

**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 2017**

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**Results for announcement to the market**

|  |                                 |
|--|---------------------------------|
| Current reporting period:                | 1 July 2017 to 31 December 2017 |
| Previous corresponding reporting period: | 1 July 2016 to 31 December 2016 |

|   | <b>% Change</b> |    | <b>\$'000</b> |
|---|-----------------|----|---------------|
| Revenue from ordinary activities                                  | 27.6%           | to | 116,660       |
| Profit after tax from ordinary activities attributable to members | 24.5%           | to | 6,054         |
| Net profit for the period attributable to members                 | 24.5%           | to | 6,054         |

| <b>Dividend information:</b>                 | <b>Amount per security</b> | <b>Franked amount per security</b> |
|--|----------------------------|------------------------------------|
| 2017 interim dividend (paid 30 March 2017)   | 3.75 cents                 | 3.75 cents                         |
| 2017 final dividend (paid 28 September 2017) | 4.50 cents                 | 4.50 cents                         |
| 2018 interim dividend                        | 4.30 cents                 | 4.30 cents                         |

**Interim dividend dates:**

|              |              |
|--------------|--------------|
| Record date  | 6 March 2018 |
| Payment date | 5 April 2018 |

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 7 March 2018.

|   | <b>31 Dec 2017</b> | <b>31 Dec 2016</b> |
|---|--------------------|--------------------|
| <b>Net tangible assets per security</b> | 34.09 cents        | 19.04 cents        |

This information should be read in conjunction with the 2017 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.

Additional Information supporting the Appendix 4D disclosure requirements can be found in the Director's Report and the consolidated financial statements for the half-year ended 31 December 2017 lodged with this document.

This Appendix 4D and accompanying consolidated financial report for the half-year ended 31 December 2017 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 statements.



**MNF Group Limited | ABN 37 118 699 853**

**Financial report for the half-year ended 31 December 2017**

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This report is to be read in conjunction with the 30 June 2017 Annual Financial Report

**Contents:**

**Half-year financial report**

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## Directors' report

The Directors are pleased to present their report on the consolidated entity of MNF Group Limited for the half-year ended 31 December 2017.

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    |
| Rene Sugo         | Executive Director & CEO          | Director since March 2006    |

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

## Review and results of operations

Consolidated group earnings before interest, tax, depreciation and amortisation (EBITDA) for the 6 months to 31 December 2017 was \$11.9m and net profit after tax (NPAT) was \$6.1m, this represents an increase of 19% and 25% respectively over the prior corresponding period (PCP). EBITDA includes \$0.5m of costs incurred as part of the launch of the PennyTel MVNO, underlying EBITDA of \$12.4m is a 24% increase on PCP. The Growth in H1 includes strong organic margin growth in domestic and global wholesale segments coupled with the contribution of 6 months results from CCI, which was acquired in February 2017.

The following table summarises key financial metrics for the period:

|                     | Half-year ended 31 December<br>2017 | Half-year ended 31 December<br>2016 | % Change |
|---------------------|-------------------------------------|-------------------------------------|----------|
| Revenue             | \$116.7m                            | \$91.4m                             | +28%     |
| Gross profit        | \$34.1m                             | \$26.7m                             | +27%     |
| EBITDA <sup>^</sup> | \$11.9m                             | \$10.0m                             | +19%     |
| NPAT                | \$6.1m                              | \$4.9m                              | +25%     |
| EPS                 | 8.30 cents                          | 7.17 cents                          | +16%     |
| Interim dividend    | 4.30 cents                          | 3.75 cents                          | +15%     |

<sup>^</sup>EBITDA in the current year includes \$0.5m of costs related to PennyTel MVNO launch, underlying EBITDA is \$12.4m, a 24% increase on PCP. Prior year EBITDA excludes \$0.2m of acquisition costs.

The following table summarises the net debt position of the group:

|                        | 31 December 2017 | 30 June 2017     |
|------------------------|------------------|------------------|
| Cash                   | \$21.6m          | \$52.4m          |
| Debt                   | \$9.9m           | \$11.2m          |
| <b>Net debt/(cash)</b> | <b>(\$11.7m)</b> | <b>(\$41.2m)</b> |
| Facility limit         | \$27.0m          | \$27.0m          |

Gross Debt has decreased by \$1.3m in line with compulsory repayments. With a facility limit of \$27.0m the business has access to \$17.1m of debt funding to call on at short notice as we continue our search for suitable acquisition and growth opportunities. Cash has decreased in line with a corresponding decrease in trade payables.

