# MNF Group Limited | ABN 37 118 699 853
# Appendix 4D (ASX Listing rule 4.2A 3)
# Half year report for the period ended 31 December 2019

**1. Reporting periods:**

| | |
|---|---|
| Current reporting period | 1 July 2019 to 31 December 2019 |
| Previous corresponding reporting period | 1 July 2018 to 31 December 2018 |

**2. Results for announcement to the market**

| | % Change | | $'000 |
|---|---|---|---|
| 2.1 Revenue from ordinary activities | 14.2% | to | 112,044 |
| 2.2 Profit after tax from ordinary activities attributable to members | 20.3% | to | 3,684 |
| 2.3 Net profit for the period attributable to members | 20.3% | to | 3,684 |

| 2.4 Dividend information: | **Amount per security** | **Franked amount per security** |
|---|---|---|
| 2019 interim dividend (paid 4 April 2019) | 2.1 cents | 2.1 cents |
| 2019 final dividend (paid 3 October 2019) | 4.0 cents | 4.0 cents |
| 2020 interim dividend | 2.5 cents | 2.5 cents |

| 2.5 2020 interim dividend eligibility: | Date |
|---|---|
| Record date | 5 March 2020 |

2.6 Brief explanation
Additional Information supporting the Appendix 4D disclosure requirements can be found in the Director's Report and the consolidated financial report for the half-year ended 31 December 2019 lodged with this document.

| | **31 Dec 2019** | **31 Dec 2018** |
|---|---|---|
| **3. Net tangible assets per security** | 50.97 cents | (13.69) cents |

Following the adoption of AASB 16 *Leases*, net tangible assets include both right-of-use-assets and corresponding lease liabilities accounted for under the new requirements. Refer to note 2 of the half-year financial reports for further details.

**4. Entity over which control has been lost**
During the period, Symmetry Networks Pty Ltd, a subsidiary of MNF Group, was sold on 1 December 2019 for a total consideration of $0.3m.

| **5. 2020 interim dividend entitlement** | **Date** |
|---|---|
| Payment date | 2 April 2020 |

**6.** A Dividend Reinvestment Plan (DRP) is in place for this dividend. The last date for the receipt of an election notice for participation in the DRP is 6 March 2020.

This information should be read in conjunction with the 2019 Annual Financial Report of MNF Group Limited and any public disclosures made by MNF Group Limited in accordance with the continuous disclosure requirements of the Listing Rules and the *Corporations Act 2001*.

This Appendix 4D and accompanying consolidated financial report for the half-year ended 31 December 2019 have been independently reviewed and are not subject to any disputes or qualifications. The Independent Auditors Review Report is included in the attached consolidated financial reports.

# MNF Group Limited | ABN 37 118 699 853

# Financial report for the half-year ended 31 December 2019

**Contents**

**Directors' report**

Your directors present this report, together with the financial statements of MNF Group Limited (the Company or MNF) and its controlled entities (the Group or Consolidate Group), for the half-year ended 31 December 2019.

The Directors of MNF Group Limited in office during the half-year and at the date of this report were:

| **Directors** | | **Period of directorship** |
|---|---|---|
| Terry Cuthbertson | Non-executive Director & Chairman | Director since March 2006 |
| Michael Boorne | Non-executive Director | Director since December 2006 |
| Andy Fung | Non-executive Director | Director since March 2006 |
| David Stewart | Non-executive Director | Director since August 2019 |
| Rene Sugo | Executive Director & CEO | Director since March 2006 |

| **Company Secretary** | |
|---|---|
| Catherine Ly | Appointed July 2006 |

**Review and results of operations**

The Group earnings before interest, tax, depreciation and amortisation (EBITDA) was up 52% to $16.9m (with FY19 restated for AASB16). Net profit after tax (NPAT) was up 20% to $3.7m. The Group ended the period with cash of $38.6m, and undrawn debt facilities of $30.0m available to fund further growth of the business.

