macquarie
TELECOM GROUP

2021 Annual Report.

Realising our investments.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Macquarie Telecom Group Limited be held at Macquarie Telecom Group's Sydney office (Level 15, 2 Market Street, Sydney) on Friday 26 November 2021 at 9am.

Table of Contents.

Net Promoter Score of +75 for customer service in FY21, means we are delivering an outstanding customer experience.

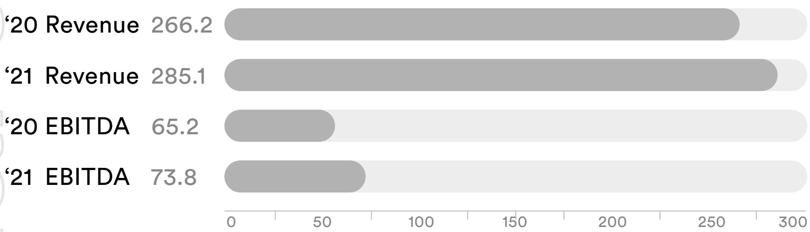
+75

Company Highlights.

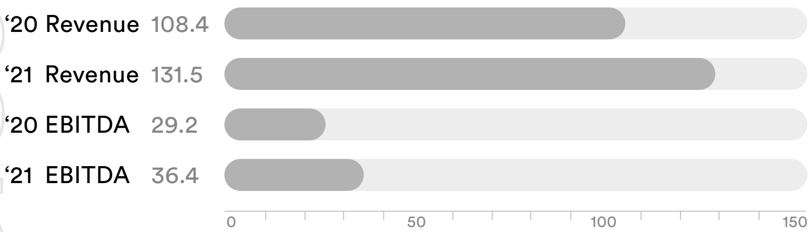
Profitable Growth.

Financial Year	18	19	20	21	20 v 21
Consolidated Revenue	233.6	246.6	266.2	285.1	7%
EBITDA	47.8	52.1	65.2	73.8	13%
EBIT	24.3	23.5	23.8	20.9	-12%
Net Profit After Tax	17.0	16.5	13.5	12.5	-7%
Operating Cash Flow	42.9	38.5	45.9	45.3	-1%

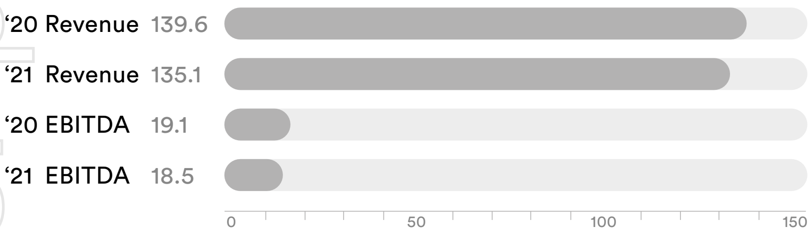
Macquarie Telecom Group



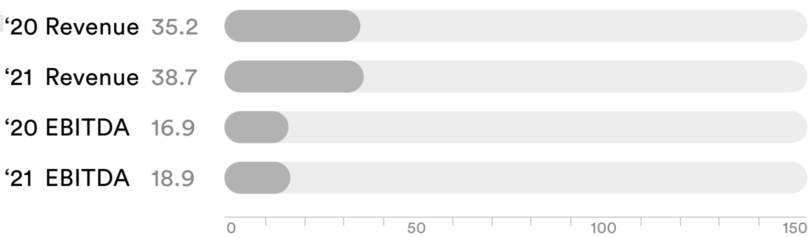
Cloud Services and Government

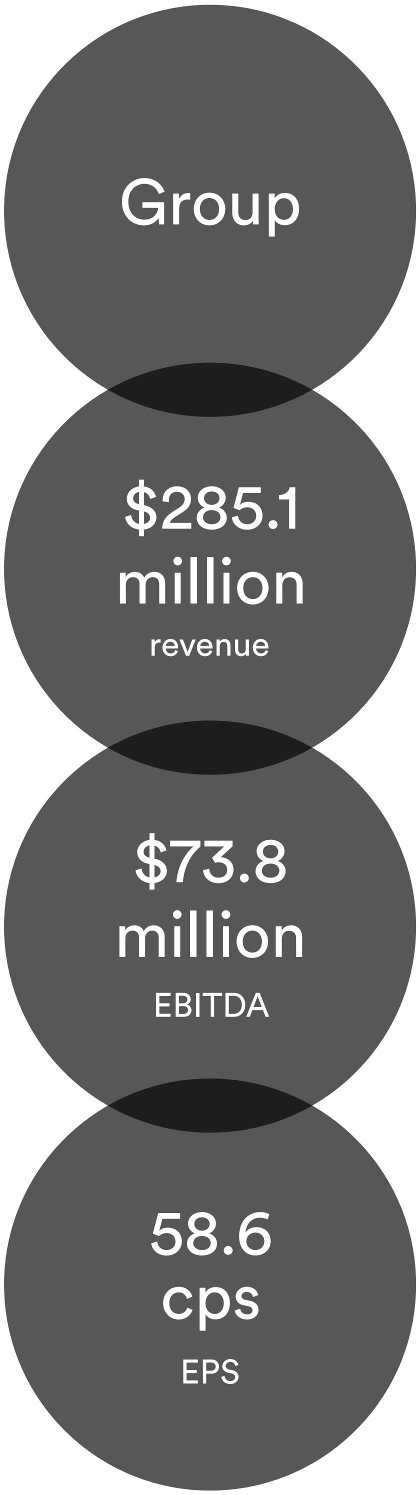


Telecom



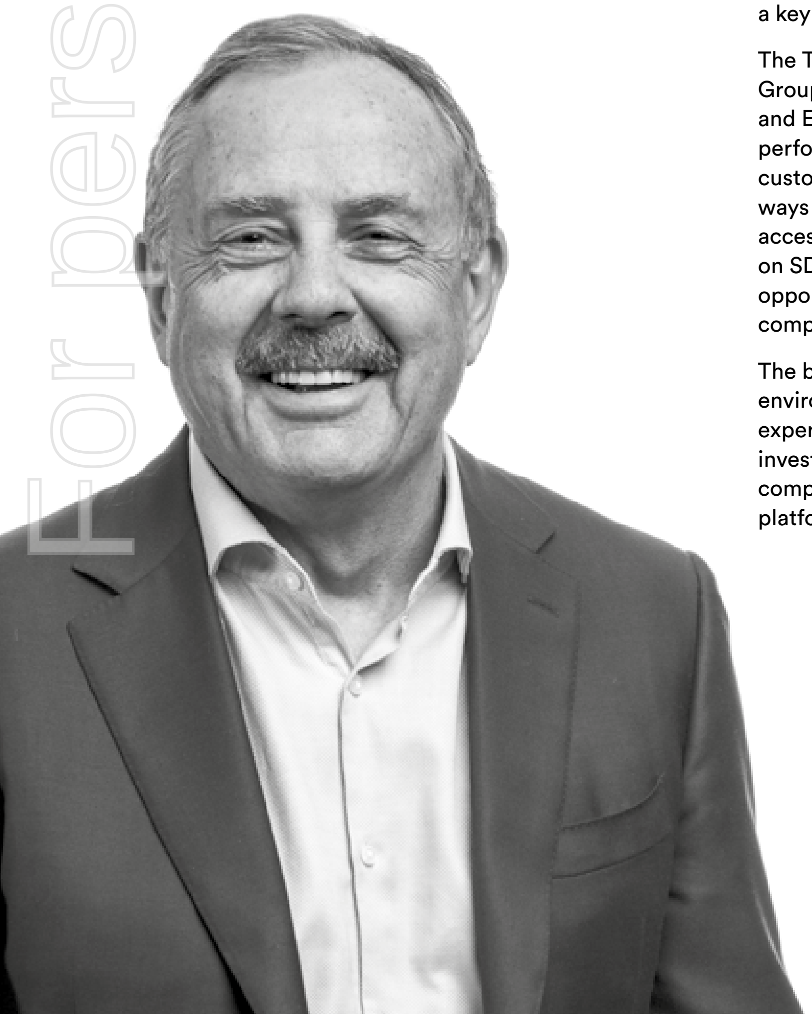
Data Centres





Chairman’s Message

I am pleased to report the seventh consecutive year of revenue and EBITDA growth for Macquarie Telecom Group. ”



During a year of significant investment, the Group has delivered an increase in revenue of 7% to $285.1 million and EBITDA by 13% to $73.8 million. Despite the challenging COVID-19 environment, we continue to provide a superior customer experience, improving our Net Promoter Score to +75.

Macquarie Telecom Group delivered a net profit after tax from continuing operations of $12.5 million, reflecting the higher depreciation from the company’s ongoing strategic investments in customer growth assets and data centres.

Conversion of EBITDA to operating cash generated total operating cash flows of $45.3 million during the year, which remains steady compared to prior year. The Company presents a strong balance sheet with total assets increasing to $422.0 million; $19.8 million in cash and cash equivalents and a $58 million undrawn debt facility.

For the first time in FY21, the Hosting segment has been split into Cloud Services and Government and Data Centre segments. The Cloud Services and Government segment contributed $131.5 million in revenue, an increase of 21% compared to the prior year, and EBITDA of $36.4 million, an increase of 25%. The segment continues to leverage investment in our hybrid IT strategy to deliver solid customer growth. The Data Centre segment contributed $38.7 million in revenue, an increase of 10% compared to prior year, and EBITDA of $18.9 million, an increase of 12%. The segment achieved major milestones during the year with the completion of Intellicentre 3 East at the Macquarie Park campus and Intellicentre 5 South Bunker at the Canberra campus. This significant investment in infrastructure will ensure our Data Centre business is well placed to benefit from rising demand as more organisations move to the cloud where sovereign security is a key selling factor.

The Telecom segment remains an important contributor to the Group’s service offering, delivering $135.1 million in revenue and EBITDA of $18.5 million. While lower than prior year, this performance reflects a complex operating environment with customers transitioning away from the office to more flexible ways of working, impacting higher margin voice usage and access lines. To support business development, our focus on SD-WAN technology will facilitate new revenue growth opportunities, and our great customer experience remains compelling in customer acquisition.

The business has been able to capitalise on this changing environment by continuing to provide a superior customer experience while maintaining high-quality service. The Group’s investments in data centre capacity, cyber security, cloud computing and telecom infrastructure, will serve as the platform for continued growth.

Peter James
Chairman

Strategic investments deliver profitable growth.

Seven consecutive years of profit growth reflects our commitment to our purpose of making a difference in markets that are underserved and overcharged, and our consistent strategy of investing in the growing data centre, cloud and cyber security markets.

During FY21, we successfully completed development of Intellicentre 3 East and Intellicentre 5 South Bunker on budget.

In FY22, the Group plans to make significant investments of between $121m and $133m primarily in our Macquarie Park Data Centre Campus, as well as for new cloud and cyber security platforms to enable growth.

We are investing in Macquarie Data Centres' staffing and technology to support our leading corporation contract win and continued growth, as well as investing in the fit out of two floors of IC3 East. We expect billing for the leading corporation contract will commence in the second half of FY22. The Australian Government has named Macquarie's data centres as Certified Strategic, a designation meaning we are able to provide the highest level of security compliance available to support government data. In combination with our 200 Australian Government security-cleared specialists, Macquarie Government is well positioned to meet the cyber security and cloud needs of government agencies.

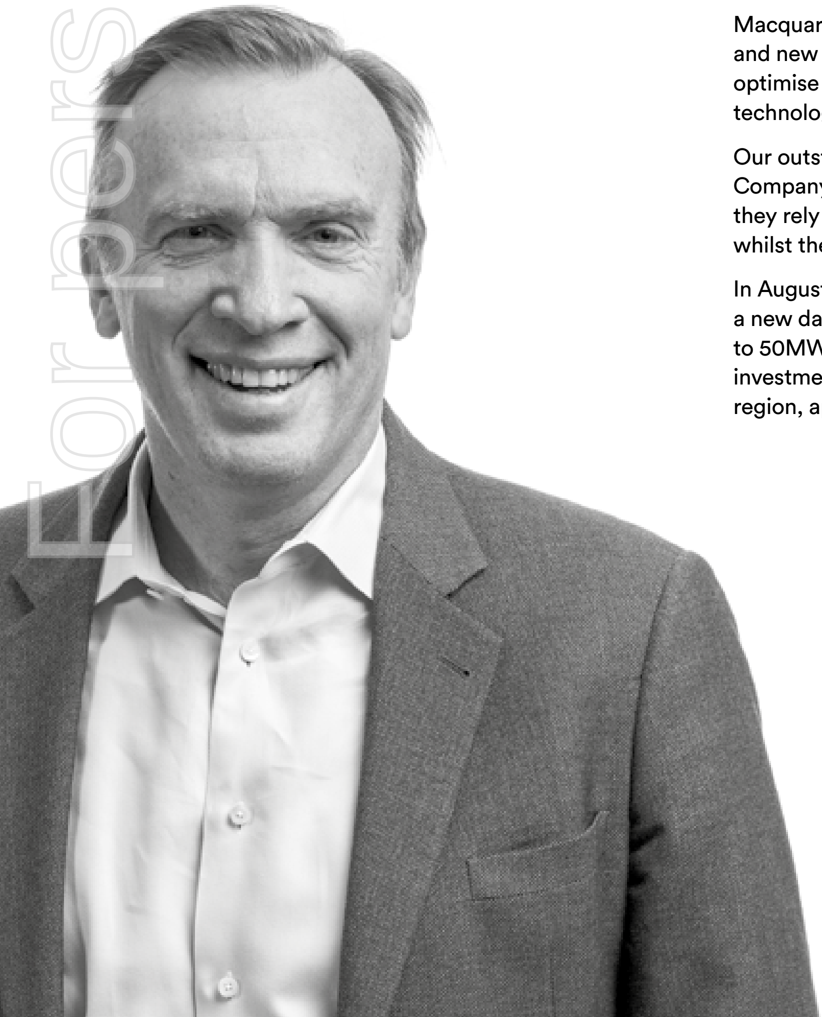
We are investing in new staffing to drive growth in cyber security in our Government and Cloud Services businesses.

Macquarie Cloud Services has shown strong revenue and profit growth through a hybrid offering that allows customers to utilise the cloud that is best fit for their software applications, whether colocation, private or Azure public cloud. We believe that their new cyber security offerings will complement this and drive further growth with corporate customers.

Macquarie Telecom has seen continued strong demand for SD-WAN and new SD-LAN technologies that allow customers to monitor and optimise their site based network performance and utilisation with AI technology.

Our outstanding customer experience, which is at the heart of our Company purpose, has been even more important to our customers as they rely to a greater extent on telecom, data centre and cloud services whilst their staff are predominantly working from home.

In August 2021, we announced plans for Intellicentre 3 Super West, a new data centre which takes the Macquarie Park Data Centre Campus to 50MW IT load over time. This global scale campus will attract investment from multinationals looking to expand into the Asia Pacific region, appealing to both hyperscale and SaaS customers.



David Tudehope
Chief Executive

Read learn and succeed.

We have been proud supporters of United Way for over 27 years, helping improve the lives of local children.

At Macquarie Telecom Group, we believe we should make a difference in the communities we work in, as well as those we live in. We have been a member of the Macquarie Park Business Community Partnership since it was founded in 2013, helping improve the lives of local children. Each year employees get involved with volunteering and fundraising opportunities, helping ensure all local children start school ready to read, learn and succeed through Dolly Parton's Imagination Library.

Dolly Parton's Imagination Library

The Imagination Library brings the magic of reading into homes, keeping learning at the centre of Australian families. The gift of a book every month becomes a cornerstone of family life in the struggling areas we support and promotes much needed feelings of safety and closeness in these times. In this era of isolation, emotional bonds from a book shared each evening means everything.

Mt Druitt (The Hive)

Macquarie has always been a strong supporter of our initiative at The Hive, Mt Druitt, a community led collaboration collective impact initiative that works to ensure every child has the best possible start in life. Be it working to facilitate a NAIDOC Day celebration for the community, clean up a community space, or provide Christmas presents to primary school students who might not otherwise have received presents, our employees are keen to be involved.

Narre Warren Melbourne

Macquarie employees continue to support grass roots projects in local communities such as high school mentoring at Narre Warren High School near the Melbourne office. Employees share advice and experience through mock interviews, career days and tailored workshops. A Macquarie favourite is to host a high school class for a day in the office, providing insight into life in the 'real world' and our area of expertise.

United Way
United Way Australia

We deliver the best customer experience in the world.

In 2020 Macquarie Telecom Group won Best Customer Experience in the World and our CEO, David Tudehope, named CEO of the Year at the World Communication Awards.

Macquarie Telecom Group received the Best Customer Experience award for our Heartbeat program and outstanding customer experience measured by a world-leading +75 NPS. The Heartbeat program encourages our entire team to delight customers and literally do the opposite of industry counterparts.

David Tudehope was recognised for his 28-year career, championing the de-regulation of the telco industry, bucking the trend of poor customer service among competitors, and pioneering innovative technologies in Australia, including colocation data centres in the early 2000s and SD-WAN in 2016.

Presenting Mr. Tudehope with the award at the ceremony, Nokia UK and Ireland CEO Cormac Whelan said:

“For the CEO of the Year, we’re looking for the X-Factor and we definitely found it here. The judges described the winner as the most customer experience focused CEO they’ve ever seen. Which has resulted in his company delivering a net promoter score at the same level as Apple and Amazon.

He championed increased competition in his own domestic market and has delivered outstanding growth for the company he himself founded in 1992.”

David Homer, Senior Client Partner at Capita, who awarded the Customer Experience Award, added:

“Providing the best all-round experience with customers is the focus for this particular award. The winner motivated staff to look for ways to delight customers and hence increasing the company’s net promoter score.”

Commending the awards, Macquarie Telecom Group Chairman Peter James said:

“This award is a testament to Macquarie’s purpose since day one to make a difference in our industry, and I’d like to thank our staff and customers for making it possible.”

“David and Macquarie have always placed customer service experience at the centre of decision making, from product release, to staff hiring profiles, to staff incentives. This award provides a shining example of an Australian company setting the bar for outstanding customer service on a global stage.”

The World Communications Awards are the most revered mark of achievement in the global telecom industry. For over 22 years, the awards have recognised innovation excellence in global telecoms companies and attract hundreds of submissions annually.