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

**Dividends**

The Directors have resolved to pay a fully franked interim dividend of 4.30 cents per share for the period ending 31 December 2017. The record date for the interim dividend is 6 March 2018, with payment to be made on 5 April 2018.

**Business Review and Outlook**

The first half result for the organic business is in line with management's expectations for the period, it should be noted that the company historically delivers a stronger second half result and this trend is expected to continue in the current year.

In February the business finalised the investment into the Pennytel MVNO brand and this new business is forecast to impact EBITDA by \$3.5m in FY18 (\$0.5m of which has been incurred in H1). Full year NPAT including the Pennytel associated costs is expected to be \$12.5m. It is anticipated that the Pennytel MVNO will be EBITDA and NPAT accretive from FY19 H2. The company has updated its FY18 forecasts based on this one-off strategic investment with revised full year EBITDA and NPAT of \$25.0m and \$12.5m respectively.

***Domestic Retail Segment***

The directors are pleased with the results coming out of the Domestic retail segment which now includes the results of CCI. The first half of FY18 has seen revenue growth of 20% and margin growth of 39% on the prior corresponding period. This growth is driven by the inclusion of CCI for the full half. Continued success in the SMB and Enterprise & Government sub-segments, has been off-set by the decline in the residential sub-segment.

In January 2018 CCI was appointed to the NZ Telecommunications as a Service (TaaS) panel. CCI has been selected to provide audio, web and operator-assisted conferencing services to NZ government agencies under the 'Communications Tower', 1 of 5 TaaS 'service towers' categories. This appointment will provide considerable growth opportunities for CCI into the future.

***Domestic Wholesale Segment***

Domestic Wholesale Segment delivered 17% organic margin growth on the PCP. This result is due to the continued monotonic increase in recurring revenue subscriptions in the high margin hosted services products. The company expects momentum in this segment to continue for the foreseeable future.

Following the announcement in December 2016 that the company had launched a Mobile Virtual Network Operator (MVNO) on the Telstra Wholesale network. MNF Group has expanded its service suite to include 4G and 3G mobile services across its Domestic Retail and Domestic Wholesale Segments to deliver a complete communications solution. The company has now commissioned 18 MVNO sub-brands with many more in the pipeline as we enter H2.

***Global Wholesale Segment***

Global Wholesale saw impressive revenue and margin increases of 34% and 27% respectively on the prior corresponding period, with margin contribution for the half year of \$14.2m. This segment is benefiting from the POP expansion program that took place in the prior year and it is encouraging to see the changing revenue mix from usage based to recurring revenue business.

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

***Pennytel MVNO***

The relaunch of the Pennytel brand represents a unique opportunity for MNF Group to enter the mainstream telco market. Our Strategy is to lead with a mobile (MVNO) product offering based on our Telstra Wholesale MVNO agreement. We will later look to introduce broadband (NBN) once the brand is established, and the NBN roll-out has matured and made customer acquisition simpler.

***Launch highlights:***

- The investment is focussed on building a national brand focussed on the over 50's demographic
- All supporting technology is leveraging the MNF software ecosystem
- Business case is based on acquiring c.250k mobile SIOs by June 2020
- Targeted investment in Pennytel brand is c.\$3.5m in FY18, with it being EBITDA positive by FY19
- FY20 forecast EBITDA contribution of c.\$7.9m, and ongoing EBITDA growth thereafter
- Shareholders can subscribe at: [www.pennytel.com.au](http://www.pennytel.com.au)

The directors remain open to further growth by acquisition in the current financial year should the right opportunities present themselves. The criteria being sought after are: customer bases which can be migrated to the company's network giving a high return on investment, or intellectual property and network assets which can be integrated into the company's existing eco-system to provide additional growth opportunities, or additional capabilities which complement the company's stated strategies. All opportunities will be carefully scrutinised to ensure the best value and lowest risk for the company.