The Group is in the process of integrating the recent acquisition of Telco-In-A-Box (TIAB). The Company acquired the business assets of TIAB in December 2018 for $33.8m (7.5 x EBITDA) for the purpose of consolidating its large whole customer base into the Domestic Wholesale segment. The corporate restructure of TIAB was completed in H1 FY20 at a once-off cost of $1.3m which has not been included in EBITDA. Consolidation of network and software platforms is ongoing. During the half, the Company also divested two small legacy businesses from TIAB at a margin impact of circa $500K to the Direct Segment. Additionally, TIAB legacy product obsolescence and end-user churn has contributed a margin impact of $2.1m in the half to the Domestic Wholesale segment. Despite these margin impacts and restructure costs, the TIAB business is performing well and is still delivering expectations at the EBITDA level. The TIAB business has delivered considerable benefits to the Group, including addition of new staff to the team, a broad range of quality customers, as well as significant scale and new products to our portfolio. Overall the board is pleased with the outcome of the acquisition.

Despite the movements due to the integration, the underlying key performance indicators of the business remain strong. Our primary indicator for recurring revenue growth is the numbers on network, which increased 16% on prior comparative period (PCP) to 4,102,284 as of December 2019. Additionally, the business has considerable order volumes for number portability leading into the second half.

The Group remains positive for the medium term as it continues to see very strong demand for its core products – phone numbers with number portability. It is seeing significant organic recurring margin growth from its existing domestic (22% on PCP) and global customers (13% on PCP) as they tackle the opportunities presented to them by the impending completion of the NBN roll-out and ISDN shut-down.

***Directors' report (continued)***

The following table summarises key financial metrics for the period:

| | **Half-year ended 31 December 2019** | **Half-year ended 31 December 2018** | **% Change** |
|---|---|---|---|
| Revenue | $112.0m | $98.1m | +14% |
| Gross profit | $45.0m | $35.8m | +26% |
| EBITDA | $16.9m | $9.8m | +72% |
| NPAT | $3.7m | $3.1m | +20% |
| EPS | 4.83 cents | 4.18 cents | +16% |
| Interim dividend | 2.50 cents | 2.10 cents | +19% |

***Reconciliation of NPAT to EBITDA:***

| | **Half-year ended 31 December 2019** | **Half-year ended 31 December 2018** |
|---|---|---|
| **NPAT** | **$3.7m** | **$3.1m** |
| Add back: | | |
| Depreciation and amortisation[1] | $7.9m | $4.2m |
| Net interest | $1.5m | $0.4m |
| Non-cash share option costs | $0.4m | $0.2m |
| Costs related to acquisition | - | $0.8m |
| Income tax expense | $2.1m | $1.1m |
| Restructuring costs | $1.3m | - |
| **EBITDA** | **$16.9m** | **$9.8m** |

[1] Following the adoption of AASB 16 *Leases*, depreciation and interest in the current period include amounts accounted for under the new requirements. Prior period has not been restated. Refer to note 2 for further details.

**The following table summarises the net debt position of the Group:**

| | **31 December 2019** | **30 June 2019** |
|---|---|---|
| Cash | $38.6m | $15.5m |
| Debt | $30.0m | $55.6m |
| **Net (cash)/debt** | **$(8.6)m** | **$40.1m** |
| Facility limit | $60.0m | $60.0m |

During the period the Company raised $52.1m ($49.7m net) by way of a share placement of 10,410,000 shares at $5.00 per share. This allowed the Company to repay $25.6m of debt. The Group retains its finance facilities totalling $60.0m revolving credit facility, of which $30.0m is undrawn as at 31 December 2019. The Group's balance sheet is well positioned to support future acquisitions with $38.6m in cash and $30.0m of undrawn debt.

***Directors' report (continued)***

**Dividends**

The Directors have resolved to pay a fully franked interim dividend of 2.50 cents per share for the period ending 31 December 2019, which is in line with previous dividend levels (circa 50% of EPS) and in anticipation of its strong full year result. The Company intends to offer a Dividend Re-investment Plan (DRP) in line with previous years.