Macquarie Park Data Centre Campus Expansion.

Macquarie Data Centres' latest build expands the Macquarie Park Data Centre Campus in Sydney to 50MW IT Load. This significant development will be undertaken in phases to meet the needs of hyperscalers, cloud and content service providers and the government sector.

Phase 1, known as Sydney IC3 East, delivers an additional 11MW IT Load and 13,400m² total floor space. IC3 East is secure, sovereign and built to the latest physical and cyber security standards essential to securely store and protect data in Australia.

The modern, world-class facility is fitted with the most efficient data centre cooling technology, meaning it can operate in 50 degrees Celsius ambient temperatures without additional cooling, to accommodate rising temperatures. IC3 East has a design power usage effectiveness (PUE) of 1.28, making it one of the most energy efficient data centres in Australia.

Phase 2 plans will see the IC3 Super West development adding a further 32 MW of IT load, as well as lifting IC3 East to 12MW, enabling the total campus IT Load capacity to 50MW.

IC3 Super West will be designed, constructed and operated to meet the needs of corporate, government and multi-national customers.

The new facility will be home to our Sovereign Cyber Security Centre of Excellence with an integrated mix of leading edge physical and virtual infrastructure designed to monitor and manage cyber security events. The 24/7 centre with be monitored by trained engineers equipped with the latest tools.

> We are seeing an unprecedented explosion of data, with the pandemic accelerating a new generation of people, businesses and whole industries move to the cloud.

Defence Minister Peter Dutton, Opens Macquarie's New High Security Data Centre in Canberra.

On the 18th June 2021 Australia's Minister for Defence, The Hon. Peter Dutton MP, officially unveiled Intellicentre 5 Bunker (IC5), highlighting it as critical infrastructure supporting Australia's data sovereignty, national cyber security and digital skills development.

The IC5 Bunker data centre was completed on time and on budget during the pandemic. It is part of a wider investment by Macquarie into its sovereign Canberra and Sydney Data Centre Campuses. The facility provides a fully sovereign ecosystem in terms of supply chain, Australian Government security-cleared staff, data access and storage.

The unveiling came as cyber security becomes a bigger issue in Australia following a series of cyber-attacks which have damaged media, agriculture, energy and other sectors in recent months. Minister Dutton highlighted the importance of the nation's critical infrastructure in bolstering Australia's digital and cyber security defence capabilities.

"The need to secure data to protect Australian businesses and government has been a maturing conversation over the last few years. The threat is evolving. We know there is increasing investment in penetrating systems throughout the world. To meet that threat, the Systems of National Significance Legislation and the Securing of Critical Infrastructure Legislation are essential.

Macquarie is a globally recognised leader in its field with a particular focus on data storage and protection services. In our current threat environment, the demand for those services can only increase", Minister Dutton said.

IC5 Bunker leverages the latest physical, virtual security and compliance credentials to manage highly classified government cloud workloads. The facility is considered by the Government as Critical Infrastructure, given it has been designed to store important government information.

Macquarie Government Managing Director Aidan Tudehope highlighted the importance of collaboration between industry and government to combat cyber threats in Australia.

"Our facility is a measure of the government's commitment to ensuring government agencies and critical infrastructure operators and their supply chains are 'battle-ready' for the challenges we all face in the cyber domain."

"This means protecting Australia's sovereign data and demonstrating the importance of cyber security to the whole of the Australian economy."

"Our IC5 Bunker is built to the highest physical and electronic security standards, leveraging the accelerating trend of hybrid IT and cybersecurity needs across government."

Macquarie Cloud Services

Why CURA Software's Hybrid Cloud Partnership with Macquarie Cloud Services is a success.

Situation

CURA Software develops and deploys governance, risk and compliance software. With specialisation in assisting companies manage their certification standards for business management like ISO, COSO, COBIT, HIPPA, SOX, KING III, and BASEL, CURA Software have been in the industry for over 16 years. CURA now boast over 250 clients across North America, Australia, Singapore, India and South Africa. As their global footprint expanded, CURA needed a reliable, robust hosting solution that catered for multiple regions.

Solution

CURA Software's partnership commenced with Macquarie Cloud Services hosting their Australian IT infrastructure within a private cloud (Launch™) instance. Macquarie Cloud Services' attention to customer excellence, was a key factor in CURA's decision to migrate their IT environment to Macquarie.

"Initially we were looking for a partner who both fulfilled the stringent compliance criteria required of hosting our customers' sensitive data and also a strong service orientated DNA. Being based overseas managing Australian clients, we needed peace of mind that we had 24×7 responsive support " recalls Nitin Dittakavi, VP Engineering of CURA Software. "Macquarie practices what they preach. I recall when we weren't able to access our server at around midnight a few months ago. It took one phone call to Andrew (CURA's dedicated Personal Customer Technical Officer) and he had the issue resolved within minutes. It's this level of support that I've come to expect from Andrew and Kousik (CURA's dedicated Service Delivery Manager).

Since CURA's migration to Macquarie's Launch (private cloud) solution three years ago, the business has enjoyed continual uptime and 24×7 support through a dedicated four-tiered account management structure. Macquarie Cloud Services was also named regional partner of choice, demonstrating the strength in relationship based on SLAs and service excellence.

Although Macquarie Cloud Services managed CURA's Australian hosting requirements, strict regulations and compliance meant that other clients across CURA's European and North American offices needed to be hosted elsewhere. "We were tossing up between AWS and Azure initially and decided to proceed with hosting our overseas environments within Azure" mentions Nitin.

"We decided to enlist the help of a consulting firm and self-manage our Azure environment as we thought it would be the best approach. We found that our cost began increasing and we were spending considerably more time in self-managing our environment" Nitin continues.

In 2019, Macquarie Cloud Services launched a Managed Azure practice, building upon a 10-year key strategic relationship with Microsoft in Australia. With excellence in public cloud extending beyond operating a portal and API, Macquarie Cloud Services' offering provides robust architecture, a migration plan and ongoing operational and service support.

> "The results were immediate for us. Having one vendor host and manage our hybrid cloud environment has allowed us to focus on core business. Our global clients can rest assured that their data resides within the highest compliance standards and we can take advantage of the highest-service rated IT company in Australia."
>
> Nitin Dittakavi,
> VP Engineering CURA Software

"When Macquarie launched an Azure practice, given we already had a strong relationship with three years of rock solid uptime and the above-and-beyond service I had grown to be accustomed to, it became a no-brainer. Migrating meant saving time, getting transparency on costs and even substantial cost savings immediately. This is especially important in these unprecedented times when every dollar counts" Nitin mentions.

The hybrid cloud approach where Macquarie Cloud Services hosted CURA's Australian region within their Tier III Sydney based data centre and their European and North American region through Azure public cloud meant CURA were able to consolidate their operations and have one global provider for their entire environment.

Macquarie Cloud Services is a Great Place to Work.

For the third year in a row Macquarie Cloud Services is one of the top 25 Great Places to Work in Australia. We're excited to announce 100% of employees said this is a "great place to work" in an independent survey. It's in our DNA to provide exceptional customer service.

We're all about a great place to work at all career stages. That's why we also offer an immersive graduate program to gear university graduates for a bright future career.

We're proud of what we have achieved this year.

2021 Top 25 Best Places to Work
Macquarie Cloud Services

GLOTEL Awards
Managed Services Innovation of the Year 2020 – Azure Managed
Macquarie Cloud Services

Azure Expert MSP Accreditation
Macquarie Cloud Services

ISG Provider Lens™
Managed Services for Azure
Macquarie Cloud Services (Rising Star)

Dell Technologies President's Circle Award
Macquarie Cloud Services (1 of 7 Globally)

VMware CloudHealth APJ Partner of the Year
Macquarie Cloud Services

Best Workplaces™ Great Place To Work. AUSTRALIA 2021

Macquarie Telecom

Reaching human potential through technology.

The rock-solid networks behind life changing technology at Civic.

> We're using online classes and social events since the pandemic using the Civic@Home online hub and iPads. Macquarie is vital to this, and we expect to transition to 5G eventually which will deliver even more capabilities.
>
> Celsus Joseph, Civic CIO

The search for a telco that was less telco.

Using technology to provide better care to clients goes hand-in-hand with Civic Disability Services' entire ethos. The organisation was founded in the 1950s and now changes individual lives and the community by ensuring economic and social inclusion, lifelong education and access to safe homes and healthcare. Innovation is at the heart of everything Civic does, particularly its collaboration with organisations to deliver assistive living technology which creates greater independence for its clients while protecting their safety. The organisation needs a digital foundation to underpin its innovative focus in a reliable, secure way.

Delivering assistive living technology to clients is no easy feat, particularly when it needs to accommodate the likes of safety-related sensors, building access technology and climate control solutions; all while running the normal applications part and parcel of any household. Given the technology is essential to providing safety and communications links to healthcare providers, it needs complete reliability in the technology and customer service it provides and could not achieve this with its previous telco partner.

A match underpinned by innovation.

As Civic continues to innovate – so too does Macquarie in the services and infrastructure backbone the organisation needs. Using Macquarie Telecom's mobility services, clients can stay connected to their caregivers whenever they need them. Assistive technologies also provide greater independence to clients. For instance, they can detect when a client gets up in the middle of the night, and automatically activate ambient lighting to guide them.

Macquarie's industry leading SD-WAN solution gives Civic visibility and control over its applications and bandwidth that it simply couldn't achieve before. For example, SD-WAN ensures that voice and video communication are prioritised over Netflix and YouTube, while still ensuring those apps are always available for clients. This has been particularly important throughout COVID-19's restrictions, with more clients needing or choosing to virtually communicate more. "We're using online classes and social events since the pandemic using the Civic@Home online hub and iPads. Macquarie is vital to this, and we expect to transition to 5G eventually which will deliver even more capabilities," said Civic CIO, Celsus Joseph.

Civic is also working towards tracking data sets through assistive living technology. Extending the example of ambient lighting, this data can be used to help clients illustrate the supports – and therefore funding – they need from the National Disability Insurance Scheme (NDIS). "We work with clients to help them submit outcomes to the NDIS to secure their funding," Mr Joseph said.

"It can often be hard to quantify the benefits or the need for certain funding. Being able to show how that data identifies and solves day-to-day challenges will be so important in highlighting. the value clients are getting, and justify the support they need."

A tangible shift for every client.

By working with Macquarie Telecom, Civic has been able to continue the innovative drive that sets it apart for its clients. The organisation has leveraged Macquarie's mobile, SD-WAN and NBN services to not only enhance the client experience, but the staff experience too. The reliability of the technology is backed up by Macquarie's industry leading, NPS-proven customer service to ensure it can help.

Macquarie Telecom is the "Best Place to Work" and here's why we are so proud.

AFR BOSS Best Places to Work
Macquarie Telecom

Global Juniper Elevate Awards for Customer First Service category
Macquarie Telecom

Macquarie Data Centres' Full Portfolio Certified Strategic by Australian Government.

Our entire data centre portfolio has received "Certified Strategic" accreditation from the Australian Government, which is the highest level. Accreditation is provided under the Australian Government's Hosting Certification Framework which has been developed to operationalise the principles outlined in the Whole of Government Hosting Strategy and to support the secure management of government systems and data. The Framework will assist government agencies to mitigate against supply chain and data centre ownership risks and enable them to identify and source appropriate hosting and related services.

Certified Strategic Hosting Provider represents the highest level of assurance and is only available to providers that allow the Government to specify ownership and control conditions.

Our Commitment to Work Health and Safety Practices (WHS).

Macquarie Data Centres is committed to supporting good work, health and safety practices and has implemented coordinated health and safety management systems to address WHS risks in data centre construction, operations and contractor management.

A Safe and Healthy Workplace

Our business is built on people, and we recognise our responsibility to keep them safe and maintain their health and wellbeing.

A safe and healthy work environment contributes to enhanced performance and supports employee engagement. Our commitment to safety is important to us and to our customers. We partner with some of the world's leading corporations, who expect us to have health and safety management systems that demonstrate health and safety management is integral to our business.

Focus on Construction Safety

The health and safety of our customers, suppliers and staff is of utmost importance.

We've introduced new systems and processes which allows the business to manage safety using smart devices addressing hazards in real time.

Our goal of achieving zero injuries across the business was realised during the construction of IC5 Bunker in Canberra and IC3 East in Sydney, both of which were completed without Medical Treatment Injury (MTI or Lost Time Injury (LTI).

COVID-19 Safety

There have been no confirmed cases of COVID-19 amongst our staff or visitors in FY21. Social distancing and increased sanitisation are in place across all our facilities. Entry requires QR-code sign-in and temperature checks before admission beyond Security Reception.

We're continuously working with our partners and the NSW State Government to continue construction activities despite COVID restrictions. Our onsite COVID control methods are constantly reviewed, updated and adapted to reflect the latest advice.

The directors present their report on the Group consisting of Macquarie Telecom Group Limited and the entities it controlled (the "Group") during the year ended 30 June 2021.

The names and details of the directors of Macquarie Telecom Group Limited ("Macquarie Telecom" or the "Company") in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Peter James
Chairman

Peter has extensive experience as Chair, Non-Executive Director and Chief Executive Officer across a range of publicly listed and private companies particularly in emerging technologies, digital disruption, e-commerce and media. He is an experienced business leader with significant strategic and operational expertise. Peter travels extensively reviewing innovation and consumer trends primarily in the US, Asia and the Middle East. He is a successful investor in several Digital Media and Technology businesses in Australia and the US. Peter holds a BA degree with Majors in Business and Computer Science and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Computer Society. Peter joined the board on 2 April 2012 and was appointed Chairman of Macquarie Telecom Group in July 2014. Peter is a member of the Audit and Risk Management Committee and the People, Remuneration and Culture Committee. Peter is also a non-executive director and Chairman of Nearmap, Droneshield, Keytone Dairy and Ansarada.

David Tudehope
Chief Executive

David is Chief Executive and co-founder of Macquarie Telecom and has been a director since 16 July 1992. He is responsible for overseeing the general management and strategic direction of the Group and is actively involved in the Group's participation in regulatory issues. He is a member of the Australian School of Business Advisory Council at the University of NSW and was a member of the Australian Government's B20 Leadership Group. David holds a Bachelor of Commerce degree at the University of NSW. In 2018, David was named Australian Communications Ambassador at the 12th Annual ACOMM Awards.

Aidan Tudehope
Managing Director, Hosting Group - Cloud Services and Government and Data Centres

Aidan is co-founder of Macquarie Telecom and has been a director since 16 July 1992. He is the Managing Director of the Hosting Group (Cloud Services and Government and Data Centres) with a focus on business growth, operational efficiency, cyber security and customer satisfaction. He has been responsible for the Group's data centre strategy and execution of the investment in Intellicentre 2 and Intellicentre 4 Bunker (Canberra). He leads the Government business, encompassing Macquarie's Secure Government Cloud and Secure Internet Gateway offerings. As the former Chief Operating Officer for Macquarie Telecom, Aidan played an integral part in the strategy and direction of the Hosting business since its first state-of-the-art data centre, Intellicentre 1 opened in 2001, as well as being instrumental in the development of Macquarie Telecom's data networking strategy. He holds a Bachelor of Commerce degree.

Anouk Darling
Non-Executive Director

Anouk has over 20 years' experience in marketing and brand strategy. She has been central to some of Australia's largest re-branding projects across a broad range of sectors including energy, finance, retail and airlines. Anouk is a Non-Executive director of ASX-Listed Enero Group and is Chair of their Audit and Risk Management Committee. Anouk also holds a Non-Executive Director role with Discovery Parks, majority owned by superannuation fund Sunsuper, which has more than one million members and $66 billion in funds under management and is Chair of their Nomination and Remuneration Committee. Anouk holds an executive role as CEO of Scape and Urbanest, Australia's largest owner and operator of purpose built student accommodation assets. She has a BA, MBA (major in Marketing), Digital Marketing Analytics executive certificate from MIT, Sloan School of Management and an AICD membership. Anouk joined Macquarie Telecom Group's Board in March 2012, is a member of the Audit and Risk Management Committee and is Chair of the People, Remuneration and Culture Committee.

Bart Vogel
Non-Executive Director

Bart joined the board on 22 July 2014. He is the Chairman of the Audit and Risk Management Committee and a member of the People, Remuneration and Culture Committee. Bart is the Chairman of Infomedia Ltd and Invocare Ltd. He is also a Non-Executive director of BAI Communications and the Children's Cancer Institute Australia. Bart's executive career included 20 years' experience in the management consulting industry with Bain and Co, AT Kearney and Deloitte Consulting. He enjoyed 13 years as a leader in the IT and telecommunications industries with Asurion, with Computer Power Group and as the Australia and Asia Pacific leader of Lucent Technologies. He holds a Bachelor of Commerce (Hons) Degree, is a Fellow of Chartered Accountants Australia and New Zealand, and a Fellow of the Australian Institute of Company Directors.

Adelle Howse
Non-Executive Director

Adelle Howse joined the board on 29 August 2019 and is a member of the Audit and Risk Management Committee and the People, Remuneration and Culture Committee. Adelle provides strategic consulting to organisations on strategy, M&A, operational performance improvement and transformation. She has worked at executive and board level in the corporate environment for more than 20 years in energy and resources, construction, infrastructure, data centres, telecommunication and property sectors. Adelle is a director of the Sydney Desalination Plant, an independent director and Chair of the Audit Committee for Design Studio Group (SGX) and is the Chair of the Australian Mathematical Sciences Institute. She holds an Executive MBA from IMD, a PhD in Mathematics from the University of Queensland and a graduate diploma in Applied Finance and Investment. Adelle is a graduate of the AICD.

Directors' Interest of the Company

The interests of the directors in the shares of the Group and related bodies corporate are disclosed in the Remuneration Report. There has been no change to director interests since year end 30 June 2021 and the date of this report 25 August 2021.

Remuneration report

The Remuneration Report is set out on pages 27 to 35 and forms part of the Directors' Report.

