

Appendix 4D

Half-year report Six months ended 31 December 2015

1. Results for announcement to the market

				\$A'000
Revenue and other income	Up	5.5%	to	100,553
Profit after tax attributable to members	Up	178%	to	1,961
Net profit for the period attributable to members	Up	178%	to	1,961

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	25 ¢	25 ¢
Previous corresponding period	NIL ¢	NIL ¢

Record date for determining entitlements to the dividend

15 March 2016

Payment date

12 April 2016

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

2. Net tangible assets per security

	31 December 2015	31 December 2014
Net tangible asset backing per ordinary security	3.56	3.56

3. Dividends

Macquarie Telecom's directors today declared a fully franked interim dividend of 25 cents per share payable to shareholders registered on 15 March 2016. The interim dividend paid for the prior corresponding period was nil.

On 13 October 2015, Macquarie Telecom paid to all shareholders registered on 15 September 2015, a final dividend of 25 cents per share fully franked in respect of the financial year ended 30 June 2015.

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 2015.

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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Directors' Report

Your directors submit their report on the consolidated entity consisting of Macquarie Telecom Group Limited ("Group") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

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
David Tudehope	Chief Executive
Aidan Tudehope	Managing Director, Hosting
Anouk Darling	Non-Executive Director
Bart Vogel	Non-Executive Director

Review of Operations

The Group generated a net profit after tax of \$2.0 million for the half-year to 31 December 2015, compared to a net loss after tax of \$2.5 million for the half-year to 31 December 2014.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year was \$15.6 million, including \$0.3 million gain on sale of land and the shell and core building of Intellicentre 2. This represents an increase of \$3.8 million (32%) compared to the corresponding interim period.

Consolidated service revenue increased by 5% to \$100.1 million from \$95.1 million in the corresponding interim period.

The Group's Telecom business contributed revenue of \$70.0 million, an increase of \$3.0 million (4.5%), and EBITDA of \$9.3 million, an increase of \$1.6 million (21%), compared to the corresponding interim period.

The Group's Hosting business contributed external service revenue of \$30.1 million, an increase of \$2.0 million (6.6%), and EBITDA of \$6.3 million, an increase of \$2.2 million (53%), compared to the corresponding interim period.

On 10 August 2015, the sale of land and the shell and core building of Intellicentre 2, which had a carrying value of \$43.3 million, was completed with Keppel DC REIT and the settlement funds of \$40.3 million, being the first tranche of the sales price of \$43.3 million, was received. The remaining \$3.0 million is to be received 12 months post settlement. Profit resulting from the sale, \$0.3 million, is included within the net gain from sale of non-current assets in the financial statements.

The following tables summarise the revenue and EBITDA performance of the Group's reporting segments.

Service Revenue <i>(A\$ million)</i>	Half-year ended 31 December 2015	Half-year ended 31 December 2014
Telecom	70.0	67.0
Hosting	32.5	30.5
Eliminate inter-segment revenue	(2.4)	(2.4)
Hosting Total	30.1	28.1
Consolidated External Service Revenue	100.1	95.1

Directors' Report (cont'd)

EBITDA <i>(A\$ million)</i>	Half-year ended 31 December 2015	Half-year ended 31 December 2014
Telecom	9.3	7.7
Hosting	6.3	4.1
Total EBITDA	15.6	11.8

Reconciliation of EBITDA to profit before income tax

Total EBITDA	15.6	11.8
Interest revenue	0.2	0.1
Interest expense	-	(0.9)
Depreciation and amortisation expense	(12.9)	(14.8)
Profit before income tax	2.9	(3.8)

During the 6 months ended 31 December 2015, the Group has continued to see positive traction following the implementation of the new strategy in the previous financial year resulting in improved performance across the business.

The Group has generated operating cash flows of \$12.3 million and held cash and cash equivalents of \$25.3 million as at 31 December 2015.