The record date for the interim dividend is 5 March 2020, with payment to be made on 2 April 2020.

**Business Outlook and Guidance**

The Group is pleased to see at the end of the half-year that recurring revenues, gross margin, phone numbers and underlying organic growth indicators are all up on the prior corresponding period. The Company is making solid progress executing its growth strategy while also taking a balanced approach to uplifting our systems, processes and technology to ensure the future demands of customers and long-term growth ambitions can be realised.

The Group is reaffirming EBITDA guidance in the range of $36.0m to $39.0m (on a post AASB16 basis) and guiding NPAT in the range $10.0m to $12.0m. The updated NPAT guidance reflects impacts due to changes in R&D tax concessions, increased amortisation, non-cash employee share plans and AASB16 effects.

The Group is pleased with the performance across all three segments, while at the same time integrating the Telco-In-A-Box acquisition. A brief outline of segment performance is below:

**Domestic Wholesale Segment** – While gross margin percentage of revenue dropped slightly due to the integration of TIAB products into the revenue mix, overall recurring margin increased to 75% of the Domestic Wholesale margin pool. This was assisted by organic recurring margin growth of 22% on FY19/H1. This segment continues to see strong demand from domestic wholesale customers taking advantage of the NBN transition and the shutdown of legacy ISDN copper services.

**Global Wholesale Segment** – Gross margin percentage of revenue increased slightly due to the increase in recurring revenues in this segment, up to 37% of the Global Wholesale margin pool. This was assisted by organic recurring margin growth of 13% on FY19/H1, despite an increase in fixed network costs for the purpose of capacity expansion, which increase cost of goods sold. The recent network expansion should provide for a doubling of volume which will facilitate ample growth into the future.

**Direct Segment** – Overall gross margins remained largely flat due to the impact of several assets divested either during the period or prior to the period – namely the residential ADSL/NBN customer base, the sale of two small retail businesses acquired in the TIAB acquisition. As these impacts flow through the Company is expecting to see organic margin growth from the continuing operations, driven by Small Business, and Enterprise customers.

***Directors' report (continued)***

**Rounding**

MNF Group Limited is a company of the kind referred to in ASIC Legislative Instrument (Rounding in Financial/Directors' Reports) 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and the Financial report are rounded to the nearest thousand dollars, except where otherwise indicated.

**Auditor's Independence Declaration**

The lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

This report is signed in accordance with a resolution of the directors.

Terry Cuthbertson
Chairman

Rene Sugo
Director and CEO

Sydney, 25 February 2020

**MNF GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 37 118 699 853**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF MNF GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. any applicable code of professional conduct in relation to the review.

MNSA PTY LTD

**MNSA Pty Ltd**

Afacey

**Allan Facey**
Director

Sydney
Dated this 25th day of February 2020



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## Consolidated statement of profit or loss and other comprehensive income

| For the half-year ended | Note | Consolidated group 31 December 2019 $000 | Consolidated group 31 December 2018 $000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 4 | 112,044 | 98,139 |
| Cost of sales | | (67,050) | (62,290) |
| **Gross profit** | | **44,994** | **35,849** |
| Other income | 4 | 706 | 200 |
| Employee benefits expense | 4 | (20,586) | (17,955) |
| Depreciation and amortisation | 4 | (7,917) | (4,178) |
| Other expenses | 4 | (8,479) | (8,441) |
| Costs related to acquisition | | - | (782) |
| Financing costs | 4 | (1,635) | (531) |
| Restructure costs | 12 | (1,290) | - |
| **Profit before income tax** | | **5,793** | **4,162** |
| Income tax expense | | (2,109) | (1,100) |
| **Profit from continuing operations** | | **3,684** | **3,062** |
| **Net profit for the period** | | **3,684** | **3,062** |
| **Other comprehensive income for the period net of tax** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Exchange differences on translation of foreign operations | | 3 | 303 |
| Changes in fair value of cash flow hedges | | 45 | (36) |
| **Total comprehensive income for the period** | | **3,732** | **3,329** |
| **Earnings per share from continuing operations** | | | |
| - Basic earnings per share (cents) | 10 | 4.83 | 4.18 |
| - Diluted earnings per share (cents) | 10 | 4.77 | 4.12 |

