000's
Profit used in calculating basic and diluted earnings per share	(2,529)	387

#### 7. Performance rights issue

On 25 September 2014, the company issued 180,000 equity-settled performance rights (2013: nil) which have a vesting date of 31 December 2017, to executives and certain employees as part of their long term incentives. The performance rights on issue were valued using the Monte Carlo Simulation model. The value of each right in Tranche 1 was \$1.19 and Tranche 2 was \$1.74. 6,000 performance rights were cancelled during the half-year (2013: nil). The total value of outstanding performance rights is \$270,860 amortised over 3.3 years from the grant date. The amount of performance rights amortisation expense for the period was \$22,023 (2013: nil).

**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2014**

**8. 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 Telecom data network. The hosting segment relates to the provision of services utilising the Macquarie Telecom data hosting facility. The mobiles segment relates to the provision of mobile telecommunications services.

All activities are principally conducted in Australia.

**Business segments**

	Voice		Data		Hosting		Mobiles		Consolidated	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Revenue</b>										
Sales to customers outside the consolidated entity	24,766	28,973	28,810	31,297	30,818	30,238	10,704	9,199	95,098	99,707
Other income	-	-	-	-	171	84	-	-	171	84
<b>Total segment revenue</b>	<b>24,766</b>	<b>28,973</b>	<b>28,810</b>	<b>31,297</b>	<b>30,989</b>	<b>30,322</b>	<b>10,704</b>	<b>9,199</b>	<b>95,269</b>	<b>99,791</b>
Unallocated revenue									62	17
<b>Total consolidated revenue</b>									<b>95,331</b>	<b>99,808</b>
<b>Results</b>										
Segment result before tax	6,731	7,908	537	2,459	(6,115)	(4,940)	190	38	1,343	5,465
Unallocated revenue and expenses									(4,290)	(4,477)
Interest income									60	90
Interest expense									(871)	(627)
<b>Consolidated entity (loss)/profit from ordinary activities before income tax expense</b>									<b>(3,758)</b>	<b>451</b>
Income tax benefit/(expense)									1,229	(64)
<b>Net (loss)/profit</b>									<b>(2,529)</b>	<b>387</b>

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 12 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 2014 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, 25 February 2015



## **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 (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, 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 Group Limited (the consolidated entity). The consolidated entity comprises 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 Australian 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 2014 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.

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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*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 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Scott Walsh' in a cursive, flowing script.

Scott Walsh  
Partner

Sydney  
25 February 2015



## Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half-year ended 31 December 2014, 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 'S Walsh', is written over a light blue horizontal line.

Scott Walsh  
Partner  
PricewaterhouseCoopers

Sydney  
25 February 2015