Directors' meetings

The number of meetings of directors, including meetings of committees of directors, held during the year and the number of meetings attended by each director was as follows:

		Board Committee Meetings	
Name and Position	Directors' Meetings	Audit and Risk Management	People, Remuneration and Culture
Number of meetings held:	22	4	1
Number of meetings attended:			
Peter James - Chairman	22	4	1
David Tudehope - Chief Executive	22	N/A	1
Aidan Tudehope - Managing Director, Hosting Group - Cloud Services and Government and Data Centres	22	N/A	N/A
Anouk Darling - Non-Executive Director	22	4	1
Bart Vogel - Non-Executive Director	22	4	1
Adelle Howse - Non-Executive Director	22	4	1

As at the date of this report, the Group had an Audit and Risk Management Committee and a People, Remuneration and Culture Committee.

The members of the Audit and Risk Management Committee are Bart Vogel (chair of the Committee), Anouk Darling, Peter James and Adelle Howse.

The members of the People, Remuneration and Culture Committee are Anouk Darling (chair of the Committee), David Tudehope, Adelle Howse, Peter James and Bart Vogel.

Company Secretary
Michael Gold (General Counsel and Company Secretary)

Michael was appointed as Company Secretary on 1 June 2019. He is also the General Counsel for the Group and has been with the Group since 2018. He holds a Bachelor of Commerce and Bachelor of Laws degree (BCom/LLB), a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Principal activities

The principal activities of the Group were the provision of telecommunication, cloud computing, cybersecurity and data centre services to corporate and government customers within Australia.

Review and results of operations

The Group generated revenue of $285.1 million for the year ended 30 June 2021, compared to revenue of $266.2 million in the prior year. The Group generated a net profit after tax of $12.5 million for the year ended 30 June 2021, compared to a net profit after tax of $13.5 million in the prior year.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the full year was $73.8 million, representing an increase of $8.6 million (13.1%) compared to the prior year.

Conversion of EBITDA to operating cash flows generated total operating cash flows of $45.3 million during the year, including payment of income tax ($0.2 million).

Continued improvements in revenue and profitability have been realised primarily relating to the Group's differentiated market offering across hybrid IT and telecom, utilisation of its quality data centre infrastructure, exposure to the strong ongoing migration of business and government onto the "cloud" and its focus on the delivery of a superior customer experience.

The Telecom segment continues to be an important part of the Group's overall offering, delivering $135.1 million in revenue, a decrease of (3.2%) compared to the prior year and EBITDA of $18.5 million, representing a decrease in EBITDA of (3.1%) on the prior year. This performance is reflective of our customers not working in the office with reduction in voice revenue during COVID lockdowns. The segment's #SoUntelco go-to-market strategy and a clear focus on providing a great customer experience continue to be compelling in driving customer acquisition and providing a channel to cross sell Cloud services solutions.

The Cloud Services and Government segment contributed $131.5 million in revenue, an increase of 21.3% compared to the prior year, and EBITDA of $36.4 million, an increase of 24.6%. The segment's investments in its hybrid IT, cyber security and secure cloud offerings, have placed it in a strategic sweet spot to assist its customers in the journey to the cloud. Significant sales success has been realised during the year as the segment continues to leverage these investments.

The Data Centres segment contributed $38.7 million in revenue, an increase of 9.9% compared to the prior year, and EBITDA of $18.9 million, an increase of 11.8%. The segment's investments in data centres and infrastructure will ensure the segment is well placed to capitalise on the growing data centre industry.

The Group has generated operating cash flows of $45.3 million and held cash and cash equivalents of $19.8 million as at 30 June 2021, with $132.0 million of secured debt.

The Group employed 467 employees at 30 June 2021 (2020: 456).

The following tables summarise the revenue and EBITDA performance of the Group's operating segments compared to the year.

Consolidated revenue		
(A$ million)	**Full Year 2021**	Full Year 2020
Telecom	135.1	139.6
Cloud Services and Government	131.5	108.4
Data Centres	38.7	35.2
Intersegment elimination	(20.2)	(17.0)
Consolidated Revenue	**285.1**	**266.2**

EBITDA		
(A$ million)	**Full Year 2021**	Full Year 2020
Telecom	18.5	19.1
Cloud Services and Government	36.4	29.2
Data Centres	18.9	16.9
Total EBITDA	**73.8**	65.2

Reconciliation of EBITDA to profit before income tax		
(A$ million)	**Full Year 2021**	Full Year 2020
Total EBITDA	73.8	65.2
Finance income	0.1	0.1
Finance costs	(3.5)	(4.5)
Depreciation and amortisation expense	(52.9)	(41.4)
Profit before income tax	**17.5**	19.4

Earnings per share

Earnings per share for profit attributable to the ordinary equity holders of the Group:

	2021 cents	2020 cents
Basic earnings per share	58.6	63.6
Diluted earnings per share	58.1	62.7

Dividends

No interim dividend for FY21 was declared and no final dividend for FY21 has been declared as a result of the Group continuing its phase of significant capital-intensive growth.

Likely developments and expected results

The Group will prioritise the execution of the following in fiscal year 2022:

- Maintaining industry leading Net Promoter Score greater than +70 across all business segments;
- Capitalising on opportunities in the Telecom business as customers look to strengthen online footprints and their customer facing options through demand for new technologies, including business nbn™, SD-WAN and SD-LAN. These new technologies enable corporates to re-evaluate their telecommunications services and consider adopting new alternatives;
- Focusing on further development of Macquarie Intellicentre 3 (IC3) East, which expands the Group's data centre capacity from a total IT load of 10MW to 21MW. IC5 was issued an Occupational Certificate in February 2021 and was officially opened by the Minister of Defence in June 2021. IC3 East was issued an Occupational Certificate in July 2021. Planning for IC3 Super West campus is underway, with the State Significant Development Application process having commenced in July 2021. The campus is designed to meet the growing needs of global hyperscalers and cloud, enterprise and government customers;
- Macquarie Cloud Services has a hybrid IT cloud strategy offering colocation, private cloud and Azure public cloud. We are seeing continued strong demand for data and hybrid IT clouds from corporate and government customers; and
- Leveraging the large number of Australian Government entities who trust Macquarie Government, the Group will further grow the government customer revenue in cyber security and Secure Cloud computing.

The directors believe, on reasonable grounds, that to include in this report further information regarding likely developments in the operations of the Group and the expected results of those operations in years after the current year would be likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been included in this report. Further developments by the time of the Annual General Meeting will be reported in the Chairman's address to that meeting.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year ended 30 June 2021. Performance has been resilient to the external business and economic pressures arising from the measures to control the COVID-19 pandemic and referred to in Note 1.3.

Significant events after the balance date

Subsequent to the reporting period, the Group received $28,608,017 (including GST) from an external party resulting from the completion of a data centre in the Macquarie Park campus. This will result in an increase in the operating cashflows of the Group and reduction in current assets in the next reporting period with the cash being used to reduce the long-term borrowings.

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year that, has significantly affected, the group's operations, results or state of affairs, or may do so in future years.

Environmental regulations

The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees, contractors and customers. The Group implemented comprehensive plans in response to COVID-19 to protect the health and wellbeing of staff, customers and suppliers discussed in Note 1.3. The Group is not subject to any significant environmental regulations in respect of its operations.

Indemnification and insurance of directors and officers

During the year, the Group paid premiums in respect of a contract insuring all the directors of Macquarie Telecom against costs incurred in defending proceedings for conduct against them other than involving;

- a wilful breach of duty; or
- a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as prohibited by section 199B of the *Corporations Act 2001*.

Auditor's independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 42.

Indemnification and insurance of auditors

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Non-audit services

Taxation advice and immigration advice was provided by the entity's auditor, PricewaterhouseCoopers. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided did not compromise the auditor independence as none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

PricewaterhouseCoopers received or is due to receive the following amounts for the provision of non- audit services: $19,600 (2020: $15,000) as disclosed in Note 7.2.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Group under ASIC Legislative Instrument 2016/191. The Group is an entity to which the Instrument applies.

Message from the Chair of the People, Remuneration and Culture Committee

The Shareholders
Macquarie Telecom Group

Dear Shareholders,

On behalf of the board, I am pleased to present the remuneration report for the 2021 financial year, ended 30 June. The role of the People, Remuneration and Culture Committee (the Committee) is to provide oversight of issues impacting on the company's retention and motivation of key talent across the organisation who have been instrumental in achieving the organisation's growth and enhancing its reputation in the broader cloud, data centre, cyber security and telecommunications sector. The Committee assists the board by making recommendations on remuneration, related policies and practices that drive motivating outcomes for employees, linked to both business strategy and sustainable shareholder value.

Following consistent growth and increased shareholder value the Committee has sought external expertise from Egan Associates to ensure relativity and benchmarking of key management personnel (KMP) safeguarding our retention and attraction of specialist capability, whilst supporting our diversity ambitions.

We also sought a review of Macquarie Telecom's Group annual incentive plan, including the relative weighting of criteria which had been applied over recent years in assessing management's performance. That advice provided guidance in relation to market practice and typical performance criteria under annual incentive plans; the differentiation between management levels and the performance contribution by those participating in the company's incentive programs, including the Executive Directors, KMP, key managers and other senior professional staff, both operational and corporate.

We also reviewed the long-established equity-based long-term incentive plan compared to market practice, both generally and among organisation in sectors relevant to the operations of Macquarie Telecom Group and found it to be generally fit for purpose, aligning and motivating growth outcomes. As a result of the comprehensive reviews, we undertook during the financial year, the Committee has made recommendations to the Board in relation to the level of remuneration for KMPs and selected other executives; the structure of the annual and long-term incentive plans; and the appropriateness of Board and Committee fees for Non-Executive Directors.

The key changes from the 2021 financial year are;

- Aligning the CEO Remuneration to peer benchmarking reflecting the performance and continued growth of the business, with changes from $567k to $710k with STI to be 50% of fixed base, effective from February 2021
- We have on advice, chosen to abandon our two-year performance hurdle and have a single integrated tranche which would be subject to both the net promoter score and total shareholder return; with 15% of the award subject to the net promoter score
- Alignment of board and committee fees from external advisors benchmarking of ASX listed growth companies. Following this review, Non-Executive Director fees increase from $115k to $130k, and Chair of Committee fees will be established as $15k. There are no changes to committee fees. This review also informed the Chairman's annual fees to be aligned to market benchmarking and increase from $200k to $225k. All changes are effective from 31 May 2021. There has been no change to the board fee pool.

We trust that shareholders will strongly endorse the strategies your Committee has adopted in the current setting and in the context of the company's performance, both relative and absolute.

We will continue to ensure that the outcomes are appropriate to the evolving challenges faced by the company in the period ahead and that we continue to remain proactive and engaged with key issues faced by our sector and our people.

Yours faithfully

Anouk Darling

Independent Non-Executive Director
Chair - People, Remuneration and Culture Committee

Remuneration report (audited)

This report outlines the remuneration arrangements in place for directors and executives of Macquarie Telecom Group.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and senior managers. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre senior managers;
- Link senior manager rewards to shareholder value;
- Place a significant portion of Key Management Personnel ("KMP") and other senior manager remuneration 'at risk', dependent upon meeting predetermined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable KMP and other senior manager remuneration.

Responsibility for evaluating the Board's performance falls to the People, Remuneration and Culture Committee. The performance of key executives is evaluated by the Chief Executive and where considered appropriate, the Board as a whole.

Remuneration link to performance

Macquarie Telecom's remuneration philosophy directly aligns a percentage of short-term incentives and all long-term incentives granted to employees with key business outcomes such as Group revenue and profit growth, customer satisfaction and total shareholder return. The table below details the split between fixed and variable remuneration.

Executive Key Management Personnel

Name	Year	Fixed	Variable	Total
D Tudehope – Chief Executive	**2021**	**30%**	**70%**	**100%**
	2020	37%	63%	100%
A Tudehope – Managing Director Hosting Group (Cloud Services & Government and Data Centres)	**2021**	**30%**	**70%**	**100%**
	2020	37%	63%	100%
L Clifton – Group Executive, Macquarie Telecom	**2021**	**69%**	**31%**	**100%**
	2020	68%	32%	100%
J Mystakidis – Group Executive, Macquarie Cloud Services	**2021**	**61%**	**39%**	**100%**
	2020	57%	43%	100%
D Hirst – Group Executive, Macquarie Data Centres	**2021**	**64%**	**36%**	**100%**
	2020	55%	45%	100%
B Henley – Group Executive and Chief Commercial Officer Telecom	**2021**	**68%**	**32%**	**100%**
	2020	67%	33%	100%
H Cox – Chief Financial Officer	**2021**	**70%**	**30%**	**100%**
	2020	75%	25%	100%

Variable consideration for all KMP are dependent on the achievement of a number of Key Performance Indicators ("KPIs") around sales and profit growth and customer satisfaction. These KPIs are pre-determined and agreed with the People, Remuneration and Culture Committee on a yearly basis. There is an over achievement element to the variable remuneration, meaning it is possible to achieve greater than 100% of the base incentive amount.

Non-Executive Directors

All non-executive directors are paid a fixed amount with no variable component.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive director and KMP remuneration is separate and distinct.

Remuneration of Key Management Personnel

Introduction

The following executive directors, group executives and non-executive directors have been determined to be key management personnel;

Executive KMPs

- David Tudehope – Chief Executive
- Aidan Tudehope – Managing Director, Hosting Group (Cloud Services and Government and Data Centres)
- Luke Clifton – Group Executive, Macquarie Telecom
- James Mystakidis – Group Executive, Macquarie Cloud Services
- David Hirst – Group Executive, Macquarie Data Centres
- Brent Henley – Group Executive and Chief Commercial Officer Telecom
- Helen Cox – Chief Financial Officer

Non-Executive Directors

- Peter James – Chairman
- Anouk Darling – Non-Executive Director
- Bart Vogel – Non-Executive Director
- Adelle Howse – Non-Executive Director

Objective

The Group aims to reward KMP and senior managers with a level of remuneration commensurate with their position and responsibilities within the Group and to:

- Reward senior managers for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of the executives with those of the shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

For personal use only

Structure

Service agreements have been entered into with each of the Chief Executive and the Managing Director Hosting Group (Cloud Services and Government and Data Centres) but not with any other senior managers, each of whom is employed under the terms of an employment contract. Details of the service agreements are provided on page 31.

Remuneration for all senior managers consists of the following key elements:

- Fixed remuneration
- Variable remuneration
  - Short Term Incentive ("STI"); and
  - Long Term Incentive ("LTI").

Fixed remuneration

Objective

The level of fixed remuneration is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration of the Chief Executive and Managing Director Hosting Group (Cloud Services and Government and Data Centres) is reviewed annually by the People, Remuneration and Culture Committee and the process consists of a review of Group-wide and individual performance, relevant comparative remuneration in the market, and internal and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent of management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in certain forms including cash and allowances such as motor vehicle allowances. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component of the key management personnel is detailed on pages 32 and 33.

Variable remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the KMP and senior managers charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the KMP and senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each KMP and senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met or exceeded. The operational targets consist of several Key Performance Indicators ("KPIs") covering both financial and non-financial measures of performance and may be based on Group, individual, business and personal objectives. All measures are classified under the following three categories:

- profitability;
- customer-related; and
- sales growth.

The Group has predetermined benchmarks which must be met to trigger payments under the STI scheme. There is an over achievement element to these payments, meaning it is possible to achieve greater than 100% of the base incentive amount.

On a half-yearly basis, after consideration of performance against KPIs, an overall performance rating for the Group is approved by the People, Remuneration and Culture Committee or the Board. The individual performance of each KMP senior manager is also rated and considered when determining the amount, if any, of the STI component to be paid. This structure was in place for all financial years disclosed in this report and continues for the present financial year.

Variable pay – Long Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward KMP and senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such, LTI grants are made to KMP and senior managers who are able to influence the generation of shareholder's wealth and have a direct impact on the Group's performance against the relevant long-term performance hurdle.

Structure

Performance rights are granted to a participant in the LTI plan under two Tranches:

- One third under Tranche 1 with a performance period of two years and service period of three years
- Two thirds under Tranche 2 with a performance period of three years and service period of three years

The Board believes that this allocation and the associated performance periods drive a continual focus on the achievement of consistent profit growth over a three-year period.

Performance rights issued to the Chief Executive and Managing Director Hosting Group (Cloud Services and Government and Data Centres) are cash settled whereas those issued to other Key Management Personnel are equity settled. Equity settled performance rights, when vested, entitle the participant to an equivalent number of shares.

Vesting of both cash settled and equity settled performance rights is subject to fully satisfying the performance conditions. Dividends are not paid on performance rights.

The vesting of performance rights is the subject to the combination of:

- Macquarie Telecom Group's total shareholder return ("TSR") performance for both Tranches; and
- The Net Promoter Score ("NPS") for Tranche 2 only.

TSR is measured by the growth in share price from the start of the performance period to the end of the performance period, plus the aggregate of all dividends paid on a share during the performance period. For these purposes, the share price at the start of each performance period is measured as the volume weighted average price (VWAP) of shares during the month of the preceding performance period, and the share price at the end of a performance period is measured as the VWAP during the month in which the performance period ends.

The proportion of performance rights that vest will depend on the Macquarie Telecom Group's performance over the relevant periods. The Board has chosen an absolute TSR measure.

The Board has set challenging targets which vary year to year.

NPS is the net promoter score determined by the Board and only affects those performance rights available to vest in Tranche 2.

Service agreements

The Chief Executive and Managing Director Hosting Group (Cloud Services and Government and Data Centres) are each employed under a service agreement. The current agreements commenced in August 1999 and continue until terminated by either the Group or the Chief Executive or the Managing Director Hosting Group (Cloud Services and Government and Data Centres) (as the case may be). Under the terms of the present agreements:

- The Chief Executive and Managing Director Hosting Group (Cloud Services and Government and Data Centres) may resign from their position and thus terminate their agreement by giving six months' written notice;
- The Group may terminate the agreements by providing six months' written notice or provide payment in lieu of the notice period, based on the fixed component of the Chief Executive or the Managing Director, Hosting Group (Cloud Services and Government and Data Centres)'s remuneration (as the case may be). The Group may also terminate the agreements on a lesser period of notice if, for example, the Chief Executive or the Managing Director Hosting Group (Cloud Services and Government and Data Centres) (as the case may be) become incapacitated; and
- The Group may terminate the agreements at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Chief Executive or the Managing Director Hosting Group (Cloud Services and Government and Data Centres) (as the case may be) is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

All other executive KMP are employed under non-fixed term employment contracts. Under the terms of the current agreements, the Group may terminate their employment by providing between four weeks to three months' notice. The other executive KMP may terminate their employment by providing four to eight weeks' notice. The Group may elect to make payment in lieu of the notice period which would be equal to the base salary they would have received during the notice period. The other executive KMP are not entitled to receive any additional retirement or termination benefits.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Non-Executive directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Each Non-Executive director is appointed via a letter of appointment. The Group's constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive directors will be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive directors as agreed. The latest determination was at the Annual General Meeting held on 23 November 2012 when shareholders approved an aggregate remuneration of $750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive directors is reviewed annually.