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of financial position

| | | Consolidated group | |
|---|---|---|---|
| As at | | 31 December 2019 | 30 June 2019 |
| | Notes | $000 | $000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 38,558 | 15,481 |
| Trade and other receivables | 5 | 39,808 | 42,030 |
| Income tax receivable | | - | 853 |
| Inventory | | 1,739 | 1,548 |
| **Total current assets** | | **80,105** | **59,912** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 28,744 | 30,776 |
| Right-of-use asset | 13 | 19,840 | - |
| Deferred income tax asset | | 3,588 | 2,052 |
| Goodwill and other intangibles | 11 | 91,690 | 89,785 |
| **Total non-current assets** | | **143,862** | **122,613** |
| **Total assets** | | **223,967** | **182,525** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6 | 27,110 | 32,158 |
| Customer deposits | | 1,355 | 1,494 |
| Provisions | 7 | 3,563 | 3,797 |
| Lease liability | 14 | 1,388 | - |
| Income tax payable | | 182 | - |
| **Total current liabilities** | | **33,598** | **37,449** |
| | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | | 30,000 | 55,600 |
| Financial instruments | | 585 | 628 |
| Provisions | 7 | 1,240 | 1,236 |
| Lease liability | 14 | 20,804 | - |
| Deferred tax liability | | 3,201 | 3,143 |
| **Total non-current liabilities** | | **55,830** | **60,607** |
| **Total liabilities** | | **89,428** | **98,056** |
| **Net assets** | | **134,539** | **84,469** |
| | | | |
| **Equity** | | | |
| Issued capital | 9 | 101,574 | 51,125 |
| Reserves | | 2,329 | 1,931 |
| Retained earnings | | 30,636 | 31,413 |
| **Total equity** | | **134,539** | **84,469** |

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of changes in equity

Attributable to owners of the Group

| | Ordinary share capital | Share-based payment reserve | Translation reserve | Hedging reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 |
| For the half-year ended 31 December 2018 | | | | | | |
| **Balance at 1 July 2018** | 50,221 | 2,042 | (438) | (111) | 24,519 | 76,233 |
| Profit for the period | - | - | - | - | 3,062 | 3,062 |
| Other comprehensive income | - | - | 303 | (36) | - | 267 |
| Share-based payment transactions | - | 210 | - | - | - | 210 |
| Dividends paid | - | - | - | - | (2,964) | (2,964) |
| Shares issued - DRP | 516 | - | - | - | - | 516 |
| Shares issued - SPP | 289 | - | - | - | - | 289 |
| **Balance at 31 December 2018** | **51,026** | **2,252** | **(135)** | **(147)** | **24,617** | **77,613** |
| For the half-year ended 31 December 2019 | | | | | | |
| **Balance at 1 July 2019** | 51,125 | 2,462 | 99 | (630) | 31,413 | 84,469 |
| Adjustment for change in accounting standard (note 2) | - | - | - | - | (1,521) | (1,521) |
| Balance at 1 July 2019 – restated | 51,125 | 2,462 | 99 | (630) | 29,892 | 82,948 |
| Profit for the period | - | - | - | - | 3,684 | 3,684 |
| Other comprehensive income | - | - | 3 | 45 | - | 48 |
| Share-based payment transactions | - | 350 | - | - | - | 350 |
| Dividends paid | - | - | - | - | (2,940) | (2,940) |
| Shares issued – DRP | 713 | - | - | - | - | 713 |
| Shares issued – share placement | 49,736 | - | - | - | - | 49,736 |
| **Balance at 31 December 2019** | **101,574** | **2,812** | **102** | **(585)** | **30,636** | **134,539** |