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

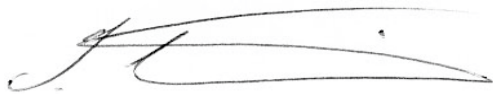
**Rounding**

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, 13 February 2018



**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 2017 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**

**Mark Schiliro**  
Director

Sydney  
Dated this 13<sup>th</sup> day of February 2018



## Consolidated statement of profit or loss and comprehensive income

| For the half-year ended:                                     | Note | Consolidated group  |                     |
|--|------|---------------------|---------------------|
|  |      | 31 December<br>2017 | 31 December<br>2016 |
|  |      | \$000               | \$000               |
| Continuing operations  |      |                     |                     |
| <b>Revenue</b>   | 4    | <b>116,660</b>      | <b>91,410</b>       |
| Cost of sales  |      | (82,601)            | (64,691)            |
| <b>Gross profit</b>  |      | <b>34,059</b>       | <b>26,719</b>       |
| Finance revenue  | 4    | 432                 | 650                 |
| Other income   |      | 32                  | -                   |
| Employee benefits expense                                    | 4    | (15,750)            | (12,833)            |
| Depreciation and amortisation                                | 4    | (2,870)             | (2,433)             |
| Other expenses   | 4    | (6,885)             | (4,737)             |
| Financing costs  | 4    | (760)               | (977)               |
| <b>Profit before income tax</b>                              |      | <b>8,258</b>        | <b>6,389</b>        |
| Income tax expense   |      | (2,204)             | (1,528)             |
| <b>Profit from continuing operations</b>                     |      | <b>6,054</b>        | <b>4,861</b>        |
| <b>Net profit for the period</b>                             |      | <b>6,054</b>        | <b>4,861</b>        |
| <b>Other comprehensive income for the period net of tax:</b> |      |                     |                     |
| <b>Items that may be reclassified to profit or loss:</b>     |      |                     |                     |
| Exchange differences on translation of foreign operations    |      | (181)               | (215)               |
| Changes in fair value of cash flow hedges                    |      | 408                 | 159                 |
| <b>Total comprehensive income for the period</b>             |      | <b>6,281</b>        | <b>4,805</b>        |
| <b>Earnings per share from continuing operations</b>         |      |                     |                     |
| - Basic earnings per share (cents)                           | 7    | 8.30                | 7.17                |
| - Diluted earnings per share (cents)                         | 7    | 8.21                | 7.08                |

The accompanying notes form part of these consolidated financial statements

## Consolidated statement of financial position

| As at:                               | Notes | Consolidated group |                |
|--------------------------------------|-------|--------------------|----------------|
|                                      |       | 31 December 2017   | 30 June 2017   |
|                                      |       | \$000              | \$000          |
| <b>Assets</b>                        |       |                    |                |
| <b>Current assets</b>                |       |                    |                |
| Cash and cash equivalents            |       | 21,577             | 52,358         |
| Trade and other receivables          |       | 30,110             | 30,121         |
| Financial instruments                |       | 139                | -              |
| Inventory                            |       | 1,344              | 669            |
| <b>Total current assets</b>          |       | <b>53,170</b>      | <b>83,148</b>  |
| <b>Non-current assets</b>            |       |                    |                |
| Property, plant and equipment        |       | 22,793             | 18,663         |
| Deferred income tax asset            |       | 621                | 958            |
| Goodwill and other intangibles       | 8     | 47,124             | 47,697         |
| <b>Total non-current assets</b>      |       | <b>70,538</b>      | <b>67,318</b>  |
| <b>Total assets</b>                  |       | <b>123,708</b>     | <b>150,466</b> |
| <b>Liabilities</b>                   |       |                    |                |
| <b>Current liabilities</b>           |       |                    |                |
| Trade and other payables             |       | 36,249             | 63,181         |
| Loans and borrowings                 |       | 2,500              | 2,500          |
| Deferred revenue                     |       | 1,248              | 1,611          |
| Income tax payable                   |       | 400                | 1,581          |
| Financial instruments                |       | -                  | 592            |
| Provisions                           |       | 1,436              | 1,483          |
| <b>Total current liabilities</b>     |       | <b>41,833</b>      | <b>70,948</b>  |
| <b>Non-current liabilities</b>       |       |                    |                |
| Loans and borrowings                 |       | 7,440              | 8,690          |
| Financial instruments                |       | 117                | 140            |
| Provisions                           |       | 951                | 921            |
| Deferred tax liability               |       | 1,361              | 1,420          |
| <b>Total non-current liabilities</b> |       | <b>9,869</b>       | <b>11,171</b>  |
| <b>Total liabilities</b>             |       | <b>51,702</b>      | <b>82,119</b>  |
| <b>Net assets</b>                    |       | <b>72,006</b>      | <b>68,347</b>  |
| <b>Equity</b>                        |       |                    |                |
| Issued capital                       | 6     | 49,557             | 49,000         |
| Reserves                             |       | 597                | 270            |
| Retained earnings                    |       | 21,852             | 19,077         |
| <b>Total equity</b>                  |       | <b>72,006</b>      | <b>68,347</b>  |