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, 23 February 2016

**Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2015**

	Notes	Half year ended 31 December 2015	Half year ended 31 December 2014
		\$'000	\$'000
Revenue and other income	3	100,553	95,331
Expenses	3	(97,864)	(98,278)
Results from operating activities		2,689	(2,947)
Finance income		248	60
Finance costs		(80)	(871)
Profit/(loss) before income tax		2,857	(3,758)
Income tax (expense)/benefit		(896)	1,229
Profit/(loss) after income tax for the half-year attributable to owners of the parent		1,961	(2,529)
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(15)	(13)
Total comprehensive income/(loss) for the half-year attributable to owners of the parent		1,946	(2,542)
		cents	cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	6	9.4	(12.1)
Diluted earnings per share	6	9.4	(12.1)

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 2015

	31 December 2015	30 June 2015
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	25,349	6,410
Receivables	11,752	7,790
Accrued income	5,873	5,081
Assets held for sale	-	43,275
Other	5,311	4,157
TOTAL CURRENT ASSETS	48,285	66,713
NON-CURRENT ASSETS		
Property, plant and equipment	47,807	51,679
Intangibles	9,582	11,065
Deferred tax assets	5,305	6,201
Other	598	51
TOTAL NON-CURRENT ASSETS	63,292	68,996
TOTAL ASSETS	111,577	135,709
LIABILITIES		
CURRENT LIABILITIES		
Payables	22,706	23,011
Borrowings	-	21,000
Provisions	1,472	1,595
Other	287	229
TOTAL CURRENT LIABILITIES	24,465	45,835
NON-CURRENT LIABILITIES		
Provisions	908	865
Other	1,960	1,503
TOTAL NON-CURRENT LIABILITIES	2,868	2,368
TOTAL LIABILITIES	27,333	48,203
NET ASSETS	84,244	87,506
EQUITY		
Contributed equity	42,991	42,991
Reserves	188	169
Retained earnings	41,065	44,346
TOTAL EQUITY	84,244	87,506

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 2015**

	Contributed Equity	Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	42,991	172	48,628	91,791
Total comprehensive (loss) for the period	-	(13)	(2,529)	(2,542)
Transactions with owners in their capacity as owners:				
Share-based payment expense	-	22	-	22
Total	-	22	-	22
Balance at 31 December 2014	42,991	181	46,099	89,271
	Contributed Equity	Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	42,991	169	44,346	87,506
Total comprehensive income/(loss) for the period	-	(15)	1,961	1,946
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(5,242)	(5,242)
Share-based payment expense	-	34	-	34
Total	-	34	(5,242)	(5,208)
Balance at 31 December 2015	42,991	188	41,065	84,244

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 2015

	31 December 2015 \$'000	31 December 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	108,237	106,994
Payments to suppliers and employees	(96,076)	(97,922)
Interest received	200	58
Interest paid	(103)	(876)
Income taxes refunded	-	605
Other receipts	67	163
	12,325	9,022
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(7,533)	(12,420)
Proceeds from sale of non-current assets	40,308	-
	32,775	(12,420)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment of)/Proceeds from borrowings	(21,000)	5,500
Dividends paid on ordinary shares	(5,242)	-
	(26,242)	5,500
NET CASH FLOWS FROM FINANCING ACTIVITIES		
NET INCREASE IN CASH HELD		
	18,858	2,102
Cash and cash equivalents at the beginning of the half-year	6,410	4,715
Effects of exchange rate changes on cash and cash equivalents	81	181
	25,349	6,998
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR		

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 2015

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 2015 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 31 December 2015 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 2015. 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 2015 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 the carrying values of assets and liabilities. The key estimates and accounting judgements for Macquarie Telecom relate to the determination of the useful lives of non-current assets and the estimation uncertainty associated with determining the recoverable amount 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.

Recoverable amount of non-current assets

The major sources of estimation uncertainty in assessing the recoverable amount of non-current assets are judgements relating to future sales order growth and pricing and the utilisation of data centre capacity, the Company's ability to manage operating and capital expenditure and the cost of capital. Should the future performance of the Company differ from these estimations the assessment of the recoverable amount of non-current assets would be different and may impact the impairment testing result.

Notes to the consolidated financial statements For the half-year ended 31 December 2015

3. Revenue and expenses

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
(i) Revenues and other income		
Revenue from services	100,144	95,098
Net gain from sale of non-current assets	330	-
Net foreign exchange gains	-	62
Other income	79	171
Total revenue and other income	100,553	95,331
(ii) Expenses		
Operating lease rental	4,329	3,329
Employment costs	27,439	28,543
Carrier costs	43,250	41,076
Net foreign exchanges losses	16	-
Other expenses	9,945	10,541
Depreciation and amortisation	12,885	14,789
Total expenses	97,864	98,278

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 half-year to 31 December 2015 is 31%, compared to 33% for the six months ended 31 December 2014.