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of cash flows

| For the half-year ended | Consolidated group 31 December 2019 $000 | Consolidated group 31 December 2018 $000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 115,589 | 104,696 |
| Payments to suppliers and employees | (103,446) | (105,542) |
| Interest received | 88 | 91 |
| Interest paid | (1,724) | (597) |
| Income tax paid | (1,942) | (4,276) |
| **Net cash from/(used in) operating activities** | **8,565** | **(5,628)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (1,545) | (4,947) |
| Software development costs | (4,542) | (4,101) |
| Payment for business acquisitions | - | (35,570) |
| **Net cash used in investing activities** | **(6,087)** | **(44,618)** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares – share placement/ SPP | 49,736 | 289 |
| Proceeds from issue of shares – DRP | 713 | 515 |
| Dividends paid | (2,940) | (2,965) |
| Repayment of borrowings | (25,600) | (1,250) |
| Proceeds from borrowings | - | 44,935 |
| Repayment of lease liability | (1,322) | (48) |
| **Net cash from financing activities** | **20,587** | **41,476** |
| Net increase/(decrease) in cash and cash equivalents | 23,065 | (8,770) |
| Impact of foreign exchange on cash and cash equivalents | 12 | 387 |
| Cash and cash equivalents at beginning of period | 15,481 | 18,870 |
| **Cash and cash equivalents at end of period** | **38,558** | **10,487** |

The accompanying notes form part of these consolidated financial statements.

**Notes to the financial statements**

**1. Corporate information**

The interim financial report for MNF Group Limited (the Company) and its controlled entities (collectively, the Group) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 25 February 2020.

MNF Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Group is Level 4, 580 George Street, Sydney NSW 2000.

**2. Basis of preparation**

This general purpose interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes under Australian Accounting Standards.

The half-year financial report does not include all notes of the type normally included within the annual financial report. As such, this report should be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by MNF Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

**Changes in accounting policy and new accounting policies**

The accounting policies applied by the Group in this condensed half-year financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2019, with the exception of the new accounting policy adopted as disclosed below.

In the current period, the Group has adopted all applicable new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. Unless specifically outlined below, the adoption of these amendments has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

The Group has adopted AASB 16 *Leases* (the standard) from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance lease. The Group have applied the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information. Except for short-term leases and leases of low value assets, right of use assets and corresponding lease liabilities are recognised in the statement of financial position. Depreciation charge for the right of use assets and interest expenses on the lease liabilities replaces the straight-line operating lease expense.

The adoption will in effect increase expenses in earlier periods of the lease compared to lease expense under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results improve as operating expenses is now replaced by depreciation and interest expense. Interest expense is disclosed as operating activities in the statement of cash flows and the principal portion of the lease payments are separately disclosed in financing activities.

AASB 16 *Leases* had an impact on the current period. The current profit before income tax expense was reduced by \$357,000. This included an increased depreciation and amortisation expense of \$1,675,000 and increased finance costs of \$447,000, offset by a reduction in other expenses (reclassification of lease expenses) of \$1,765,000. As at 31 December 2019, net current assets were reduced by \$1,388,000 (attributable to current lease liabilities) and net assets were reduced by \$1,754,000 (attributable to right-of-use assets, lease liabilities and deferred tax assets).

***Notes to the financial statements (continued)***

**2. Basis of preparation (continued)**

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

| | 1 July 2019 |
|---|---|
| | $000 |
| Operating lease commitments as at 1 July 2019 (AASB 117) | 25,772 |
| Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16) | (220) |
| Additional minimum lease commitment as at 1 July 2019 | 1,264 |
| Accumulated depreciation as at 1 July 2019 (AASB 16) | (5,301) |
| **Right of use assets (AASB 16)** | **21,515** |
| Lease liabilities - current (AASB 16) | (2,705) |
| Lease liabilities – non-current (AASB 16) | (20,804) |
| Tax effect on the above adjustments | 598 |
| **Reduction in opening retained profits as at 1 July 2019** | **(1,396)** |