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of changes in equity

Attributable to owners of the company

| 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 2016:

**Balance at 1 July 2016**

|               |              |              |              |               |               |
|---------------|--------------|--------------|--------------|---------------|---------------|
| <b>26,440</b> | <b>1,353</b> | <b>(329)</b> | <b>(605)</b> | <b>12,109</b> | <b>38,968</b> |
|---------------|--------------|--------------|--------------|---------------|---------------|

Total comprehensive income for the period

|   |   |       |     |       |       |
|---|---|-------|-----|-------|-------|
| - | - | (215) | 159 | 4,861 | 4,805 |
|---|---|-------|-----|-------|-------|

Share-based payment transactions

|   |     |   |   |   |     |
|---|-----|---|---|---|-----|
| - | 140 | - | - | - | 140 |
|---|-----|---|---|---|-----|

Dividends paid

|   |   |   |   |         |         |
|---|---|---|---|---------|---------|
| - | - | - | - | (2,372) | (2,372) |
|---|---|---|---|---------|---------|

Shares issued - DRP

|     |   |   |   |   |     |
|-----|---|---|---|---|-----|
| 407 | - | - | - | - | 407 |
|-----|---|---|---|---|-----|

Exercise of options

|     |   |   |   |   |     |
|-----|---|---|---|---|-----|
| 956 | - | - | - | - | 956 |
|-----|---|---|---|---|-----|

**Balance at 31 December 2016**

|               |              |              |              |               |               |
|---------------|--------------|--------------|--------------|---------------|---------------|
| <b>27,803</b> | <b>1,493</b> | <b>(544)</b> | <b>(446)</b> | <b>14,598</b> | <b>42,904</b> |
|---------------|--------------|--------------|--------------|---------------|---------------|

For the half-year ended 31 December 2017:

**Balance at 1 July 2017**

|               |              |              |              |               |               |
|---------------|--------------|--------------|--------------|---------------|---------------|
| <b>49,000</b> | <b>1,646</b> | <b>(913)</b> | <b>(463)</b> | <b>19,077</b> | <b>68,347</b> |
|---------------|--------------|--------------|--------------|---------------|---------------|

Total comprehensive income for the period

|   |   |       |     |       |       |
|---|---|-------|-----|-------|-------|
| - | - | (181) | 408 | 6,054 | 6,281 |
|---|---|-------|-----|-------|-------|

Share-based payment transactions

|   |     |   |   |   |     |
|---|-----|---|---|---|-----|
| - | 100 | - | - | - | 100 |
|---|-----|---|---|---|-----|

Dividends paid

|   |   |   |   |         |         |
|---|---|---|---|---------|---------|
| - | - | - | - | (3,279) | (3,279) |
|---|---|---|---|---------|---------|

Shares issued - DRP

|     |   |   |   |   |     |
|-----|---|---|---|---|-----|
| 557 | - | - | - | - | 557 |
|-----|---|---|---|---|-----|

**Balance at 31 December 2017**

|               |              |                |             |               |               |
|---------------|--------------|----------------|-------------|---------------|---------------|
| <b>49,557</b> | <b>1,746</b> | <b>(1,094)</b> | <b>(55)</b> | <b>21,852</b> | <b>72,006</b> |
|---------------|--------------|----------------|-------------|---------------|---------------|