5. Dividends

(a) Dividends paid during the reporting period

On 13 October 2015, Macquarie Telecom paid to all shareholders registered on 15 September 2015, a final dividend of 25 cents per share fully franked in respect of the financial year ended 30 June 2015.

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

Since the end of the half-year, the directors declared the payment of a fully franked interim dividend of 25 cents per share. The record date for determining entitlements to the dividend is 15 March 2016. The dividend will be paid on 12 April 2016.

The aggregate amount of the declared dividends expected to be paid on 12 April 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at half-year end, is \$5.2 million (2015: nil).

Notes to the consolidated financial statements

For the half-year ended 31 December 2015

6. Earnings per share

Details of basic and diluted EPS are as follows:

	Half-year ended 31 December 2015	Half-year ended 31 December 2014
	cents	Cents
Basic earnings per share	9.4	(12.1)
Diluted earnings per share	9.4	(12.1)
	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: Share performance rights	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	20,967,121	20,967,121
	\$000's	\$000's
Profit used in calculating basic and diluted earnings per share	1,961	(2,529)

7. Performance rights issue

On 27 November 2015, the company issued 138,000 equity-settled performance rights (2014: 180,000) which have a vesting date of 31 December 2018, to executives and certain employees as part of their long term incentives. The performance rights were valued using the Monte Carlo Simulation model. The value of each right in Tranche 1 was \$3.90 and Tranche 2 was \$4.49, equating to a total of \$592,482.

The total value of outstanding performance rights is \$769,942, as measured at their grant date, amortised over approximately three years from the grant date. The amount of performance rights amortisation expense for the period was \$34,315 (2014: \$22,023).

8. Sale of non-current assets

On 10 August 2015, the sale of land and the shell and core building of Intellicentre 2, which had a carrying value of \$43.3 million, was completed with Keppel DC REIT and the settlement funds of \$40.3 million, being the first tranche of the sales price of \$43.3 million, was received. The remaining \$3.0 million is to be received in 12 months post settlement. Profit resulting from the sale of \$304,304, is included within the net gain from sale of non-current assets in the financial statements.

The Company has entered into a triple-net-lease agreement with Keppel for the shell and core building retaining control of all repairs and maintenance on mechanical and electrical plant, facilities management, security and operations. The lease is for an initial 20 years with two five year options for approximately \$3.0 million per annum.

Notes to the consolidated financial statements

For the half-year ended 31 December 2015

9. Segment reporting

The consolidated entity operates in two primary operating segments providing services to corporate and government customers. The Telecom segment relates to the provision of voice and mobiles telecommunications services and the provision of services utilising the Macquarie Telecom data network. The Hosting segment relates to the provision of services utilising Macquarie Telecom's data hosting facilities.

All activities are principally conducted in Australia.

	Telecom		Hosting		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue						
External service revenue	70,022	66,981	30,122	28,117	100,144	95,098
Inter-segment revenue	-	-	2,356	2,400	2,356	2,400
Other income	8	42	401	191	409	233
Total segment revenue	70,030	67,023	32,879	30,708	102,909	97,731
Inter-segment elimination	-	-	(2,356)	(2,400)	(2,356)	(2,400)
Total consolidated revenue	70,030	67,023	30,523	28,308	100,553	95,331
Results						
Segment result before interest and tax	5,416	3,546	(2,727)	(6,493)	2,689	(2,947)
Interest income					248	60
Interest expense					(80)	(871)
Consolidated entity profit/(loss) from ordinary activities before income tax expense					2,857	(3,758)
Income tax (expense)/benefit					(896)	1,229
Net profit/(loss)					1,961	(2,529)

Restatement of previously reported information

Subsequent to the review of the Group's strategy and business structure in the previous financial year the composition of the reportable segments were revised to appropriately reflect this change including the allocation of Corporate Office costs.


The corresponding items of segment information for the corresponding interim period have been restated to reflect this change. The totals of Group consolidated revenue and profit/(loss) have not been effected.

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 AASB 134 'Interim Financial Reporting', 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 2015 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 made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



David Tudehope
Director

Sydney, 23 February 2016



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 2015, the consolidated statement of comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for Macquarie Telecom Group (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 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 half-year 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 2015 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*.

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 2015 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*.


PricewaterhouseCoopers



Scott Walsh
Partner

Sydney
23 February 2016



Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half year ended 31 December 2015, 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', is written over a light blue horizontal line.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
23 February 2016