**3. Operating Segments**

The Group has identified three operating segments based on internal management reporting that is used by the executive management team in assessing performance and allocating resources. The Group has structured its operations based on target markets identified, being Direct, Domestic Wholesale and Global Wholesale. The chief operating decision makers regularly review the operating segments' results to assess performance and allocate resources. Details of the reportable segments are as follows:

**Direct**

- The core MyNetFone brand services Residential, SMB (Small to Medium Business), Enterprise and Government customers in Australia
- Conference Call International Pty Limited (CCI) is included in this segment
- Other brands in this segment include, Connexus, callstream, PennyTel, theBuzz, Neural and Symmetry
- Key products in this segment include:
  - VoIP, Internet, Virtual PBX and SIP trunking
  - End-to-end audio and web conferencing solutions for SMBs, toll free numbers and number porting
- The Supernet brand also delivers communication solutions for Enterprise and Government customers

**Domestic Wholesale**

- The core Symbio and iBoss brands service wholesale customers based in Australia & New Zealand
- Key products in this segment include
  - Call termination & collection, pre-select, SIP trunking, DIDs, inbound numbers, porting and virtual numbers
  - Wholesale aggregation, SaaS, data enablement and MVNO
- Other brands in this segment include Telcoinabox and Ivox providing end to end white labelled telecommunication wholesale solutions to Retail Service providers who predominantly service small to medium sized businesses.
  - Key products include; Fixed Wire, Mobile, Data Services and Equipment sales

***Notes to the financial statements (continued)***

**3. Operating Segments (continued)**

**Global Wholesale**

- The TNZI Brand services the global wholesale market
- TollShield and OCA (Open CA) also operate under the Global Wholesale segment
- Key products in this segment include:
  - Voice carriage and International toll-free services (ITFS)
  - Toll Fraud prevention
  - Class 4 Softswitch and billing

The accounting policies used by the Group in reporting segment information internally, are the same as those contained in note 2 to the 2019 Financial Statements.

| | Direct | Domestic Wholesale | Global Wholesale | Total |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| **H1 2020** | | | | |
| External revenue | 16,753 | 44,548 | 50,743 | 112,044 |
| Inter-segment revenue | - | 5,187 | 2,954 | 8,141 |
| **Segment revenue** | **16,753** | **49,735** | **53,697** | **120,185** |
| **Segment margin** | **10,902** | **20,304** | **13,788** | **44,994** |
| **H1 2019** | | | | |
| External revenue | 18,107 | 23,320 | 56,712 | 98,139 |
| Inter-segment revenue | - | 3,267 | 2,437 | 5,704 |
| **Segment revenue** | **18,107** | **26,587** | **59,149** | **103,843** |
| **Segment margin** | **10,798** | **12,169** | **12,882** | **35,849** |

**4. Revenue and expenses included in the consolidated statement of profit or loss other comprehensive income**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | $000 | $000 |
| **Revenue** | | |
| Rendering of services | 112,044 | 98,139 |
| **Other income** | | |
| Other income | 618 | 135 |
| Interest income | 88 | 65 |
| | **706** | **200** |
| **Employee benefits expense** | | |
| Wages and salaries | 17,255 | 15,467 |
| Superannuation | 1,399 | 1,241 |
| Share based payments expense | 350 | 210 |
| Other employee benefits expense | 1,582 | 1,037 |
| | **20,586** | **17,955** |