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of cash flows

| For the half-year ended:                                  | Consolidated group  |                     |
|---|---------------------|---------------------|
|   | 31 December<br>2017 | 31 December<br>2016 |
|   | \$000               | \$000               |
| <b>Cash flows from operating activities</b>               |                     |                     |
| Receipts from customers                                   | 93,478              | 95,435              |
| Payments to suppliers and employees                       | (112,095)           | (86,009)            |
| Payments for settlement of financial liability            | (416)               | -                   |
| Receipts from settlement of financial liability           | 153                 | -                   |
| Interest received   | 637                 | 305                 |
| Interest paid   | (382)               | (1,047)             |
| Income tax paid   | (3,105)             | (1,756)             |
| <b>Net cash from (used in) operating activities</b>       | <b>(21,730)</b>     | <b>6,928</b>        |
| <b>Cash flows from investing activities</b>               |                     |                     |
| Purchase of property, plant and equipment                 | (4,011)             | (2,899)             |
| Software development costs                                | (450)               | -                   |
| <b>Net cash (used in) investing activities</b>            | <b>(4,461)</b>      | <b>(2,899)</b>      |
| <b>Cash flows from financing activities</b>               |                     |                     |
| Proceeds from issue of shares - exercise of share options | -                   | 956                 |
| Proceeds from issue of shares - DRP                       | 557                 | 407                 |
| Dividends paid  | (3,279)             | (2,372)             |
| Repayment of borrowings                                   | (1,250)             | (1,250)             |
| <b>Net cash from (used in) financing activities</b>       | <b>(3,972)</b>      | <b>(2,259)</b>      |
| Net (decrease)/increase in cash and cash equivalents      | (30,163)            | 1,770               |
| Impact of foreign exchange on cash and cash equivalents   | (618)               | -                   |
| Cash and cash equivalents at beginning of period          | 52,358              | 52,889              |
| <b>Cash and cash equivalents at end of period</b>         | <b>21,577</b>       | <b>54,659</b>       |

The accompanying notes form part of these consolidated financial statements.

## **Notes to the Financial Statements**

### **1. Corporate information**

The condensed financial report for MNF Group Limited for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 13 February 2018.

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 MNF Group Limited changed during the period from Level 3, 580 George Street Sydney NSW 2000 to Level 4, 580 George Street Sydney NSW 2000.

### **2. Basis of preparation**

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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 2017 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 2017.

In the current period, the Group has adopted all 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. 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.

**Notes to the Financial Statements (continued)**

**3. Operating Segments**

The Group operates in one business segment being telecommunications, which is further broken down into 3 sub-segments. These sub-segments reflect the organisational structure of the day to day operations as well as the separate target markets, being Global Wholesale, Domestic Wholesale & Australian Domestic Retail.

**Australian Domestic Retail**

- 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 and theBuzz
- Key products in this segment include:
  - VoIP, Internet, Virtual PBX and SIP trunking
  - Conferencing, toll free numbers and number porting

**Australia/New Zealand Domestic Wholesale**

- The core Symbio and iBoss brands service wholesale customers based in Australia & New Zealand
- Key products in this segment include
  - Call termination, pre-select, SIP trunking, inbound numbers, virtual numbers and porting
  - Wholesale aggregation, SaaS, data enablement and MVNO

**Global Wholesale**

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

The Group has identified its operating segments based on internal management reporting that is used by the executive management team (chief operating decision makers) in assessing the performance and allocating resources.

The accounting policies used by the Group in reporting segment information internally, are the same as those contained in note 2 to the 2017 Financial Statements.