Each Non-Executive director receives a fee for being a director of the Group.

The Non-Executive directors of the Group may hold shares in the Group.

The remuneration of Non-Executive directors for the period ending 30 June 2021 is detailed in the table on pages 32 and 33 of this report.

Remuneration report (audited) (cont'd)

Remuneration of Executive Key Management Personnel for the year ended 30 June 2021:

Name and Position	Year	Short Term		
		Salary and Fees[1]	Cash Bonus[2]	Non – Monetary Benefits[3]
D Tudehope – Chief Executive	**2021**	**676,150**	**277,803**	**9,250**
	2020	569,464	303,501	12,425
A Tudehope – Managing Director	**2021**	**604,035**	**150,219**	**7,896**
	2020	569,417	297,167	6,370
L Clifton – Group Executive, Macquarie Telecom	**2021**	**400,226**	**85,013**	**5,977**
	2020	382,052	99,440	5,728
J Mystakidis – Group Executive, Macquarie Cloud Services	**2021**	**368,441**	**143,066**	**655**
	2020	408,833	236,933	963
D Hirst – Group Executive, Macquarie Data Centres	**2021**	**402,655**	**143,066**	**6,911**
	2020	353,217	227,690	5,897
B Henley – Group Executive and Chief Commercial Officer Telecom	**2021**	**359,994**	**79,346**	**6,433**
	2020	331,261	94,341	5,728
H Cox – Chief Financial Officer	**2021**	**313,403**	**93,905**	**2,201**
	2020	253,000	77,278	-
Total Executive Key Management Personnel Remuneration	**2021**	**3,124,904**	**972,418**	**39,323**
	2020	2,867,244	1,336,350	37,111

Remuneration of Non-Executive Directors for the year ended 30 June 2021

Name and Position	Year	Short Term		
		Salary and Fees[1]	Cash Bonus	Non – Monetary Benefits[3]
P James - Chairman	**2021**	**200,000**	**-**	**-**
	2020	200,000	-	-
A Darling - Non-Executive Director	**2021**	**117,500**	**-**	**-**
	2020	115,000	-	-
B Vogel - Non-Executive Director	**2021**	**130,000**	**-**	**-**
	2020	130,000	-	-
A Howse - Non-Executive Director	**2021**	**117,500**	**-**	**-**
	2020	96,718	-	-
Total Non-Executive Directors' Remuneration	**2021**	**565,000**	**-**	**-**
	2020	541,718	-	-

[1] The category "Salary and Fees" includes amounts accrued and released in respect of annual leave and other benefits including motor vehicle allowances.
[2] The category "Cash bonus" includes amounts accrued and paid for the variable remuneration Short Term Incentive in the respective financial years.
[3] The category "Non-Monetary Benefits" includes the value of any non-cash benefits provided including car parking. All amounts paid were in the normal commercial terms and conditions and at market rates.

Post Employment	Long Term	Share Based Payments		
Superannuation	Long Service Leave	Equity Performance Rights[4]	Cash Performance Rights[5]	Total
21,694	**11,817**	**-**	**1,385,393**	**2,382,107**
21,003	9,439	-	740,897	1,656,279
21,694	**9,265**	**-**	**1,385,393**	**2,178,502**
21,003	9,265	-	740,897	1,644,119
21,694	**6,360**	**105,995**	**-**	**625,265**
26,253	6,360	97,986	-	617,819
21,694	**6,771**	**105,995**	**-**	**646,622**
21,003	6,771	97,986	-	772,489
21,694	**6,743**	**105,995**	**-**	**687,064**
26,253	6,194	92,904	-	712,155
21,694	**6,131**	**105,995**	**-**	**579,593**
26,148	5,549	87,823	-	550,850
21,694	**5,195**	**51,610**	**-**	**488,008**
18,582	3,985	14,419	-	367,264
151,858	**52,282**	475,590	**2,770,786**	**7,587,161**
160,245	47,563	391,118	1,481,794	6,320,975

Post Employment	Long Term	Share Based Payments		
Superannuation	Long Service Leave	Equity Performance Rights	Cash Performance Rights	Total
19,000	**-**	**-**	**-**	**219,000**
19,000	-	-	-	219,000
11,163	**-**	**-**	**-**	**128,663**
10,925	-	-	-	125,925
12,350	**-**	**-**	**-**	**142,350**
12,350	-	-	-	142,350
11,163	**-**	**-**	**-**	**128,663**
9,188	-	-	-	105,906
53,676	**-**	**-**	**-**	**618,676**
51,463	-	-	-	593,181

[4] The Group has issued performance rights over ordinary shares to Key Management Personnel and senior managers as part of their long-term incentives. They are designed to encourage superior performance against targeted performance conditions over the vesting period. If the rights holder leaves before the vesting date they forfeit all entitlements under the scheme.
[5] The Group has issued performance rights that convert cash to the Chief Executive and Managing Director Hosting Group (Cloud Services and Government and Data Centres) as part of their long-term incentives. They are designed to encourage superior performance against targeted performance conditions over the vesting period.

Remuneration report (audited) (cont'd)

The table below summarises the holdings of performance rights granted to KMP and movements in holdings during the year.

	Balance 1 July 2020	Performance rights issued[4,5]	Vested and Exercised[1]	Holdings at 30 June 2021	Vested and Exercisable at 30 June 2021
Executive Directors[2]					
David Tudehope[4]	48,000	14,167	(26,667)	35,500	-
Aidan Tudehope[4]	48,000	14,167	(26,667)	35,500	-
Other KMP[3]					
Luke Clifton[4]	48,000	14,167	(26,667)	35,500	-
Brent Henley[4]	48,000	14,167	(26,667)	35,500	-
David Hirst[4]	48,000	14,167	(26,667)	35,500	-
James Mystakidis[4]	48,000	14,167	(26,667)	35,500	-
Helen Cox[5]	14,000	7,500	-	21,500	-

[1] Represents 2018 performance rights vested on 31 December 2020.
[2] Cash settled
[3] Equity settled
[4] 14,167 performance rights were issued during the year. 6,667 performance rights were issued on the over achievement of the 2018 performance rights vested on 31 December 2020. 7,500 performance rights were issued on 10 November 2020 and have a vesting date of 01 March 2024. The fair value of each performance right at issue date was $18.83 for Tranche 1 and $16.98 for Tranche 2.
[5] 7,500 performance rights were issued on 10 November 2020 and have a vesting date of 01 March 2024. The fair value of each performance right at issue date was $18.83 for Tranche 1 and $16.98 for Tranche 2.

Shareholdings of key management personnel

	Holdings at 1 July 2020	Received on Exercising of Performance Rights[1]	Acquired on market	Disposal of shares	Holdings at 30 June 2021
Non-Executive Directors:					
Peter James	19,105	-	-	-	19,105
Anouk Darling	3,737	-	-	-	3,737
Bart Vogel	22,922	-	-	-	22,922
Adelle Howse	-	-	920	-	920
Executive KMP:					
David Tudehope[2]	323,824	-	-	-	323,824
Aidan Tudehope[2]	41	-	-	-	41
David and Aidan Tudehope	11,657,990	-	-	-	11,657,990
Luke Clifton	40,000	26,667	-	(9,000)	57,667
Brent Henley	-	26,667	-	(26,667)	-
David Hirst[3]	30,000	26,667	-	(51,500)	5,167
James Mystakidis[3]	-	26,667	-	-	26,667
Helen Cox	-	-	-	-	-
Total	**12,097,619**	**106,668**	**920**	**(87,167)**	**12,118,040**

[1] Represents the number of shares issued for 2018 performance rights vested on 31 December 2020, including any shares issued for over achievement of the target in accordance with the plan.
[2] Includes holdings by director-related entities.
[3] Includes holdings by a related party.

All shareholdings referred to in the previous table are ordinary shares in the Group.

Transactions with director-related entities

There were no other transactions with director-related entities for the year ended 30 June 2021.

Performance of Macquarie Telecom Group Limited

The following table shows earnings before interest, tax, depreciation and amortisation ("EBITDA"), net profit after tax ("NPAT"), closing share price, and KMP short-term incentives as a percentage of NPAT ("KMP STI as % of NPAT") over the last five years.

	EBITDA	NPAT	Share Price	KMP STI as % of NPAT
Year ended 30 June	(A$ million)	(A$ million)	ASX Code: MAQ	%
2021	**73.8**	**12.5**	**52.93**	**7.8%**
2020	65.2	13.5	44.00	9.9%
2019	52.1	16.5	19.86	6.4%
2018	47.8	17	20.34	5.5%
2017	40.3	14.2	14.25	8.7%

End of Remuneration report (audited)

Signed in accordance with a resolution of the directors:

David Tudehope
Chief Executive

Sydney, 25 August 2021

Environmental, Social and Governance (ESG) Report

Introduction

Macquarie Telecom Group Limited and its' subsidiaries (the Group) understand stakeholders expect greater visibility and the Board is fully aware of the need to further assess our ESG strategy, the material topics relevant for our stakeholders and to provide additional transparency over our performance against our strategy over the next 12 months. The following statement sets out the Group's ESG key highlights for the reporting period.

Environmental

The Group's environmental journey began with its datacentres more than 20 years ago. Lowering a data centre's Power Usage Efficiency (PUE) is a sustainable choice that is also good for our business and our customer's business. Low PUE means that a facility is more efficient and proportionally less energy is used for the data centre's infrastructure loads (cooling, airflows and lighting etc) to support the computing equipment in the facility. We help our customers to be more sustainable by providing state of the art and energy efficient data centres, such as our latest facility, Intellicentre 3 in Sydney's North Zone. IC3 has a design PUE of 1.28 which means that it is a far more energy efficient than a corporate customer's traditional computer room in the office or factory. This reduces carbon emissions and lowers operating costs for customers. The Australian Government reports[1] that on average, data centres have a PUE of 2.5, demonstrating that IC3 is at the forefront of energy efficient designs.

At every opportunity we review our data centre operations to ensure we operate our facilities in the most efficient manner possible. Examples of this are working with customers to deliver bespoke solutions that optimise cooling and airflow requirement in data halls so that operating temperatures and humidity are delivered in the best operating ranges for the equipment deployed, saving wastage and unnecessary energy consumption.

We choose energy efficient plant and equipment at every opportunity and have embedded this in our new equipment assessment criteria. This applies to both our brand-new facilities as well as equipment upgrades in our existing facilities, for example when we replace chillers, water towers and other infrastructure.

Our own cloud solutions are an optimised mix of dedicated and virtualised resources, meaning that IT resources can be shared for efficiency. Our cloud products are based on the latest platforms with the latest hardware giving them an energy efficient advantage.

Our Sydney and Brisbane offices have 5-star NABERs energy ratings, and our Melbourne office has 4.5 stars. Our Canberra data centre campus is powered 100% by renewable electricity under the ACT Government's renewable electricity initiative. Our Intellicentre 5 data centre includes its own dedicated solar power generation system, which reduces its reliance on the grid during Canberra's hottest days, as well as free air-cooling system for its colder days.

Social

People are the foundation of our success. We are committed to providing a safe and healthy workplace, investing in developing our people, and giving back to the communities we live and work in.

For over 20 years we have been a corporate partner to United Way Australia, the Australian arm of the world's largest charity. We have proudly sponsored United Way campaigns for flood relief and bushfire appeals, participated in the Macquarie Business Park Community Walkathon and donated hundreds of books for their early childhood literacy program.

We value diversity and inclusion and the benefits they bring to the Group in achieving our purpose and objectives. Our commitment to diversity starts at the top, and our board of directors lead by example with an equal balance of male and female non-executive directors. To attract and retain a diverse workforce, we are committed to promoting a culture which celebrates diversity and an atmosphere in which all employees and candidates for employment have equal access to opportunities at work. Our gender diversity statistics can be found in our Governance Statement for the period.

We are committed to creating jobs in Australia. We have developed world leading customer contact centres in Sydney to provide the best local support. We continue to invest in our graduate programmes and many of our business leaders and technical leads are graduates of our own programmes. Macquarie Cloud Services has been ranked in the top 20 Best Places to Work for businesses under 100 people in 2019 and 2020.

As an Australian public company, we can provide unique sovereign solutions to data residency requirements. This means we can help keep Australian data on our own shores, in Australian owned data centres managed by Australian staff. Our entire data centre portfolio has obtained the highest level of certification in this field, having been Certified Strategic under the Australian Government's hosting framework.

Governance

Our governance framework plays an integral role in supporting our business and helping us deliver on our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are managed.

As an ASX listed company, the Group reports its corporate governance practices in its Corporate Governance Statement which follows.

[1] https://www.energy.gov.au/business/equipment-and-technology-guides/data-centres

Corporate Governance Statement

Introduction

The Board is responsible for the corporate governance practices of the Group. The major processes by which the Board fulfils that responsibility are described in this statement.

The Board considers that, except to the extent expressly indicated in this statement, the Group's corporate governance practices comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition ("Principles and Recommendations").

A copy of the Board Charter, the Audit and Risk Management Committee Charter, the People, Remuneration Culture Committee Charter, the Group's Code of Conduct, Whistleblower Policy and Modern Slavery Policy are all available in the corporate governance section of the Group's website at www.macquarietelecomgroup.com/investors, together with all other information which the Principles and Recommendations recommend be made publicly available.

Principle 1

Lay solid foundation for management and oversight

The Board acts on behalf of and is accountable to the security holders. The expectations of security holders together with regulatory and ethical expectations and obligations are taken into consideration when defining the Board's responsibilities.

The Board's key responsibilities are:

- demonstrating leadership;
- defining the Group's purpose and setting its strategic objectives;
- approving the Group's statement of values and code of conduct, to underpin the desired culture within the Group;
- establishing, monitoring and modifying the Group's corporate strategies;
- monitoring the performance of management in the implementation of the Group's corporate strategies and implementation of the Group's values and performance generally;
- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the board;
- reporting to security holders and the market, including timely and balanced disclosure of all material information concerning the group that a reasonable person would expect to have a material effect on the price or value of the entity's securities;
- ensuring that an appropriate risk management framework and compliance framework is in place and operates effectively and that an appropriate risk appetite has been set;
- overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit;
- monitoring financial results, challenging management and holding management to account;
- reviewing business results and monitoring budgetary control and corrective actions (if required);
- authorising and monitoring budgets, major investments and strategic commitments;
- monitoring Board composition, director selection and Board processes and performance;
- appointing the Chair and Chief Executive;
- reviewing the performance of the Chair, Chief Executive, key executives and company secretary;
- endorsing key executive appointments and ensuring talent management and development frameworks and strategies are in place for the Chief Executive, and other key executive appointments;
- reviewing and approving remuneration of the Chief Executive and satisfying itself that the group's remuneration policies are aligned with the Group's purpose, values, strategic objectives and risk appetite;
- overseeing and monitoring progress in relation to the Group's diversity objectives and compliance with its diversity policy; and
- ensuring best practice corporate governance.

The responsibility for the day-to-day operation and administration of the Group has been delegated to the Chief Executive and the executive team. The Board ensures that this team is appropriately qualified and experienced. The Board is also responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board.

The Group's people and culture policies require that background checks are performed on all employees and directors. Security holders are provided with all material information about a director standing for election or re-election in the explanatory memorandum to the Notice of Annual General Meeting and by way of the qualifications and experience of each director as set out in the Directors Report.

All persons who are invited and agree to act as a director do so by a formal notice of consent. Non-executive directors have received formal notices of appointment and each of the executive directors are party to a formal executive service agreement with the Group.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters relating to the proper functioning of the Board. Each director has the right to communicate directly with the Company Secretary.

In relation to overseeing and monitoring progress in relation to the Group's diversity objectives, the Group has a workplace diversity policy which is published in the Investor section of our website. The Group embraces diversity and believes it is a critical factor in our success. Diversity means all differences between people including gender, age, race, ethnicity, disability, sexual orientation, religion and culture.

To attract and retain a diverse workforce, we are committed to promoting a culture, which celebrates diversity and an atmosphere in which all employees and candidates for employment are treated fairly, with respect and have equal access to opportunities at work.

The current proportion of female employees at Macquarie Telecom is as follows:

	Total Females	% Females
Number of females in entire organisation[1]	116	24.8%
Number of females in people management positions[1]	19	24.7%
Number of females on the Macquarie Telecom Group Board[1]	2	33.3%

[1] Workplace Gender Equality Agency report, 31 July 2021

Macquarie Telecom recognises that, by promoting a culture of diversity, the business benefits at multiple levels by:

- attracting a high calibre and wide range of talent;
- increasing levels of engagement across the organisation;
- retaining and promoting highly skilled staff;
- increasing innovation which drives business results; and
- enhancing customer relationships.

In accordance with the Principles and Recommendations, the Group established objectives to promote diversity and inclusion. The objectives and the progress toward achieving them are outlined below:

Board and Executive	
Objective	**Outcome**
Board and Executive level vacancies: continue to aim to proactively source and consider a minimum of 30% female applicants for Board and executive level vacancies.	Macquarie Telecom has policies and practices in place to support our ongoing commitment to this objective.
Board composition: maintain female representation on the Macquarie Telecom Board of Directors.	We have maintained female representation on our Board at 33.3% and Non-Executive directors at 50%

General	
Objective	**Outcome**
Ensure that Macquarie Telecom continues to have a Diversity Officer responsible for reviewing progress and report annually to the Board.	A P&C team member continues to hold the position of Diversity Officer.
Aim to maintain a Macquarie Telecom female population of 26% or greater by June 2020.	Macquarie Telecom currently has a female population of 24.8%.
Aim to maintain proportion of female people managers of total at 30.0%.	The proportion of female people managers is currently 24.7%.