***Notes to the financial statements (continued)***

**4. Revenue and expenses included in the consolidated statement of profit or loss other comprehensive income (continued)**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | $000 | $000 |
| **Depreciation and amortisation** | | |
| Depreciation of fixed assets | 3,605 | 3,057 |
| Depreciation of leases[1] | 1,675 | - |
| Amortisation of intangible assets | 2,637 | 1,121 |
| | **7,917** | **4,178** |
| **Other expenses** | | |
| Marketing | 372 | 912 |
| Property[1] | 629 | 1,961 |
| Technology and support | 2,379 | 1,598 |
| Audit and tax | 345 | 266 |
| Legal and consulting | 380 | 176 |
| Bank and transaction costs | 203 | 194 |
| Insurance | 385 | 293 |
| Managed services | 1,927 | 1,073 |
| Other administrative expense | 1,859 | 1,968 |
| | **8,479** | **8,441** |
| **Financing costs** | | |
| Finance charges on bank loan | 1,080 | 531 |
| Finance charges on lease liabilities[1] | 447 | - |
| Finance charges related to hedge instrument | 108 | - |
| | **1,635** | **531** |

**5. Trade and other receivables**

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $000 | $000 |
| Trade receivables | 33,702 | 37,499 |
| Doubtful debts provision | (1,949) | (1,508) |
| Other receivables | 8,055 | 6,039 |
| | **39,808** | **42,030** |

**6. Trade and other payables**

| | | |
|---|---|---|
| Trade payables | 14,795 | 18,434 |
| Other creditors and accruals | 11,935 | 13,318 |
| Security deposits held | 380 | 406 |
| | **27,110** | **32,158** |

[1] Following the adoption of AASB 16 *Leases*, amounts accounted for under the new requirements and prior period comparatives have not been restated. Refer to note 2 for further details.

***Notes to the financial statements (continued)***

## 7. Provisions

| | Annual leave | Long service leave | Makegood provision | Total |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| As at 1 July 2019 | 2,659 | 1,393 | 981 | **5,033** |
| Arising during the year | 1,640 | 151 | 36 | **1,827** |
| Utilised during the year | (1,863) | (197) | - | **(2,060)** |
| Movement due to change in foreign currency translation rates | 3 | - | - | **3** |
| **As at 31 December 2019** | **2,439** | **1,347** | **1,017** | **4,803** |
| Current | 2,439 | 1,101 | 23 | **3,563** |
| Non-current | - | 246 | 994 | **1,240** |

## 8. Dividends paid and proposed

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | $000 | $000 |
| **Dividends paid during the half-year:** | | |
| Final fully franked dividend for the financial year ended 30 June 2019: 4.0 cents, paid 3 October 2019 (2018: 4.05 cents) | 2,940 | 2,964 |
| **Dividends declared and not recognised as a liability:** | | |
| Interim fully franked dividend for the financial year ended 30 June 2020: 2.5 cents to be paid on 2 April 2020 (2019: 2.10 cents) | 2,106 | 1,541 |

## 9. Issued capital

Movement in ordinary share capital

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number | $000 | Number | $000 |
| As at 1 July | 73,410,315 | 51,125 | 73,117,908 | 50,221 |
| Shares issued - DRP | 149,980 | 713 | 111,282 | 516 |
| Shares issued - SPP | 10,410,000 | 49,736 | 65,669 | 289 |
| Exercise of share options | 90,000 | - | 82,500 | - |
| **As at 31 December** | **84,060,295** | **101,574** | **73,377,359** | **51,026** |

***Notes to the financial statements (continued)***

## 10. Earnings per share

Earnings and weighted number of shares used in calculating basic and diluted earnings per share is as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | $000 | $000 |
| Net profit attributable to ordinary equity holders of the Company | 3,684 | 3,062 |
| | **Number** | **Number** |
| **Weighted average number of ordinary shares for basic earnings per share** | **76,329,660** | **73,241,452** |
| Add effect of dilution – share options | 980,000 | 1,077,500 |
| **Weighted average number of ordinary shares for diluted earnings per share** | **77,309,660** | **74,318,952** |