|                        | <b>Australian<br/>Domestic Retail</b> | <b>ANZ Domestic<br/>Wholesale</b> | <b>Global Wholesale</b> | <b>Total</b>   |
|------------------------|---------------------------------------|-----------------------------------|-------------------------|----------------|
|                        | <b>\$000</b>                          | <b>\$000</b>                      | <b>\$000</b>            | <b>\$000</b>   |
| <b>H1 2018</b>         |                                       |                                   |                         |                |
| External revenue       | 17,674                                | 13,544                            | 85,442                  | 116,660        |
| Inter-segment revenue  | -                                     | 2,463                             | 2,354                   | 4,817          |
| <b>Segment revenue</b> | <b>17,674</b>                         | <b>16,007</b>                     | <b>87,796</b>           | <b>121,477</b> |
| <b>Segment margin</b>  | <b>11,272</b>                         | <b>8,586</b>                      | <b>14,201</b>           | <b>34,059</b>  |
| <b>H1 2017</b>         |                                       |                                   |                         |                |
| External revenue       | 14,715                                | 13,041                            | 63,654                  | 91,410         |
| Inter-segment revenue  | -                                     | 2,466                             | 600                     | 3,066          |
| <b>Segment revenue</b> | <b>14,715</b>                         | <b>15,507</b>                     | <b>64,254</b>           | <b>94,476</b>  |
| <b>Segment margin</b>  | <b>8,137</b>                          | <b>7,367</b>                      | <b>11,215</b>           | <b>26,719</b>  |

**Notes to the Financial Statements (continued)**

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

|   | <b>For the half-year ended:</b> |                         |
|---|---------------------------------|-------------------------|
|   | <b>31 December 2017</b>         | <b>31 December 2016</b> |
|   | <b>\$000</b>                    | <b>\$000</b>            |
| <b>Revenue</b>                              |                                 |                         |
| Rendering of services                       | 116,660                         | 91,410                  |
|   | <b>116,660</b>                  | <b>91,410</b>           |
| <b>Finance revenue</b>                      |                                 |                         |
| Bank interest received on cash deposits     | 432                             | 650                     |
| <b>Employee benefits expense</b>            |                                 |                         |
| Wages and salaries                          | 13,587                          | 11,096                  |
| Superannuation                              | 1,184                           | 852                     |
| Share based payments expense                | 100                             | 140                     |
| Other employee benefits expense             | 879                             | 745                     |
|   | <b>15,750</b>                   | <b>12,833</b>           |
| <b>Depreciation and amortisation</b>        |                                 |                         |
| Depreciation of fixed assets                | 1,847                           | 1,606                   |
| Amortisation of intangible assets           | 1,023                           | 827                     |
|   | <b>2,870</b>                    | <b>2,433</b>            |
| <b>Other expenses</b>                       |                                 |                         |
| Marketing                                   | 622                             | 730                     |
| Property                                    | 1,421                           | 668                     |
| Technology and support                      | 1,130                           | 1,131                   |
| Distribution                                | 233                             | 200                     |
| Accounting and audit                        | 230                             | 339                     |
| Legal and consulting                        | 120                             | 316                     |
| Bank and transaction costs                  | 199                             | 213                     |
| Unrealised foreign exchange loss/(gain)     | 151                             | (244)                   |
| Other administrative expense                | 2,779                           | 1,384                   |
|   | <b>6,885</b>                    | <b>4,737</b>            |
| <b>Interest expense</b>                     |                                 |                         |
| Finance charges on bank loan                | 384                             | 436                     |
| Finance charges related to hedge instrument | 376                             | 541                     |
|   | <b>760</b>                      | <b>977</b>              |

**Notes to the Financial Statements (continued)**

**5. Dividends paid and proposed**

|  | 31 December 2017<br>\$000 | 31 December 2016<br>\$000 |
|--|---------------------------|---------------------------|
| <b>Dividends paid during the half-year:</b>  |                           |                           |
| Final fully franked dividend for the financial year ended 30 June 2017: 4.50 cents, paid 28 September 2017 (2016: 3.50 cents)      | 3,279                     | 2,372                     |
| <b>Dividends declared and not recognised as a liability:</b>   |                           |                           |
| Interim fully franked dividend for the financial year ended 30 June 2018: 4.30 cents to be paid on 5 April 2018 (2017: 3.75 cents) | 3,138                     | 2,727                     |

**6. Contributed equity**

**Movement in ordinary share capital:**

|                               | <b>2017</b>       |               | <b>2016</b>       |               |
|-------------------------------|-------------------|---------------|-------------------|---------------|
|                               | <b>Number</b>     | <b>\$000</b>  | <b>Number</b>     | <b>\$000</b>  |
| <b>As at 1 July</b>           | <b>72,778,264</b> | <b>49,000</b> | <b>67,454,337</b> | <b>26,440</b> |
| Shares issued - DRP           | 119,375           | 557           | 101,640           | 407           |
| Shares issued - share options | 89,250            | -             | 353,500           | 956           |
| <b>As at 31 December</b>      | <b>72,986,889</b> | <b>49,557</b> | <b>67,909,477</b> | <b>27,803</b> |