The Group is committed to the development and career advancement of women. All managers, regardless of gender, have equal access to training, development and career opportunities. We will continue to raise the profile of gender diversity and further our efforts to date.

Responsibility for ratifying diversity objectives will remain with the Board with input from the People, Remuneration and Culture Committee. The objectives set will be managed and reported by the Diversity Officer.

The performance of the Board, its committees and individual directors are typically reviewed annually. Performance is evaluated having regard to the fulfilment of the Board, and its committees' responsibilities. Responsibility for evaluating the Board's performance falls to the Chairman with assistance from the Company Secretary.

The performance of senior executives is reviewed on a half yearly basis against agreed measurable and qualitative indicators as part of the company-wide performance and development review process. Details of the measurable indicators and the manner in which they are linked to performance are set out in the Remuneration Report to the Directors' Report. Qualitative indicators include the extent to which a senior executive's performance has been aligned to the Group values.

For the reporting period, the performance of senior executives was evaluated by the Chief Executive and Managing Director - Hosting Group and, where considered appropriate, the Board as a whole.

For personal use only

Principle 2

Structure the Board to be effective and add value

The Board has a People, Remuneration and Culture Committee which has replaced the previous Corporate Governance, Nomination and Remuneration Committee. The members of the Committee are the independent Non-executive Directors. The names of the members of the Committee and their attendances at meetings of the Committee appear in the Directors' Report. The People, Remuneration and Culture Committee ensures that talent management and development frameworks and strategies are in place for the Chief Executive, Managing Director – Hosting Group, Group Executives and other employees identified to be in critical roles from time to time.

In relation to Nomination matters, the Board as a whole undertakes this function itself rather than delegating nomination matters to a committee. The Board as a whole, led by the Chairman fulfills its responsibilities to security holders by ensuring that the Board is comprised of individuals who are best able to discharge their responsibilities as directors having regard to the law and the highest standards of governance by:

- assessing the skills and diversity required on the Board;
- assessing the extent to which the required skills are represented on the Board;
- establishing a process for the review of the performance of individual directors and the Board as a whole, having regard to the Board's key responsibilities; and
- establishing the processes for the identification of suitable candidates for appointment to the Board.

The Board encourages a mix of skills in its directorship. It currently has a diverse range of skills amongst its' directors including extensive Information Technology, Telecommunications industry and Government experience. Skills include corporate leadership, strategic and operational management, experience with other boards, strategic brand advisory, marketing and digital, finance, investment, governance and risk management. Together these skills form the Group's 'board skills matrix' which is reviewed annually.

The Board has adopted a policy of ensuring that it is composed of a majority of non-executive directors with an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience. Each of the current non-executive directors is an independent director for the purposes of the criteria for independence outlined by the Principles and Recommendations. The Chairman is selected from the non-executive directors and appointed by the Board. The length of service of each director is set out in the Directors Report.

The same person does not exercise the roles of Chairman and Chief Executive.

An induction process exists whereby new directors are inducted in the strategies, objectives, business plans, values and culture of the Group including meeting with key executives and senior management personnel across all business functions. The continuing professional development of directors is encouraged, and support is provided to address skills gaps where they are identified.

Information about the directors, including their qualifications, experience and special responsibilities, appear in the Directors' Report.

Directors and Board committees have the right in connection with their duties and responsibilities to seek independent professional advice at the Group's expense.

Principle 3

Instil a culture of acting lawfully, ethically and responsibly.

The Group has four key values:	
Personal accountable service (PAS)	PAS runs through our DNA, we don't switch off until the job is done to the complete satisfaction and delight of our partners and ourselves. In short- it's not just a job, we care!
Results	Every one of us is driven to achieve and get the right business results. From internal improvement projects and programs to business-critical solutions for our customers. Results and how we engage and achieve matter.
Collaboration	We are nothing without our team-mates. United we win, divided we fall. We value the unique attributes of our colleagues and embrace our differences to achieve collective success working together.
Making a difference	Good enough for others isn't good enough for us! We are instinctively driven to transform and make things better and easier, each and every time.

The Board is committed to the highest standards of conduct. To ensure that the Board, management and employees have guidance in the performance of their duties, the Group has in place a Code of Conduct, an Anti-bribery and Corruption Policy and a Whistleblower Policy. A copy of each of these policies can be found at the investor section of our website: https://macquarietelecomgroup.com/investors/.

The Board is informed of any breaches of the Code of Conduct, Whistleblower Policy and Anti-Bribery and Corruption Policy.

Principle 4

Safeguard the integrity of corporate reports

The Board has established an Audit and Risk Management Committee, which operates under a Charter, a copy of which can be found at the investor section of our website. Each member of the Committee is an independent director. The names of the members of the Committee, their qualifications and experience and their attendances at meetings of the Committee appear in the Directors' Report. The Committee is chaired by an independent director who is not the Chairman of the Board.

The Chief Executive, Chief Financial Officer, Managing Director - Hosting Group, Company Secretary and the external auditor attend meetings at the discretion of the Committee. The Committee also meets privately with the external auditor without management present.

Minutes of all Committee meetings are provided to the Board.

The Board has delegated to the Committee responsibility for making recommendations on the appointment, evaluation and dismissal of the external auditor, setting its fees and ensuring that the auditor reports to the Committee and the Board.

The Group is committed to audit independence. The Committee reviews the independence and objectivity of the external auditors. Those reviews include:

- seeking confirmation that the auditor is, in their professional judgement, independent of the Group. The external auditor, PricewaterhouseCoopers, has declared its independence to the Board; and
- considering whether, taken as a whole, the various relationships between the Group and the external auditor impair the auditor's judgement or independence. The Committee is satisfied that the existing relationships between the Group and the external auditor do not give rise to any such impairment.

The Group's audit engagement partners will rotate every five years.

The Chief Executive and the Chief Financial Officer have stated to the Board in writing:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Group requests the external auditor to attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

The Group's periodic corporate reports are reviewed by the Board as a whole prior to release. Key examples are the Director's Report, annual and half yearly financial statements, results announcements and associated presentations which all directors review and provide feedback on.

Principle 5

Make timely and balanced disclosure

The Board has adopted a formal Continuous Disclosure plan, a copy of which can be found at the investor section of our website. The object of the Continuous Disclosure Plan is to ensure that material information is identified and disclosed in a timely manner. The Board is advised of any notifiable events. In addition, the Board has developed a guidance paper on the Group's disclosure obligations, which is intended to provide guidance for all managers on those obligations.

The Board approves all material market announcements that are made to the ASX and the Company Secretary is responsible for these communications. The Company Secretary ensures that the Board receives copies of all material market announcements promptly after they have been made.

All new and substantive investor or analyst presentations are released to the ASX in advance of the presentation occurring.

Principle 6

Respect the rights of security holders

The Group provides security holders access to information about its governance and performance, including Annual Reports, full-year and half-year financial statements, directors' commentaries and analyst briefings through its website at www.macquarietelecomgroup.com.

In addition, the principal methods of communication with security holders are through Annual General Meetings and investor day presentations. The Board encourages security holders to use these events to ask questions and make comments on the business, operations and management of the Group. Security holders that are unable to attend the Annual General Meeting are provided with the opportunity to provide questions and comments to the Chairman and the auditor of the Group in advance. Substantive resolutions at meetings of security holders are decided by a poll, rather than by a show of hands, except where the total proxies held in favour of a resolution mean that the outcome is mathematically certain.

Security holders have the option to receive communications from, and send communications to, the Group and its security registry electronically.

Principle 7

Recognise and manage risk

The Audit and Risk Management Committee (refer to Principle 4) is responsible for reviewing and reporting to the Board on the effectiveness of the Group's management of risk, including systems for internal controls, that effectively safeguards assets and enhances the value of security holders' investments.

The Board has adopted a formal risk management framework that takes into account the Group's risk profile and the material business risks it faces. The risk management framework is typically reviewed annually by the Board, and for the period the Board undertook such a review and is satisfied that the risk management framework is sound and that the Group operates in line with the risk appetite set by the Board.

The Group does not have an internal audit function; however, assurance is gained as:

- the Board has direct oversight of the key areas of the organisation and have the capacity, expertise and access to information to assess those areas properly;
- the Group has established risk review processes which supplement the work of the Audit and Risk Management Committee on the adequacy of the Group's risk framework and changes in the Group's risk profile and material business risks;
- a standardised approach to risk assessment is used across the Group to ensure that risks are consistently assessed and reported to the Board if required; and
- directors are provided with detailed financial information and reports by Executives on a monthly basis and have the right to request additional information as required to support informed decision making.

The Board does not believe that the Group has any material or unusual exposure to economic, environmental or social sustainability risks. The Group manages a series of operational risks which it believes to be inherent in the industry in which it operates including service interruption and network reliability, management of outsourcing, emerging technology and delivery platforms and regulatory framework.

Principle 8

Remunerate fairly and responsibly

The functions of the People, Remuneration and Culture Committee (refer to Principle 2) include reviewing the remuneration arrangements for non-executive and executive directors and reviewing and approving long term incentives under the Group's remuneration policies. The Committee also reviews remuneration for the Chief Executive and Managing Director – Hosting Group and monitors, reviews and makes recommendations to the Board as to the remuneration policies of the Group generally. The committee is chaired by and independent director. The names, qualifications and experience of the members of the Committee and their attendance at meetings of the Committee appear in the Directors' Report.

Non-executive directors receive fees determined by the Board, but within the aggregate limits approved by shareholders at general meetings of the Group.

The remuneration of senior executives consists of a combination of fixed and variable (at risk) remuneration. The remuneration paid to a senior executive is based on a review of their individual performance.

Details of the Group's remuneration policies are set out in the Remuneration Report.

The Board has established a share trading policy relating to the Board, senior executives and all other employees dealing in the Group's shares. Participants in the long-term incentive scheme are restricted from entering into transactions (whether through the use of derivatives or otherwise) to limit the economic risk of participating in the scheme. A copy of the Share Trading Policy can be found at the investor section of our website.

This Corporate Governance Statement is current as at 25 August 2021 and has been approved by the Board of Macquarie Telecom Group Limited.

Auditor’s Independence Declaration

As lead auditor for the audit of Macquarie Telecom Group Limited for the year ended 30 June 2021, 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 audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Jason Hayes
Partner
PricewaterhouseCoopers

Sydney
25 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO Box 2650, Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155, Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Table of Contents.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue	2.2	285,083	266,206
Expenses	2.3	(264,122)	(242,360)
Operating profit		**20,961**	23,846
Finance income		76	148
Finance costs	2.3	(3,498)	(4,558)
Profit before income tax		**17,539**	19,436
Income tax expense	5.1	(4,998)	(5,894)
Profit after income tax for the year attributable to owners of the parent		**12,541**	13,542
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange difference on translation of foreign operations		(42)	(41)
Total comprehensive income for the year attributable to owners of the parent		**12,499**	13,501

	Notes	2021 cents	2020 cents
Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings per share	2.4(a)	**58.6**	63.6
Diluted earnings per share	2.4(b)	**58.1**	62.7

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	3.1	19,806	37,894
Trade and other receivables	3.2	42,549	19,718
Accrued income		11,572	9,907
Prepayments		14,322	12,675
Other current assets		1,378	1,672
Current tax receivable	5.2	3,646	20
Total current assets		**93,273**	81,886
Non-current assets			
Property, plant and equipment	3.4	212,297	112,618
Intangible assets	3.5	29,271	28,363
Right-of-use assets	3.6	74,631	76,072
Deferred tax asset	5.2	2,743	10,644
Prepayments		8,444	13,104
Other non-current assets		1,368	1,587
Total non-current assets		**328,754**	242,388
Total assets		**422,027**	324,274
Current liabilities			
Trade and other payables	3.3	53,460	51,343
Provisions	3.7	6,891	5,194
Lease liabilities	3.6	4,775	5,053
Other current liabilities	3.8	8,338	6,158
Total current liabilities		**73,464**	67,748
Non-current liabilities			
Trade and other payables	3.3	-	3,182
Provisions	3.7	5,756	5,601
Lease Liabilities	3.6	71,624	70,722
Borrowings	4.1	132,000	48,000
Other non-current liabilities	3.8	2,803	6,880
Total non-current liabilities		**212,183**	134,385
Total liabilities		**285,647**	202,133
Net assets		**136,380**	122,141
Equity			
Contributed equity	4.3	44,612	43,933
Reserves	4.4	5,137	4,118
Retained earnings	4.4	86,631	74,090
Total equity		**136,380**	122,141

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

Consolidated Statement of Changes in Equity

	Notes	Contributed Equity $'000	Other Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2019		43,707	(87)	2,543	60,548	106,711
Profit for the year		-	-	-	13,542	13,542
Other comprehensive income		-	-	(41)	-	(41)
Total comprehensive income for the year		-	-	(41)	13,542	13,501
Transactions with owners in their capacity as owners:						
Dividends provided for or paid		-	-	-	-	-
Issuance of shares into employee share trust	4.3(b)	226	(226)	-	-	-
Share based payment	4.4	-	-	1,929	-	1,929
Issue of treasury share to employees	4.3(c)	-	313	(313)	-	-
Total		226	87	1,616	-	1,929
At 30 June 2020		43,933	-	4,118	74,090	122,141
Balance at 1 July 2020		43,933	-	4,118	74,090	122,141
Profit for the year		-	-	-	12,541	12,541
Other comprehensive income		-	-	(42)	-	(42)
Total comprehensive income for the year		**-**	**-**	**(42)**	**12,541**	**12,499**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid		-	-	-	-	-
Issuance of shares into employee share trust	4.3(b)	679	(679)	-	-	-
Share based payment	4.4	-	-	1,740	-	1,740
Issue of treasury share to employees	4.3(c)	-	679	(679)	-	-
Total		679	-	1,061	-	1,740
At 30 June 2021		**44,612**	**-**	**5,137**	**86,631**	**136,380**

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

Consolidated Statement of Cash Flows

Year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flow from operating activities			
Receipts from customers		305,970	281,114
Payments to suppliers and employees		(260,488)	(228,768)
Interest received		76	148
Income tax paid		(234)	(6,589)
Net cash flows from operating activities	3.1	**45,324**	45,905
Cash flows from investing activities			
Acquisition of non-current assets:			
Property, Plant and Equipment		(123,336)	(48,335)
Intangibles		(15,745)	(15,806)
Net cash flows from investing activities		**(139,081)**	(64,141)
Cash flows from financing activities			
Proceeds from borrowings		84,000	48,000
Principal elements of lease payments		(4,970)	(4,772)
Interest and other finance costs paid		(3,362)	(4,161)
Net cash flows from financing activities		**75,668**	39,067
Net (decrease)/increase in cash and cash equivalents		**(18,089)**	20,831
Cash and cash equivalents at the beginning of the financial year		**37,894**	17,064
Effects of exchange rate changes on cash and cash equivalents		**1**	(1)
Cash and cash equivalents at the end of the year	3.1	**19,806**	37,894

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

As at 30 June 2021

1. About this report

This section sets out the basis of preparation of the consolidated financial statements and provides corporate financial information.

1.1. Corporate information

The financial report of Macquarie Telecom Group Limited ("Macquarie Telecom", the "Group" or the "Company") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of directors on 25 August 2021. The directors have the power to amend and reissue the financial statements.

Macquarie Telecom Group Limited is the head entity of a consolidated group comprising of controlled entities as detailed in Note 6.3. All subsidiaries are wholly and ultimately owned by the parent entity.

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

The nature of the operations and principal activities of the Group are described in the Directors' report.

1.2. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements. The financial report also complies with International Financial Reporting Standards Board ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements are prepared on a historical cost basis unless otherwise noted.

(i) Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Group under ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investment Commission. The Company is an entity to which the instrument applies.

(ii) Comparatives

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

(iii) Parent entity financial information

The financial information for the parent entity, Macquarie Telecom Group Limited, disclosed in Note 6.1 has been prepared on the same basis as the consolidated financial statements.

Investments in subsidiaries are accounted for at the lower of cost or recoverable amount in the financial statements.

(iv) Principles of consolidation

The consolidated financial statements are those of the Group, comprising Macquarie Telecom Group Limited and all entities that Macquarie Telecom Group Limited controlled during the year and at balance sheet date. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are prepared for the same reporting period as that of the parent entity, using consistent accounting policies. All inter-company balances and transactions have been eliminated in full. Subsidiaries are deconsolidated from the date the control ceases.

(v) Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The most critical to the financial statements are outlined as follows:

Revenue from contracts with customers	Note 2.2
Recoverable amount of non-financial assets	Note 3.5
Lease terms	Note 3.6
Coronavirus ("COVID-19") pandemic	Note 1.3

1. About this report (cont'd)

1.3. COVID-19 Impact

COVID-19 has continued to remain a world-wide pandemic throughout the current financial year. Unprecedented measures put in place by governments and institutions to slow the spread of the virus are continuing to significantly disrupt business and economic activity in Australia and globally. As an essential service, the Group has continued to operate with minimal disruption to its own operations and ensured business continuity for all customers. Demand for Cloud services and Government and Data Centre products has continued to increase since 2020. There are some changes in Telecom product mix with higher demand for data and mobile partially offsetting the decline in voice as customers have not been working in the office during lockdown resulting in the cancellation of office phone lines.

The Group successfully implemented comprehensive plans at the start of the pandemic to protect the health and wellbeing of staff, customers and suppliers, through a combination of remote and segregated working operations, physical and mental well-being and support programs, and the implementation of additional cleaning and at all the Group's offices and sites. These plans are continuously updated to meet the ever-changing impacts of the pandemic.

For the Group, the on-going COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the Consolidated Financial Statements. A thorough consideration of the potential COVID-19 impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made with no material impact to the financial statements.

Management have addressed the impact of COVID-19 on the business, specifically focusing on the areas of significant judgement and estimates. Recognising there is a wide range of possible scenarios and macroeconomic outcomes which may cause disruption to our customers and/or suppliers, we have conducted risk and budgetary analyses which represent reasonable and supportable forward-looking views as at the reporting date. Management will continue to monitor and assess the potential impacts of the pandemic and act to anticipate and mitigate those effects.

However, the situation is unprecedented and the Group will continue to pay close attention to the potential implications of the pandemic and the impact on operations, which may include disruptions to the supply chain, availability of employees and changes in customer demand.