## 11. Goodwill and intangible assets

| Consolidated | Goodwill | Brands | Customer contracts | Software development costs | Software and other assets # | Total |
|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Cost** | | | | | | |
| Balance at 1 July 2019 | 46,282 | 5,419 | 8,451 | 12,062 | 26,698 | 98,912 |
| Additions | - | - | - | 4,542 | - | 4,542 |
| **Balance at 31 December 2019** | **46,282** | **5,419** | **8,451** | **16,604** | **26,698** | **103,454** |
| **Accumulated Amortisation** | | | | | | |
| Balance at 1 July 2019 | - | - | (2,329) | (805) | (5,993) | (9,127) |
| Amortisation | - | - | (574) | (745) | (1,318) | (2,637) |
| **Balance at 31 December 2019** | **-** | **-** | **(2,903)** | **(1,550)** | **(7,311)** | **(11,764)** |
| **Net Book Value** | | | | | | |
| **At 30 June 2019** | **46,282** | **5,419** | **6,122** | **11,257** | **20,705** | **89,785** |
| **At 31 December 2019** | **46,282** | **5,419** | **5,548** | **15,054** | **19,387** | **91,690** |

# acquired externally or purchased as part of a business combination.

## 12. Restructure costs

In September 2019, the Group underwent reassessment of the internal personnel structure; this assessment is not associated with the ongoing activities of the entity. The restructuring costs charged to profit or loss consist of the following:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | $000 | $000 |
| Redundancy costs | 1,290 | - |
| | **1,290** | **-** |

***Notes to the financial statements (continued)***

## 13. Right-of-use asset

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $000 | $000 |
| Land and buildings – right-of-use | 21,515 | - |
| Less: Accumulated depreciation | (1,675) | - |
| | **19,840** | **-** |

Additions to the right of use assets during the half year were $292,000.

The Group leases buildings for its offices with agreements between three to seven years and in some cases with options to extend. On renewal, the terms of the leases are renegotiated.

The Group also leases office equipment but these are either short term or low value and have been expensed as incurred, not capitalised as right-of-use assets.

## 14. Lease liability

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $000 | $000 |
| Current | 1,388 | - |
| Non-current | 20,804 | - |
| | **22,192** | **-** |

## 15. Contingent liabilities

There are no contingent liabilities and there has been no change in contingent liabilities since the end of the last reporting date.

## 16. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2019.

## 17. Entities over which control has been lost during the period

Symmetry Networks Pty Ltd, a subsidiary of the Group was sold for a total consideration of $300,000.

| Name of the entity | Date control lost |
|---|---|
| Symmetry Networks Pty Ltd | 1 December 2019 |

## 18. Event after balance sheet date

**Dividend declared**

On 25 February 2020 the Directors of MNF Group Limited declared an interim fully franked dividend of 2.5 cents per share in respect of the half year period ended 31 December 2019.

The total amount of the interim dividend will be $2,106,000 and will be paid on 2 April 2020.

The interim dividend has not been provided for in the 31 December 2019 financial statements.

Other than the matters addressed above there have been no other significant events since the reporting date which would impact on the financial position of the Group as disclosed in the Statement of financial position as at 31 December 2019 or on the cash flow of the Group for the period ended on that date.

**Directors' declaration**

In accordance with a resolution of the Directors:

In the opinion of the Directors:

a) these financial statements and notes of the consolidated entity are prepared in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

On behalf of the Board

| | |
|---|---|
| Terry Cuthbertson | Rene Sugo |
| Chairman | Director and CEO |

Sydney, 25 February 2020

**MNF GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 37 118 699 853**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MNF GROUP LIMITED**

## Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of MNF Group Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

## Directors' Responsibility for the Half-year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the MNF Group Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MNF Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we consider the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.



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**Matters Relating to Electronic Publication of the Audited Financial Report**

This review report relates to the financial report of MNF Group Limited for the half-year ended 31 December 2019 included on the website of MNF Group Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

**Independence**

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

**Conclusion**

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

(i) giving a true and fair view of MNF Group Limited's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

MNSA PTY LTD
**MNSA Pty Ltd**

Afacey
**Allan Facey**
Director

Sydney
Dated this 25th day of February 2020



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