**7. Earnings per share**

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

|  | 31 December 2017<br>\$000 | 31 December 2016<br>\$000 |
|--|---------------------------|---------------------------|
| Net profit attributable to ordinary equity holders of the company                | 6,054                     | 4,861                     |
|  | <b>Number</b>             | <b>Number</b>             |
| <b>Weighted average number of ordinary shares for basic earnings per share</b>   | <b>72,899,074</b>         | <b>67,758,099</b>         |
| Add effect of dilution – share options   | 800,750                   | 891,500                   |
| <b>Weighted average number of ordinary shares for diluted earnings per share</b> | <b>73,699,824</b>         | <b>68,649,599</b>         |



**Notes to the Financial Statements (continued)**

**8. Goodwill and intangible assets**

| <b>Consolidated</b>                | <b>Goodwill</b> | <b>Brands</b> | <b>Customer contracts</b> | <b>Software development costs</b> | <b>Software and other assets #</b> | <b>Total</b>   |
|------------------------------------|-----------------|---------------|---------------------------|-----------------------------------|------------------------------------|----------------|
|                                    | <b>\$000</b>    | <b>\$000</b>  | <b>\$000</b>              | <b>\$000</b>                      | <b>\$000</b>                       | <b>\$000</b>   |
| <b>Cost</b>                        |                 |               |                           |                                   |                                    |                |
| Balance at 1 July 2017             | 30,789          | 4,823         | 2,933                     | 1,429                             | 11,476                             | 51,450         |
| Acquisition                        | -               | -             | -                         | -                                 | -                                  | -              |
| Additions                          | -               | -             | -                         | 450                               | -                                  | 450            |
| <b>Balance at 31 December 2017</b> | <b>30,789</b>   | <b>4,823</b>  | <b>2,933</b>              | <b>1,879</b>                      | <b>11,476</b>                      | <b>51,900</b>  |
| <b>Accumulated Amortisation</b>    |                 |               |                           |                                   |                                    |                |
| Balance at 1 July 2017             | -               | -             | (771)                     | (192)                             | (2,790)                            | (3,753)        |
| Amortisation                       | -               | -             | (293)                     | (143)                             | (587)                              | (1,023)        |
| <b>Balance at 31 December 2017</b> | <b>-</b>        | <b>-</b>      | <b>(1,064)</b>            | <b>(335)</b>                      | <b>(3,377)</b>                     | <b>(4,776)</b> |
| <b>Net Book Value</b>              |                 |               |                           |                                   |                                    |                |
| <b>At 31 December 2017</b>         | <b>30,789</b>   | <b>4,823</b>  | <b>1,869</b>              | <b>1,544</b>                      | <b>8,099</b>                       | <b>47,124</b>  |
| At 30 June 2017                    | 30,789          | 4,823         | 2,162                     | 1,237                             | 8,686                              | 47,697         |

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

**9. Contingent liabilities**

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

**10. 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 2017.

**11. Event after balance sheet date**

**Dividend declared:**

On 13 February 2018 the Directors of MNF Group Limited declared an interim fully franked dividend of 4.30 cents per share in respect of the half year period ended 31 December 2017.

The total amount of the interim dividend will be \$3,138,436 and will be paid on 5 April 2018.

The interim dividend has not been provided for in the 31 December 2017 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 2017 or on the cash flow of the Group for the period ended on that date.

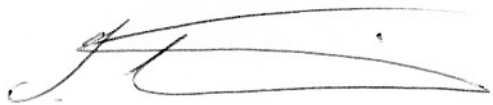
**Directors' Declaration**

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 2017 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  
Chairman



Rene Sugo  
Director and CEO

Sydney, 13 February 2018



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

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF**  
**MNF GROUP LIMITED**  
**ABN 37 118 699 853**

**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 2017, the consolidated statement of profit or loss and 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 2017 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.



## 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 2017 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 2017 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

**Mark Schiliro**  
Director

Sydney

Dated this 13<sup>th</sup> day of February 2018