Significant judgements and estimates as a result of COVID-19

Estimated credit losses ("ECL") and recoverability of receivables

Giving consideration to best available information at the reporting date including our understanding of our business as a provider of essential services, macroeconomic factors, customer credit quality, any changes in credit recoveries at the reporting date, and improvements to debt recovery processes. The Group's ECL methodology, credit risk thresholds and definitions of default are materially consistent with prior periods.

Management has considered that the COVID-19 restrictions impact specific industries differently, and therefore recoverability of receivables will vary accordingly. Industry risk assessments have been applied to customer accounts receivable noting patterns of slower payments which may indicate higher risk to recovery of receivables. Independent industry reports provided guidance to apply specific loss rates to industries in which our customers operate.

Given industry guidance on the likelihood of slower payment patterns, a focus on customer accounts receivable processes and terms has resulted in improved credit recoveries during the financial year. There has been no material impact to recovery patterns, and any increases to provisions have been applied in accordance with generally acceptable accounting principles.

Non-financial assets

Although the economic impacts of COVID-19 remain prevalent, there is no longer an indicator of impairment for the Group. There was no impairment charge recognised to PPE, intangibles or right-of-use assets. The Group has no indefinite life intangible assets or goodwill. There was no impairment to PPE, intangibles or right-of-use assets. The Group has no indefinite life intangible assets or goodwill.

2. Group performance

This section sets out the results for the Group and the performance of each segment.

2.1. Segment information

	Telecom		Cloud Services and Government		Data Centres		Consolidated	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Revenue								
External revenue	134,474	139,037	130,109	106,905	19,906	19,582	284,489	265,524
Inter-segment revenue	-	-	1,434	1,411	18,810	15,626	20,244	17,037
Other income	594	589	-	75	-	18	594	682
Total segment revenue and other income	135,068	139,626	131,543	108,391	38,716	35,226	305,327	283,243
Inter-segment elimination	-	-	(1,434)	(1,411)	(18,810)	(15,626)	(20,244)	(17,037)
Total consolidated revenue and other income	135,068	139,626	130,109	106,980	19,906	19,600	285,083	266,206
Results								
EBITDA	18,462	19,074	36,388	29,297	18,900	16,856	73,750	65,227
Depreciation and amortisation	(18,401)	(15,337)	(15,039)	(11,802)	(19,349)	(14,242)	(52,789)	(41,381)
Segment results before interest and tax	61	3,737	21,349	17,495	(449)	2,614	20,961	23,846
Finance income							76	148
Finance costs							(3,498)	(4,558)
Consolidated entity profit from ordinary activities before income tax expense							**17,539**	19,436
Income tax expense							(4,998)	(5,894)
Net profit							**12,541**	13,542
Acquisition of non-financial assets								
Allocated acquisitions	14,765	22,776	18,308	33,112	109,831	16,413	142,904	72,301
Unallocated acquisitions	-	-	-	-	-	-	3,436	3,232
Total acquisition of non-financial assets	14,765	22,776	18,308	33,112	109,831	16,413	146,340	75,533

2. Group performance (cont'd)

Accounting policy

The consolidated entity now operates in three primary operating segments providing services to corporate and government customers from 1 July 2020. The consolidated entity previously operated in two primary segments; Telecom and Hosting. Prior period comparative information has been restated accordingly.

Segment	Segment description
Telecom	The Telecom segment relates to the provision of voice and mobiles telecommunications services and the provision of services utilising the Group's data network.
Cloud Services and Government	The Cloud Services and Government segment relates to the provision of services utilising the Group's data centre facilities to provide cybersecurity, public and private cloud and storage to corporate and government customers.
Data Centres	The Data Centres segment relates to the provision of services utilising the Group's data centre facilities to wholesale customers.

All activities are primarily conducted in Australia.

The Group has identified its operating segments based on the internal reports reviewed by the Group Chief Operating Decision Maker in assessing performance and determining the allocation of resources. Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. The Group's Chief Operating Decision Maker is the Chief Executive.

2.2. Revenue

	2021 $'000	2020 $'000
Revenue from contracts with customers	284,489	265,524
Other revenue	594	682
Total revenue and other revenue	**285,083**	266,206

Revenue disaggregation
Revenue reported for the year includes revenue from contracts with customers, comprising service revenue, hardware revenue and other revenue. The table below disaggregates the Group's revenue by reporting segment.

	Service revenue $'000	Hardware revenue $'000	Other revenue $'000	Total $'000
2021				
Telecom	131,111	3,363	594	135,068
Cloud Services and Government	130,109	-	-	130,109
Data Centres	19,906	-	-	19,906
	281,126	**3,363**	**594**	**285,083**
2020				
Telecom	135,509	3,528	589	139,626
Cloud Services and Government	106,905	-	75	106,980
Data Centres	19,582	-	18	19,600
	261,996	**3,528**	**682**	**266,206**

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. The Group satisfies its performance obligations according to the following table.

Type of product	Segment	Nature, timing of satisfaction of performance obligations
Service revenue	All	This includes recurring revenue and one-off billings in respect of recurring services. Revenue is allocated based upon the standalone selling price of distinct performance obligations and recognised when the performance obligations are satisfied over time (i.e. when the service is transferred to and the customer benefits simultaneously) after taking into account all discounts as applicable.
Hardware revenue	Telecom	Hardware revenue relates to the sale of mobile phones, tablets and related products. It is recognised when performance obligations associated with the sale have been satisfied with the customer (i.e. when the hardware is delivered to the customer that is at a point in time) after taking into account all discounts as applicable.
Other revenue	All	Other revenue is recognised when the underlying service occurs and is amortised over the contract period. This includes commissions.

Contract cost
Contract cost is recognised as the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset is less than a year.

Performance obligations
To the extent that a product or service in multiple performance obligation arrangements is subject to other specific accounting guidance, such as leasing guidance, that product or service is accounted for in accordance with such specific guidance. For all other products or services in these arrangements, the criteria below are considered to determine when the products or services are distinct and how to allocate the arrangement consideration to each distinct performance obligation. A performance obligation is a promise in a contract with a customer to transfer products and services that are distinct. If the Group enters into two or more contracts at or near the same time, the contracts may be combined and accounted for as one contract, in which case the Group determines whether the products or services in the combined contract are distinct. The contracts may be combined and accounted for as one contract if the contracts are negotiated as a package with a single commercial objective, or the amount of consideration to be paid in one contract depends on the price or performance of the other contract, or goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A product or service promised to a customer is distinct if both of the following criteria are met:

- The customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer (that is, the product or service is capable of being distinct); and
- The Group's promise to transfer the product or service to the customer is separately identifiable from other promises in the contract (that is, the product or service is distinct within the context of the contract).

If these criteria are met, the Group determine whether the performance obligation is met at a point in time or over time.

If the Group determines that a performance obligation is met at a point in time, sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

If the Group determine that a performance obligation is met over time, an appropriate measure of progress determined to be based on direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract" ('output method'). When the products and services are distinct, the arrangement consideration is allocated to each performance obligation on a relative standalone selling price basis. The revenue policies in the Services, Hardware and Other Revenue sections above are then applied to each performance obligation, as applicable.

Collection risk assessment
The Group assess collectability at the inception of a contract. If a contract meets collectability criterion at contract inception, the criterion should not be reassessed unless there is an indication of a significant change in fact and circumstances.

2. Group performance (cont'd)

Management recognises that there are customer's businesses operating in industries adversely impacted by COVID-19. These industries and businesses have been identified and mitigating processes are in place to limit collection risk. Please refer to Note 1.3 for judgements and estimates over collection risk.

Significant accounting judgements, estimates and assumptions

Revenue from contracts with customers
The application of the various accounting principles in AASB 15, related to the measurement and recognition of revenue, requires the Group to make judgements and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether promised goods and services specified in an arrangement are distinct performance obligations.

2.3. Expenses

	2021 $'000	2020 $'000
Amortisation of non-financial assets		
Intangibles	14,338	10,795
Depreciation of non-financial assets		
Property, plant and equipment	31,415	23,897
Right-of-use Asset – Plant and Equipment	364	83
Right-of-use Asset – Buildings	6,672	6,606
Total depreciation and amortisation expense	**52,789**	**41,381**
Bad and doubtful debts expensed	349	110
Low-value assets lease payments	1,478	1,900
Employment costs	84,905	82,082
Supplier costs for network and service delivery	93,330	85,819
Marketing	1,659	1,869
Other people costs	4,450	4,869
Repairs and Maintenance	4,708	4,302
Other expenses	20,454	20,028
	211,333	200,979
Total expenses	**264,122**	242,360
Finance costs – borrowing costs	-	988
Finance costs – lease liabilities	3,498	3,570
Total finance costs	**3,498**	4,558

The Group incurred $2,510,000 during the year in borrowing costs from the Group's long-term borrowings which have been capitalised as property, plant and equipment.

2.4. Earnings per share

	2021 cents	2020 cents
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the Group	58.6	63.6
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the Group	58.1	62.7
(c) Reconciliation of earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	12,541	13,542

	2021 No. of shares	2020 No. of shares
(d) Weighted average number of ordinary shares used in calculating basic earnings per share		
Weighted average number of ordinary shares[1]	21,390,806	21,306,082
Effect of dilutive securities of share performance rights	202,043	302,678
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share:	21,592,849	21,608,760

[1] Excludes treasury shares

Accounting policy

Basic earnings per share is determined by dividing the net profit attributable to equity holders of the Group excluding any costs of servicing equity other than ordinary shares and by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3. Operating assets and liabilities

This section provides information that relates to the short-term assets and liabilities that are used to support the operating liquidity of the Group. This section also describes information relating to other assets and liabilities that support the long-term growth of the business.

3.1. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank	19,806	37,894

	2021 $'000	2020 $'000
(a) Reconciliation of profit after income tax expense to net cash inflow from operating activities		
Profit after income tax expense	12,541	13,542
Amortisation of non-financial assets	14,338	10,795
Depreciation of non-financial assets	31,415	23,897
Depreciation of right-of-use asset	7,036	6,689
Share based payment	671	468
Finance costs	3,498	4,558
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables[1]	(22,831)	1,387
(Increase) in accrued income	(1,665)	(1,100)
Decrease/(increase) in prepayments	2,998	(13,290)
Decrease/(increase) in net deferred tax assets	7,901	(788)
Decrease/(increase) in other assets	513	(10,218)
(Decrease)/increase in trade and other payables	(14,301)	13,407
(Increase)/decrease in current tax receivables	(3,626)	216
Increase in provisions	466	616
Increase/(decrease) in other liabilities	6,370	(4,274)
Net cash inflow from operating activities	**45,324**	45,905

[1] Increase in trade and other receivables include $17,898,000 (2020: $10,710,000) (including GST) which is due from an external party resulting from the completion of a data centre in the Macquarie Park campus. Please refer to Note 7.3 for events after the reporting period.

	Borrowings $'000	Lease liability $'000	Total $'000
(b) Changes in liability from financing activities			
Balance at 30 June 2020	48,000	75,775	123,775
Net cash from/ (used in) financing activities	84,000	(8,332)	75,668
Acquisition of leases	-	5,536	5,536
Other interest charges	-	3,420	3,420
Balance at 30 June 2021	132,000	76,399	208,399

(c) Non-cash investing and financing activities
Additions to the right-of-use asset of $5,595,824 and shares issued under the employee share scheme of $679,000 (2020: $226,000) are considered non-cash financing activities. Net additions to property, plant and equipment and intangibles of $7,242,980 are considered non-cash investing activities. There were no other non-cash investing or financing activities.

Accounting policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

3.2. Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	14,429	10,541
Expected credit loss allowance	(1,864)	(1,248)
Provision for credit notes	(318)	(129)
Other receivables	30,302	10,554
	42,549	19,718

The net movement in expected credit loss allowance and provision for credit notes was an increase of $805,000 (2020: increase of $588,000).

3. Operating assets and liabilities (cont'd)

Accounting policy

Classification
The Group has classified its financial assets as measured at amortised cost given the objective is to hold the assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets comprise of cash and cash equivalents, trade and other receivables. Trade receivables are generally due for settlement within 14 days and therefore are all classified as current. The Group measures trade receivables at their transaction price as the trade receivables do not contain any significant financing components. Other receivables generally arise from transactions outside the usual operating activities of the group. No interest is charged. Collateral is not normally obtained. The current other receivables are due and payable within 12 months from the end of the reporting period.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on the date the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or transferred and the Group has transferred substantially all the risks and rewards of ownership.

Initial and subsequent measurement
At initial recognition, the Group measures a financial asset at its fair value. Subsequently, financial assets at amortised cost are measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment from these financial assets are recognised in profit or loss. Any gain or loss on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Impairment of financial assets
The Group assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The Group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past invoice date. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors effecting the ability of the customers to settle the receivables.

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL and considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, current market conditions as well as forward looking estimates at the end of each reporting period.

Risk Exposure

All of the financial assets at amortised cost are denominated in Australian dollar. As a result, there is no exposure to foreign currency risk. Refer to Note 4.6 (b) for credit risk exposure.

3.3. Trade and other payables

	2021 $'000	2020 $'000
(a) Current		
Trade payables	28,660	34,981
Other payables and accruals	24,800	16,362
	53,460	51,343
(b) Non-current		
Other payables and accruals	-	3,182

Liabilities for carrier suppliers (trade) are carried at the net amount the consolidated entity expects to have to pay each carrier, in respect of the services received.

Liabilities for other trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Terms and conditions relating to trade liabilities are normally settled on 30-60 day terms.

Accounting policy

Classification
Financial liabilities are classified and measured at amortised cost or Fair Value Through Profit or Loss ("FVTPL") under AASB 9 *Financial Instruments*. Reclassification of financial liabilities is not permitted upon the adoption of this accounting standard. The Group's financial liabilities include payables and interest-bearing borrowings.

Recognition, initial and subsequent measurement
Financial liabilities are recognised on the date the obligation is entered into, initially at fair value and, in the case of interest-bearing loans, net of directly attributable transaction costs. Financial liabilities are subsequently measured using the effective interest rate ("EIR") method.

Gains and losses are recognised in profit or loss when the liabilities are recognised as well as through EIR amortisation process.

Amortisation cost is calculated by taking into account any discounts or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Statement of Comprehensive Income.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire and also when the existing financial liability is replaced by another from the same party on substantially different terms, or the terms of the existing liability are substantially modified. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference in the respective carrying amounts is recognised in profit and loss.

Please refer to Note 3.7 for accounting policy for employee entitlements.

3. Operating assets and liabilities (cont'd)

3.4. Property, plant and equipment

	Leasehold Improvement $'000	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Year ended 30 June 2021				
Opening net book value	35,853	59,608	17,157	112,618
Additions[1]	33,856	39,998	57,240	131,094
Disposals	-	-	-	-
Depreciation expense	(3,436)	(26,747)	(1,232)	(31,415)
Closing net book value	**66,273**	**72,859**	**73,165**	**212,297**
At 30 June 2021				
Cost	81,621	300,279	81,509	463,409
Accumulated depreciation	(15,348)	(227,420)	(8,344)	(251,112)
Net book value	**66,273**	**72,859**	**73,165**	**212,297**
Year ended 30 June 2020				
Opening net book value	29,028	34,986	16,716	80,730
Additions[1]	9,717	44,686	1,378	55,781
Disposals	-	-	-	-
Depreciation expense	(2,892)	(20,064)	(937)	(23,893)
Closing net book value	**35,853**	**59,608**	**17,157**	**112,618**
At 30 June 2020				
Cost	47,765	260,281	24,269	332,315
Accumulated depreciation	(11,912)	(200,673)	(7,112)	(219,697)
Net book value	**35,853**	**59,608**	**17,157**	**112,618**

[1] Additions include assets acquired on deferred payment terms

Assets in the course of construction

The carrying value of property, plant and equipment and intangibles includes $60,319,000 (2020: $36,092,000) which are assets acquired in the course of construction. The majority of assets in the course of construction are land and building assets. As these assets are yet to be completed and are not ready for use, no depreciation charge has been recognised on these assets.

Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Property, plant and equipment includes costs in relation to infrastructure development projects where future benefits are probable to exceed these costs.

Depreciation is calculated on a straight-line basis on all property, plant and equipment commencing from the time the asset is ready to use. The estimated useful lives are as follows;

Asset Class	Asset Type	Useful Life
Leasehold improvement	Fitout	2 to 40 years
Plant and equipment	Office equipment	3 to 20 years
	Infrastructure	3 to 25 years
Land and Buildings	Buildings	10 to 45 years

Leasehold improvements are depreciated over the shorter of the lease term and the useful life of the assets.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to Note 3.5 for the policy on impairment of non-financial assets.

3.5. Intangible assets

	Software $'000	Product Development $'000	Total $'000
Year ended 30 June 2021			
Opening net book value	12,834	15,529	28,363
Additions - internal development	2,307	7,949	10,256
Additions – acquired[1]	4,990	-	4,990
Disposals	-	-	-
Amortisation	(7,549)	(6,789)	(14,338)
Closing net book value	**12,582**	**16,689**	**29,271**
At 30 June 2021			
Cost	81,064	41,667	122,731
Accumulated amortisation	(68,482)	(24,978)	(93,460)
Net book value	**12,582**	**16,689**	**29,271**
Year ended 30 June 2020			
Opening net book value	10,043	9,363	19,406
Additions - internal development	1,564	10,823	12,387
Additions - acquired[1]	7,365	-	7,365
Disposals	-	-	-
Amortisation	(6,138)	(4,657)	(10,795)
Closing net book value	**12,834**	**15,529**	**28,363**
At 30 June 2020			
Cost	73,767	33,718	107,485
Accumulated amortisation	(60,933)	(18,189)	(79,122)
Net book value	**12,834**	**15,529**	**28,363**

[1] Additions include assets acquired on deferred payment terms.

3. Operating assets and liabilities (cont'd)

Accounting policy

Intangibles
Intangible assets are held at cost less accumulated amortisation and impairment losses. Intangibles include costs in relation to the development of software systems and products where future benefits are expected to exceed these costs. Costs capitalised include external direct costs of materials and service and direct payroll and payroll-related costs of employees' time spent on the project during the development phase. Software and product development costs are only recognised following completion of technical feasibility studies, where the Group has an intention and ability to complete the development and use the asset, the asset will generate future economic benefits and the expenditure can be reliably measured.

Amortisation is calculated on a straight-line basis on all intangibles commencing form the time the asset is ready for use.

The estimated useful lives are as follows:	
Software	3 to 4 years
Product development	3 years

Impairment of non-financial assets
The Group makes a formal estimate of recoverable amount when there is an indication of impairment resulting from the Group's assessment. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Significant accounting judgements, estimates and assumptions

Recoverable amount of non-financial assets
Judgement is exercised over the Group's future sales order growth and pricing and the utilisation of data centre capacity, the ability to manage operating and capital expenditure and the cost of capital. Should the future performance of the Group differ from these estimations, the assessment of the recoverable amount of non-financial assets would be different and may impact the impairment testing result.

3.6. Right-of-use assets and lease liabilities

Right-of-use assets	**2021 $'000**	2020 $'000
Land and buildings - right-of-use	86,308	82,002
Less: Accumulated depreciation	(12,471)	(6,606)
	73,837	75,396
Plant and equipment - right-of-use	1,255	759
Less: Accumulated depreciation	(461)	(83)
	794	676
Total Right-of-use assets	**74,631**	76,072

Additions to the right-of-use assets during the year were $5,595,823. Refer to Note 2.3 for depreciation recognised on right-of-use assets.

Lease Liabilities	2021 $'000	2020 $'000
(a) Current liabilities		
Lease Liabilities	4,775	5,053
(b) Non-current liabilities		
Lease Liabilities	71,624	70,722

Refer to Note 2.3 for expenses relating to low-value leases and finance costs relating to lease liabilities. The total cash outflow for leases recognised in lease liabilities in FY21 was $8,332,000.

Accounting policy

Right-of-use asset
A right-of-use asset is recognised at the commencement date of a lease and measured at cost, which comprises the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date net of any lease incentives received, initial direct costs incurred, and an estimate of costs expected for restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

The Group leases land and buildings for its offices and data centres under agreements of between five to twenty years with, in some cases, options to extend for a further ten years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between one to four years.

The Group also leases office equipment under agreements of one to two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Lease Liabilities
A lease liability is recognised at the commencement date of a lease, at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments depending on indexes, reasonably certain purchase options and any anticipated termination penalties. Variable lease payments that do not depend on indexes are expensed in the period in which they are incurred.

The carrying amounts are remeasured if future lease payments change due to index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Significant accounting judgments, estimates and assumptions

Lease terms
Judgement is exercised in determining whether there is reasonable certainty that an option to extend or terminate the lease will be exercised, when identifying the lease term. Factors considered at the lease commencement date include the importance of the asset to the Group's operations; comparison to prevailing market rates; incurrence of significant penalties and existence of significant leasehold improvements. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

3. Operating assets and liabilities (cont'd)

3.7. Provisions

	2021 $'000	2020 $'000
(a) Current liabilities		
Employee benefits – Annual Leave	4,118	2,887
Employee benefits – Long Service Leave	2,773	2,307
	6,891	5,194
(b) Non-current liabilities		
Employee benefits – Long Service Leave	1,566	1,435
Make good provision	4,190	4,166
	5,756	5,601
(c) A reconciliation of the movement in the employee benefits provision balance are as follows:		
At 1 July	6,629	6,213
Net additional amounts provided	5,857	5,805
Amounts used during the period	(4,029)	(5,389)
At 30 June	**8,457**	6,629
(d) The aggregate employee benefits liability is comprised of:		
Accrued wages, salaries and on costs - current	5,835	6,541
Provision – current	6,891	5,194
Provision – non-current	1,566	1,435
	14,292	13,170

Accounting policy

Short term obligations
The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees who are entitled to pro-rata payments in certain circumstances.

Long-term obligations
The Group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the reporting period. These obligations are therefore measured as the present value of expected future payments to be made, discounted using market yields of high-quality corporate bonds with terms that match the estimated future cash outflows. Consideration is given to expected future salary levels and periods of service.

3.8. Other liabilities

	2021 $'000	2020 $'000
(a) Current		
Contract liability	8,338	6,158
	8,338	6,158
(b) Non-current		
Contract liability	2,803	6,880
	2,803	6,880

Revenue recognised in relation to contract liabilities
The following table shows how much revenue is recognised in the current reporting period related to the carried-forward contract liabilities.

	2021 $'000	2020 $'000
Opening balance of contract liabilities as at 1 July	13,038	15,174
Revenue recognised that was included in the contract liability balance at 1 July	(7,708)	(6,743)
Net additions during the year	5,811	4,607
Closing balance of contract liabilities as at 30 June	**11,141**	13,038

Accounting policy

Contract liabilities represents the groups obligations to transfer goods and services to a customer and are recognised when a customer pays consideration before the group has transferred the goods or services to the customer. Contract liabilities are amortised based on the contract period.

4. Capital structure and risk management

This section sets out information about the policies and procedures adhered to in order to manage the capital structure and the financial risks that the Group is exposed to.

4.1. Borrowings

	2021 $'000	2020 $'000
Bank loans - secured	132,000	48,000
	132,000	48,000

The bank loans are secured against all the assets and undertakings of Macquarie Telecom Group Limited, Macquarie Telecom Pty Limited and Macquarie Data Centres Pty Ltd. This security is first ranking.

Loan covenants
The Group has complied with the financial covenants of its debt facilities during the 2021 financial year (2020: complied).

Financing arrangements
The Group has a maximum debt facility of $190,000,000 (2020: $140,000,000). As at 30 June 2021, $58,000,000 (2020: $92,000,000) was available but unused at the reporting date.

The Group has bank guarantees of $6,654,610 (2020: $6,437,869). As at 30 June 2021, $8,345,390 (2020: $5,562,131) was available but unused at the reporting date.

Accounting policy
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

4.2. Dividends

	2021 $'000	2020 $'000
(a) Dividends paid during the reporting period		
There was no interim dividend announced or paid for the year ended 30 June 2021.		
(b) Franking account balance		
The amount of franking credits available for the subsequent financial years based on a tax rate of 30% (2020: 30%)	**24,354**	24,119

The above amount represents the balance of the franking account as at the reporting date, adjusted for:
(i) franking credits that will arise from the payment of the amount of the income tax payable; and
(ii) franking debits that will arise from the payment of the dividends recognised as a liability at the reporting date.

4.3. Contributed and other equity

	2021 $'000	2020 $'000
(a) Share capital		
Ordinary shares authorised and fully paid	44,612	43,933

	2021 Number	2021 $'000	2020 Number	2020 $'000
(b) Movements in shares on issue				
Balance at beginning of year	21,339,941	43,933	21,271,123	43,707
Employee share scheme issued	157,336	679	68,818	226
Balance at end of the year	**21,497,277**	**44,612**	21,339,941	43,933

Terms and conditions of contributed equity
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Group.

	2021 Number	2021 $'000	2020 Number	2020 $'000
(c) Other equity				
Balance at beginning of year	-	-	(26,667)	(87)
Issuance of shares to the Trust	(157,336)	(679)	(68,818)	(226)
Issue of shares under the LTI scheme	157,336	679	95,485	313
Balance at end of the year	**-**	**-**	-	-

Treasury shares
Treasury shares are shares in Macquarie Telecom Group Limited that are held by the Macquarie Telecom Group Limited Employee Share Trust for the purpose of issuing shares under the Macquarie Telecom Employee share scheme and the executive long-term incentive (LTI) scheme. Shares issued to employees are recognised on a first-in-first-out basis.

Accounting policy

Issued capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Where any Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Macquarie Telecom Group Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Macquarie Telecom Group Limited.

Capital risk management
The Group's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

4. Capital structure and risk management (cont'd)

4.4. Reserves and Retained Earnings

	2021 $'000	2020 $'000
(a) Reserves		
Foreign currency translation reserve	(290)	(248)
Share based payment reserve	5,427	4,366
	5,137	4,118
(b) Movements in reserves		
(i) Foreign currency translation reserve:		
Balance at beginning of year	(248)	(207)
Loss on translation of foreign controlled entity	(42)	(41)
Balance at end of year	**(290)**	(248)
(ii) Share based payment reserve:		
Balance at beginning of year	4,366	2,750
Share based payments expense	671	468
Deferred tax movements	(201)	1,240
Current income tax	1,270	221
Issue of treasury shares to employees	(679)	(313)
Balance at end of year	**5,427**	4,366
(c) Retained earnings:		
Balance at beginning of year	74,090	60,548
Net profit for the year	12,541	13,542
Total available for appropriation	86,631	74,090
Dividends paid or provided for	-	-
Balance at end of year	**86,631**	74,090

Accounting policy

Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from presentation currency are translated into the presentation currency at the closing rate at the date of the statement of financial position for assets and liabilities and at the monthly average exchange rates for income and expenses.

Exchange differences arising on translation of foreign subsidiaries are recognised in other comprehensive income and foreign translation reserve.

Share based payments reserve
The share based payments reserve is used to recognise the fair value of performance rights and options as an expense as describe in Note 4.5.

4.5. Share based payments

The Group provides benefits to Key Management Personnel ("KMP") and senior managers, including directors and employees, in the form of share-based payment transactions.

On 10 November 2020, the Group granted 82,150 equity and cash settled share performance rights (2020: 142,000) which have a vesting date of 1 March 2024, to executives and senior managers as part of their long-term incentives. On 24 June, the Group granted 2,150 equity settled share performance rights which have a vesting date of 1 March 2024, to a senior manager as part of their long-term incentives. The performance conditions are linked to total shareholder return ("TSR") and customer satisfaction based on Net Promoter Score ("NPS"). The performance rights were valued using Monte Carlo Simulation model which considered key assumptions of price volatility and dividend yield. The average fair value at grant date of each right in Tranche 1 was $18.83 and Tranche 2 was $16.98 equating to a total of $1,445,573. Performance rights that were issued on 21 December 2017 totalling $679,286 vested on 31 December 2020, resulting in issue of 157,336 shares from equity-settled rights based upon over achievement of the target as per the plan. An additional 40,000 performance rights vested were cash-settled.

The total number of outstanding performance rights at 30 June 2021 is 308,150 (2020: 392,000) valued at $4,218,161 (2020: $3,775,885) as measured at their grant dates, amortised over the period to the vesting dates. The amount of performance rights amortisation expense for the period was $3,444,741 (2020: $1,949,525), $2,770,785 for cash settled and $673,956 for equity settled (2020: $1,481,794 cash settled, and $467,731 equity settled). The liability recognised at year end for the cash settled transactions is $1,343,795 (2020: $1,195,586).

Initial grant date	Vesting date	Share price at grant date $	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
Year ended 30 June 2021							
21 Dec 2017	31 Dec 2020	15.24	158,000	-	(158,000)	-	-
30 Oct 2018	31 Dec 2021	21.00	100,000	-	-	(4,000)	96,000
13 Dec 2019	1 Mar 2023	23.00	134,000	-	-	(4,000)	130,000
10 Nov 2020	1 Mar 2024	46.90	-	82,150	-	(2,150)	80,000
24 June 2021	1 Mar 2024	52.00	-	2,150	-	-	2,150
			392,000	**84,300**	**(158,000)**	**(10,150)**	**308,150**
Year ended 30 June 2020							
27 Nov 2015	31 Dec 2018	8.85	20,000	-	(20,000)	-	-
12 Aug 2016	31 Dec 2019	11.60	122,000	-	(106,000)	(16,000)	-
21 Dec 2017	31 Dec 2020	15.24	174,000	-	-	(16,000)	158,000
30 Oct 2018	31 Dec 2021	21.00	119,000	-	-	(19,000)	100,000
13 Dec 2019	1 Mar 2023	23.00	-	142,000	-	(8,000)	134,000
			435,000	**142,000**	**(126,000)**	**(59,000)**	**392,000**

Performance rights outstanding at the end of the year have the following vesting date.

Initial grant date	Vesting date	Performance conditions met	
21st December 2017	31st December 2020	Tranche 1 - 100%	Tranche 2 - 150%
30th October 2018	31st December 2021	Tranche 1 - 100%	Tranche 2 - 100%
13th December 2019	1st March 2023	Tranche 1 - N/A	Tranche 2 - N/A
10th November 2020	1st March 2024	Tranche 1 - N/A	Tranche 2 - N/A
24th June 2021	1st March 2024	Tranche 1 - N/A	Tranche 2 - N/A

Accounting policy

The cash-settled performance rights are measured initially using the Monte Carlo simulation model at grant date, subject to market performance hurdles. They are remeasured at the end of each reporting period. The cost of the equity-settled performance rights with employees is measured at the fair value of the instruments at grant date. The fair value is determined using the Monte Carlo Simulation model for those share performance rights subject to market performance hurdles.

The cost of equity-settled performance rights is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting reflects the extent to which the vesting period has expired, and the number of awards that, in the opinion of the directors, will vest ultimately.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of those conditions are included in the fair value at grant date. No expense is recognised for awards that do not vest based on non-market conditions.

4.6. Financial risk management

Objectives and policies

The Group's principal financial instruments, other than derivatives, comprise of cash, short-term deposits and borrowings. It also has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies from managing each of these risks which are summarised below:

(a) Market risk

(i) Foreign exchange risk

The Group operates primarily in Australia and is exposed to foreign exchange risk arising mainly from its international operations and overseas suppliers. Commercial transactions in Australia are mainly in Australian dollars. The Group minimises the volatility of foreign exchange rates by locking in foreign exchange rates for payment of invoices. The Group's exposure to foreign currency risk expressed in Australian dollars at the operating date was as follows:

	2021 AUD equivalent $'000			2020 AUD equivalent $'000		
	USD	**SGD**	**NZD**	USD	SGD	NZD
Cash and cash equivalents	-	106	-	-	11	-
Trade and other payables	1,881	-	69	979	-	67

Based on the financial instruments held at 30 June 2021, had the Australian dollar weakened/strengthened by 10% each of the denominated currencies above with all other variables held constant, the Group's post-tax profit would have been $187,000 lower/$228,000 higher (2020: $167,000 lower/$136,000 higher) as a result of foreign exchange gains/losses.

(ii) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. The Group also has cash at bank at variable rates.

The Group's borrowings outstanding, totalling $132,000,000 (2020: $48,000,000), are principal and interest payment loans. If interest rates had changed by + / - 10% from year end rates (or + / - 0.18%) with all other variables held constant, post-tax profit would have been $0 lower/higher (2020: $99,987 lower/higher) as a result of higher/lower interest expense from these borrowings.

The Group incurred $1,601,000 during the year in interest expense from the Group's long-term borrowings which have been capitalised as property, plant and equipment.

(iii) Other market risk

The Group does not carry any other market risk.

(iv) Cash flow and fair value interest rate risk

			Financial assets				Financial liabilities			
		$'000	Cash	Trade and other receivables	Accrued income	Total financial assets	Payables	Lease Liabilities	Borrowings[1]	Total financial liabilities
Floating interest rate		**2021**	**19,699**	**-**		**19,699**	**-**	**-**	**132,000**	**132,000**
		2020	37,883	-	**-**	37,883	-	-	48,000	48,000
Fixed interest rate maturing in	1 year or less	**2021**	**-**	**-**	**-**	**-**	**-**	**4,775**	**-**	**4,775**
		2020	-	-	-	-	-	5,053	-	5,053
	Over 1 to 2 years	**2021**	**-**	**-**	**-**	**-**	**-**	**4,581**	**-**	**4,581**
		2020	-	-	-	-	-	4,070	-	4,070
	More than 2 years	**2021**	**-**	**-**	**-**	**-**	**-**	**67,043**	**-**	**67,043**
		2020	-	-	-	-	-	66,652	-	66,652
Non-interest bearing		**2021**	**107**	**42,549**	**11,572**	**54,228**	**53,460**	**-**	**-**	**53,460**
		2020	11	19,718	9,907	29,636	54,525	-	-	54,525
Total as per the Statement of Financial Position		**2021**	**19,806**	**42,549**	**11,572**	**73,927**	**53,460**	**76,399**	**132,000**	**261,859**
		2020	37,894	19,718	9,907	67,519	54,525	75,775	48,000	178,300
Weighted average effective interest rate (%pa)		**2021**	**0.49**	**-**		**-**	**-**	**2.18-4.95**	**1.84**	**-**
		2020	0.70	-		-	-	2.72 -4.86	2.10	-

[1] Weighted average effective interest rate does not include other costs associated with the debt facility

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with financial institutions, and credit exposure to customers including receivable and committed transactions. Customers are assessed for their creditworthiness by using a third-party credit rating agency. If there are no independent credit ratings available, credit risk is assessed by taking into account the financial position of the Group, past experience and other factors. The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 4.6(a)(iv).

4. Capital structure and risk management (cont'd)

Impairment of financial assets

The Group has only one type of financial asset that is subject to the expected credit loss model, which are trade receivables from provision of services. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, the identified impairment loss was immaterial. Refer to Note 3.5 for the policy on impairment of financial assets.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

A discussion of the impact of COVID-19 on recoverability is contained in Note 1.3.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and a number of days past invoice date. The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables:

	Current[1] $'000	15 - 30 days $'000	31- 60 days $'000	61 - 90 days $'000	> 90 days $'000	Total $'000
30 June 2021						
Expected loss rate	1%	3%	20%	25%	75%	
Gross carrying amount – trade receivables	3,681	8,304	618	68	1,758	14,429
Gross carrying amount – contract assets	11,572	-	-	-	-	11,572
Loss Allowance	**153**	**251**	**124**	**17**	**1,319**	**1,864**
30 June 2020						
Expected loss rate	2%	10%	20%	25%	75%	
Gross carrying amount – trade receivables	5,698	3,058	1,017	299	469	10,541
Gross carrying amount – contract assets	9,907	-	-	-	-	9,907
Loss Allowance	**312**	**306**	**203**	**75**	**352**	**1,248**

[1] Current includes all invoices less than 15 days from invoice date which are not past due.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally invested on at call investment account.

Maturities of financial liabilities	Weighted average interest rate %	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flow $'000
At 30 June 2021						
Non-interest bearing		53,460	-	-	-	53,460
Fixed rate						
Lease Liability[1]	2.18%-4.95%	3,934	3,858	7,793	113,548	129,133
Variable						
Borrowings	1.84%[2]	521	521	132,000	-	133,042
		57,915	**4,379**	**139,793**	**113,548**	**315,635**

Maturities of financial liabilities	Weighted average interest rate %	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flow $'000
At 30 June 2020						
Non-interest bearing		51,344	-	3,181	-	54,525
Fixed rate		-	-	-	-	-
Lease Liability[1]	2.72% - 4.86%	4,074	4,042	7,243	102,193[1]	117,552
Variable						
Borrowings	2.1%[2]	489	489	35,619	13,377	49,974
		55,907	**4,531**	**46,043**	**115,570**	**222,051**

[1] Contractual cashflows over 2 years includes options on lease terms that are reasonably certain but yet to be exercised.
[2] Weighted average effective interest rate does not include other costs associated with the debt facility.

5. Taxation

This section provides information on the tax position for the Group.

5.1. Income tax expense

	2021 $'000	2020 $'000
Current tax	(2,377)	7,210
Deferred tax	7,699	(1,017)
Prior year	(324)	(299)
Total income tax expense	**4,998**	**5,894**
Income tax expense is attributable to:		
Profit from continuing operations	**4,998**	5,894
Deferred income tax (credit)/expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets[1]	1,917	(25,088)
Increase in deferred tax liabilities[1]	5,782	24,071
Net decrease/(increase) in deferred tax assets	**7,699**	(1,017)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**17,539**	19,436
Prima facie tax at the Australian tax rate of 30% (2020: 30%)	5,262	5,831
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure not allowable/(allowable) for income tax purposes	60	(2)
Research and development incentive	-	(12)
Adjustments to tax in respect of prior years	(324)	(299)
Other	-	376
Income tax expense	**4,998**	5,894
Effective tax rate	**28%**	30%

[1] Increase in deferred tax assets and deferred tax liabilities in FY20 is due to temporary differences arising from the initial recognition of right-of-use assets and lease liabilities under AASB 16.

5. Taxation (cont'd)

5.2. Current/deferred tax assets and liabilities

	2021 $'000	2020 $'000
Current tax receivable		
Current tax receivable	**3,646**	20
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Depreciation due to timing differences for accounting purposes	674	1,180
Employee benefits	5,053	4,717
Accrued expenses	3,869	7,132
Provisions for impaired receivables and credit notes	655	413
Lease liabilities	22,918	22,733
Other assets	177	418
Total deferred tax assets	**33,346**	36,593
Set-off of deferred tax liabilities pursuant to set-off provisions	(30,603)	(25,949)
Net deferred tax assets	**2,743**	10,644
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Depreciation due to timing differences for accounting purposes	7,231	2,104
Other receivables	842	883
Right of Use Assets	22,390	22,822
Prepayments	140	140
Total deferred tax liabilities	**30,603**	25,949
Set-off of deferred tax liabilities pursuant to set-off provisions	**(30,603)**	(25,949)
Net deferred tax liabilities	**-**	-

Accounting policy

Income taxes
The income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Management periodically evaluate tax regulations that are subject to interpretation and establish provisions, where appropriate, on amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidated group
Macquarie Telecom Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2002. The head entity, Macquarie Telecom Group Limited, and the controlled entities in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets and liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Tax effect accounting by members of the tax consolidated group
Members of the tax consolidated group have entered into a tax funding agreement which provides for the allocation of current taxes to members of the tax consolidated group in accordance with their profit/(loss) for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with AASB 112 *Income Taxes* and UIG 1052 *Tax Consolidation Accounting*.

Goods and Services Tax ("GST")
Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Consolidated Statement of Cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

6. Group structure

This section outlines the group structure and provides information about the parent entity and related parties.

6.1. Parent entity information

(a) Summary financial information

The individual financial statements for Macquarie Telecom Group Limited, the parent entity, show the following aggregate amounts:

	2021 $'000	2020 $'000
Statement of financial position		
Current Assets	-	-
Total Assets	100,587	100,881
Current liabilities	10,285	8,844
Total liabilities	10,285	8,844
Net assets	**90,302**	92,037
Contributed equity	44,612	43,933
Reserves – Share based payment	5,429	4,611
Retained earnings	40,261	43,493
Equity	**90,302**	92,037
Loss for the year	(3,232)	(1,265)
Total comprehensive loss	**(3,232)**	(1,265)

(b) Guarantee entered into by parent entity

Macquarie Telecom Group Limited (the "Parent entity"), Macquarie Telecom Pty Ltd ("MT"), Macquarie Hosting Pty Limited ("MH"), Macquarie Telecom Carrier Services Pty Limited ("MTCS") and Macquarie Cloud Services Pty Limited ("MCS") (the "Closed Group") entered into a Deed of Cross Guarantee on 28 June 2005. The financial information of the Deed of Cross Guarantee group matches the consolidated financial statements. The effect of the deed is that the Parent entity has guaranteed to pay any deficiency in the event of winding up of MT, MH, MTCS and MCS. MT, MH, MTCS and MCS have also given a similar guarantee in the event that the Parent entity is wound up. The Deed of Cross Guarantee was amended on 20 July 2011 and 28 April 2020 to include Macquarie Cloud Pty Limited and Macquarie Data Centres Pty Limited respectively and, as such, both entities entered the Closed Group on their respective dates.

(c) Contingent liabilities of the parent entity

The Parent entity has guaranteed MT's performance, including payments owned, under various wholesale supply agreements between MT and Telstra Corporation Limited ("Telstra"). It is not practical to disclose the maximum amount payable under the guarantee.

(d) Contractual commitments for the acquisition of property, plant or equipment

Macquarie Telecom Group Limited did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2021 and 30 June 2020.

(e) Going concern basis of accounting

Macquarie Telecom Group Limited (the "Parent entity") has a current asset deficit of $(10.3) million at the end of the financial year (2020: $(8.8) million (deficit)). The financial statements for the Parent entity have been prepared on a going concern basis as the directors believe the Parent entity can pay its debts as and when they fall due. This conclusion is based on the following factors:

- The current asset deficiency includes an amount payable to related parties of $8.4 million, which the Parent entity can control the timing of the settlement; and
- The Parent entity's assets are receivable from a wholly owned entity which itself has a surplus of current assets sufficient to fund the remaining balance.

6.2. Related party transactions

	2021 $	2020 $
Short-term employee benefits	4,701,645	4,781,973
Post-employment benefits	205,534	211,708
Long-term benefits	52,282	47,563
Share-based payments	3,246,376	1,872,912
	8,205,837	6,914,156

There were no other related party transactions during the year. All transactions with key management personnel were made on normal commercial terms and conditions and at market rates.

6.3. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following 100% owned subsidiaries in accordance with the accounting policy described in note 1.2:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2021 %	2020 %
Macquarie Telecom Pty Limited[1]	Australia	100.00	100.00
Macquarie Hosting Pty Limited	Australia	100.00	100.00
Macquarie Telecom Carrier Services Pty Limited	Australia	100.00	100.00
Macquarie Hosting (Singapore) Pte Limited	Singapore	100.00	100.00
Macquarie Cloud Pty Limited	Australia	100.00	100.00
Macquarie Data Centres Pty Limited	Australia	100.00	100.00

[1] Macquarie Data Centres Pty Limited is a 100% owned subsidiary of Macquarie Telecom Pty Limited.

7. Other

This section details other information and disclosures not included in the other sections but required to comply with relevant Australian accounting standards and other regulatory bodies.

7.1. Commitments

	2021 $'000	2020 $'000
(a) Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:		
Not later than one year		
Property, plant and equipment	48,685	61,248
Software	115	980
	48,800	**62,228**
(b) Other expenditure commitments		
The Group has other expenditure commitments at the reporting date relating to support and maintenance costs:		
Not later than one year	9,371	20,680
Later than one year and not later than five years	5,509	7,945
	14,880	28,625

7.2. Auditor's remuneration

The auditor of Macquarie Telecom Group is PricewaterhouseCoopers.

	2021 $	2020 $
Amounts received or due and receivable by the auditor of Macquarie Telecom Group for:		
An audit or review of the financial report of the Group and any other entity in the Group	311,049	259,200
Other services in relation to the Group and any other entity in the Group	19,600	15,000
	330,649	274,200

7.3. Events after the reporting period

Subsequent to the reporting period, the Group received $28,608,017 (including GST) from an external party resulting from the completion of a data centre in the Macquarie Park campus. This will result in an increase in the operating cashflows of the Group and reduction in current assets in the next reporting period as the cash will be used to reduce the long-term borrowings. Costs associated with the construction of the data centre have been included in Payments to suppliers in the Consolidated Statement of Cash Flows.

The Group is not aware of any other matter or circumstance that has arisen since the end of the financial year that, has significantly affected, the group's operations, results or state of affairs, or may do so in future years.

7.4. Other significant accounting policies

(a) New and amended accounting standards effective during the year

All accounting standards that are effective have been adopted during the year in the financial statements.

(b) New and amended accounting standards not yet effective

Certain new accounting standards and amendments have been published that are not mandatory for 30 June 2021 reporting periods. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group expects there to be no material impact from the adoption of these new and amended accounting standards not yet effective.

(c) Other accounting

Accrued income
Accrued income represents the estimated amount of unbilled services provided to all customers as at the balance date after taking into account all discounts as applicable. Accrued income are treated as financial assets for impairment purposes.

Prepayments
Prepayment expenses are primarily related to expenses paid in advance and deferred over the life of the contract.

Make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased land and buildings. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of lease end dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Directors Declaration

In accordance with a resolution of the directors of Macquarie Telecom Group Limited, we state that:

1. In the opinion of the directors:

a. The financial statements and notes set out on pages 45 to 79 are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

(ii) Complying with Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements.

b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The declaration has been made after receiving the declarations required to be made to the directors in with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2021.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 6.1(b) will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Note 1.2 confirms that the financial statements also comply with International Financial Reporting Standards as issues by the International Accounting Standards Board.

On behalf of the Board:

David Tudehope
Chief Executive

Sydney, 25 August 2021


Secure. Sovereign. Compliant.

To the members of Macquarie Telecom Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Macquarie Telecom Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

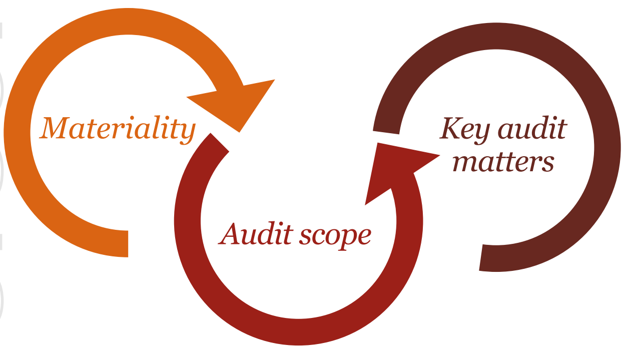
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

pwc

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $1,800,000, which represents approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortization (EBITDA).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group EBITDA as the benchmark because, in our view, this is a key metric used to measure the performance of the Group.
- We utilised a 2.5% (of EBITDA) threshold based on our professional judgement, noting it is within the range of commonly acceptable EBITDA related materiality thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group specialises in the provision of telecommunication, cloud computing, cybersecurity and data centre services to corporate and government customers in Australia. We ensured that the audit team possessed the appropriate skills and competencies which are needed for the audit of the Group, including team members with technology and telecommunications industry experience.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Management Committee.

Key audit matter	How our audit addressed the key audit matter

Non-financial assets impairment assessment *(Represents notes 3.4, 3.5 and 3.6) [$316,199,000]*

Key audit matter

The Group assessed non-financial assets for impairment at the cash generating unit (CGU) level by considering if impairment indicators were present. The Group has determined the CGUs to be the same as the reportable segments, being Telecom, Cloud and Government & Macquarie Data Centres (MDC).

The Group's impairment assessment for the CGUs was a key audit matter due to the:

- significance of the non-financial assets balance to the consolidated statement of financial position
- judgement involved in the impairment indicator assessment
- judgement over future cash flows in the impairment model due to the need to make estimates about future events and other circumstances.

How our audit addressed the key audit matter

We performed the following procedures, amongst others, to evaluate the Group's impairment assessment:

- enquired of management and inspected a selection of Board of Director Meeting minutes to assess whether there were any:
  - significant new customers or customer losses
  - significant changes in the manner in which assets are expected to be used
  - potential data centre capacity or pricing changes
  - expected changes to data centre capacity, pricing or the business environment that could significantly impact future performance
- compared the actual performance of the CGUs for the year to the Board of Director approved budget
- considered if there were changes in the market interest rates that may significantly affect the discount rate that the Group would use in its impairment models.

We also compared the market capitalisation of the Group to the Group's net assets as at 30 June 2021.

We evaluated the adequacy of the Group's disclosures in light of the requirements of the Australian Accounting Standards.

pwc

Key audit matter	How our audit addressed the key audit matter

Revenue recognition – Revenue from contracts with customers *(Refer to note 2.2) [$284,489,000]*

Key audit matter

Majority of the revenue from contracts with customer is generated from service revenue.

We considered revenue recognition a key audit matter because::

- revenue is the most financially significant item in the consolidated statement of comprehensive income
- there are high volumes of transactions and multiple arrangements with customers that may relate to more than just the current financial period
- revenue recognition relies on the successful interaction of systems and information from carriers for accurate billing to customers
- for certain employees, part of their remuneration incentive is linked to revenue outcomes.

How our audit addressed the key audit matter

We performed the following procedures, among others:

- identified and investigated a selection of journal entries with specific risk characteristics that impact revenue balances. This included agreeing those journal entries to supporting documentation and discussing with management the underlying rationale for those journal entries.
- tested, for a sample of new customer contracts, whether revenue had been recorded at the correct amount and in the correct financial period, in accordance with the Group's revenue recognition policy. This included assessing whether:
  - evidence of an underlying arrangement with the customer existed
  - the amounts invoiced to the customer were calculated in accordance with the contracted fee schedules
  - the performance obligations had been met by the Group
- evaluated the design and tested a sample of key manual controls related to revenue recognition including those related to the implementation of price changes and the allocation of cash to customer accounts.
- evaluated the adequacy of the Group's revenue disclosures in light of the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report, Corporate Governance Statement and Environmental, Social and Governance (ESG) Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 27 to 35 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Macquarie Telecom Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Hayes
Partner
PricewaterhouseCoopers

Sydney
25 August 2021

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in the Annual Report as follows:
The shareholder information set out below was applicable as at 14 September 2021.

A. Distribution of Equity Securities
Analysis of numbers of equity security holders by size of holding:

Fully Paid Ordinary Shares			
Holding Ranges	**Holders**	**Total Units**	**%**
1 - 1,000	2,354	593,706	2.76
1,001 - 5,000	315	685,463	3.19
5,001 - 10,000	46	355,437	1.65
10,001 - 100,000	47	1,369,307	6.37
100,001 and over	9	18,493,364	86.03
Totals	**2,771**	**21,497,277**	**100.00**
The number of shareholders holding less than a marketable parcel of shares			66

B. Equity Security Holders
Twenty largest shareholders
The names of the 20 largest holders of quoted shares:

		Ordinary Shares	
		Number shares	% Held
1	Claiward Pty Limited	11,000,990	51.17
2	National Nominees Limited	2,623,781	12.21
3	HSBC Custody Nominees (Australia) Limited	1,945,453	9.05
4	J P Morgan Nominees Australia Limited	1,294,350	6.02
5	Citicorp Nominees Pty Limited	573,967	2.67
6	Mirrabooka Investments Limited	430,139	2.00
7	Ms Elizabeth Dibbs	319,984	1.49
8	Amcil Limited	186,700	0.87
9	Bond Street Custodians Limited	118,000	0.55
10	Mr Neville Clyde Martin and Mrs Lauren Carol Martin <The Martin Superfund A/C>	96,000	0.45
11	Moat Investments Pty Ltd <Moat Investment A/C>	89,081	0.41
12	Maaku Pty Ltd <Hmha Family A/C>	85,000	0.40
13	CS Third Nominees Pty Limited	67,193	0.31
14	Mrs Vicky Teoh	63,001	0.29
15	Luke Clifton	57,667	0.27
16	Mr Matthew James Wallace	55,000	0.26
17	Mr Denis Alan Aitken	50,000	0.23
18	Mast Financial Pty Ltd <A to Z Investment A/C>	49,125	0.23
19	Mast Capital Pty Ltd <Keyser Family A/C>	35,486	0.17
20	Sanya Holdings Pty Ltd <The Biswas Family A/C>	35,000	0.16
Total Securities of Top 20 Holdings		**19,175,917**	**89.20**
Total of Securities		**21,497,277**	**100.00**

C. Substantial Shareholders
Substantial holders in the company are set out below:

		Ordinary Shares	
		Number shares	% Held
1	Claiward Pty Limited	11,000,990	51.17
2	Viburnum Funds Ltd	2,083,792	9.69
3	Australian Ethical Investments Ltd	1,313,441	6.11

D. Voting Rights
All ordinary shares carry one vote per share without restriction.

Macquarie Telecom Group

Sydney Head Office
Level 15, 2 Market St
Sydney NSW 2000
T 02 8221 7777

Sydney Telecom
Level 14, 2 Market St
Sydney NSW 2000
T 1800 004 943

Melbourne
Level 1, 441 St Kilda Rd
Melbourne VIC 3004
T 03 9206 6800

Brisbane
Level 12, 100 Creek St
Brisbane QLD 4000
T 1800 004 943

Perth
Level 10, 251 Adelaide Tce
Perth WA 6000
T 08 9229 0000

Canberra
Level 12, 221 London Circuit
Canberra ACT 2600
T 02 6103 3600

Intellicentres

Intellicentre 1
Level 16, 477 Pitt St
Sydney NSW 2000
T 1800 789 999

Intellicentre 2 and 3 East
Macquarie Park Data Centre Campus
17–23 Talavera Rd
Macquarie Park NSW 2113
T 02 8221 7256

Intellicentre 4 Bunker and Intellicentre 5 South Bunker
Canberra Data Centre Campus
Fairbairn ACT 2609

macquarietelecomgroup.com

macquarie
CLOUD SERVICES

macquarie
GOVERNMENT

macquarie
TELECOM

macquarie
DATA CENTRES