

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 2018

Current reporting period	1 July 2018 to 31 December 2018
Previous corresponding reporting period	1 July 2017 to 31 December 2017

Results for announcement to the market

	% Change		\$'000
Revenue from ordinary activities	-15.9%	to	98,139
Profit after tax from ordinary activities attributable to members	-49.4%	to	3,062
Net profit for the period attributable to members	-49.4%	to	3,062

Dividend information:	Amount per security	Franked amount per security
2018 interim dividend (paid 5 April 2018)	4.30 cents	4.30 cents
2018 final dividend (paid 4 October 2018)	4.05 cents	4.05 cents
2019 interim dividend	2.10 cents	2.10 cents

Interim dividend dates:

Record date	7 March 2019
Payment date	4 April 2019

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 8 March 2019.

	31 Dec 2018	31 Dec 2017
Net tangible assets per security	(13.69) cents	34.09 cents

Explanation of results:

Gross profit increased 5% on the prior corresponding period (PCP) from \$34.1m to \$35.8m, with an underlying growth of 12% once expired contracts are excluded. Revenue is down 16% on the PCP due to the unwinding of those contracts in the global wholesale segment.

EBITDA of \$9.8m is 16% below the PCP. However, management remain confident of achieving forecast EBITDA in the range of \$27m - \$28m for the financial year.

The decrease in NPAT is impacted by \$0.8m of acquisition costs in the current period and by a \$1.3m increase in depreciation and amortisation.

	FY19 H1 \$'000	FY18 H1 \$'000
Revenue	98,139	116,660
Gross profit	35,849	34,059
EBITDA	9,798	11,556
NPAT	3,062	6,054

This information should be read in conjunction with the 2018 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 2018 lodged with this document.

This Appendix 4D and accompanying consolidated financial report for the half-year ended 31 December 2018 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 2018

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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 2018.

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 2018 was \$9.8m and net profit after tax (NPAT) was \$3.1m, which represents a decrease of 16% and 49% respectively over the prior corresponding period (PCP).

The business' underlying key performance indicators remain strong – namely number portability up 25% to 885k, total hosted numbers up 20% to 3.5m, organic unique wholesale customers up 16% to 329, Virtual PBX subscribers up 10% to 4k, and mobile subscribers up 350% to 18.5k.

The decrease in earnings in the first half are directly attributable to factors anticipated in the management budget, namely - Global Wholesale segment usage margins down by \$4m per annum due to contract unwinds, staff cost increases due to acceleration of the Asia-Pacific regional strategy, and additional operational expenses in Singapore ahead of the new wholesale product launch in that market.

The result also includes one-off transaction costs of \$0.8m due to the acquisition of SuperInternet Group Singapore on 6 July 2018 and the acquisition of the Wholesale and Enablement business of Inabox Group on 12 December 2018.

The following table summarises key financial metrics for the period:

	Half-year ended 31 December 2018	Half-year ended 31 December 2017	% Change
Revenue	\$98.1m	\$116.7m	-16%
Gross profit	\$35.8m	\$34.1m	+5%
EBITDA	\$9.8m	\$11.6m	-16%
NPAT	\$3.1m	\$6.1m	-49%
EPS	4.18 cents	8.30 cents	-50%
Interim dividend	2.10 cents	4.30 cents	-51%

Directors' report (continued)

Reconciliation of NPAT to EBITDA:

	Half-year ended 31 December 2018	Half-year ended 31 December 2017
NPAT	\$3.1m	\$6.1m
Add back:		
Depreciation and amortisation	\$4.2m	\$2.9m
Net interest	\$0.4m	\$0.3m
Non-cash share option costs	\$0.2m	\$0.1m
Costs related to acquisition	\$0.8m	-
Income tax expense	\$1.1m	\$2.2m
EBITDA	\$9.8m	\$11.6m

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

	31 December 2018	30 June 2018
Cash	\$10.5m	\$18.9m
Debt	\$54.4m	\$10.7m
Net debt/(cash)	\$43.9m	(\$8.2m)
Facility limit	\$55.0m	\$27.0m

During the period the Company negotiated an increase to its revolving acquisition facility to \$55.0m in order to accommodate acquisitions. Gross debt has increased to \$54.4m due to additional borrowings to fund the acquisition of the Wholesale and Enablement business of Inabox Group. MNF is refinancing its existing WBC facility and are in the process of establishing a club facility across two lenders. MNF is in receipt of highly confident indicative term sheets with the successful banks expected to be appointed by the end of February 2019, with financial close shortly thereafter. The new facility will have an aggregate limit of \$60m.

Cash has decreased in line with a corresponding decrease in trade payables consistent with prior years. The Company expects the cash position to remain stable going forward.

Dividends

The Directors have resolved to pay a fully franked interim dividend of 2.10 cents per share for the period ending 31 December 2018, in-line with previous dividend levels, 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 7 March 2019, with payment to be made on 4 April 2019.

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.

Directors' report (continued)

The Company had anticipated a step down in gross margin in the Global Wholesale segment usage business due to long-term contract unwinds. With this considered the gross margin would have grown significantly more than the actual result. The Company is confident that margin levels have stabilised in the Global Wholesale Segment, and performance in the second half will meet budget expectations.

In the area of costs, all major cost lines are within budget, with the major cost increase being in staff wages due to a planned increase in activity to support the Asia-Pacific regional expansion strategy, led by the Singapore market roll out currently under way.

Domestic Wholesale Segment

Overall the Domestic Wholesale segment performed strongly as expected with gross margin generated in the half up 41% on PCP to \$12.1m including one month of contribution from the Inabox acquisition (organically up 24% to \$10.7m).

The recurring margin business grew by 41% on PCP, and now represents 77% of the overall segment margin. This is consistent with the long-term strategy to grow recurring revenue streams from Domestic Wholesale customers based in Australia and New Zealand.

The segment performed strongly with organic growth across all key performance indicators (growth on PCP) – unique wholesale customers up 16% to 329, numbers ported in up 25% to 885K, and total hosted numbers up 20% to 3.5m.

The **Wholesale and Enablement business of Inabox Group** contributed one month to the overall segment result. The acquisition was completed on 12 December 2018. The integration planning is well under way with progress in the key areas of Human Resources, Brand Strategy, Product Strategy and Network Integration.

Global Wholesale Segment

Overall the Global Wholesale segment performed to expectation with gross margin generated in the half down 9% on PCP to \$12.9m (from \$14.2m). The decrease was entirely attributed to the usage portion of the segment which was forecast to step down \$4m per annum in margin due to a contract unwind.

The recurring margin business grew by 21% on PCP, and now represents 54% of the overall segment margin. This is consistent with the long-term strategy to grow recurring revenue streams in the Global Wholesale segment. The ongoing increase in gross margin is attributable to the organic addition of new next generation software customers globally, and incremental growth from existing customers. This segment continues to experience strong demand from global UCaaS, CPaaS and software-based providers.

Domestic Retail Segment

Overall the Domestic Retail Segment performed slightly below expectation with gross margin generated in the half down 4% on PCP to \$10.8m. This decline was attributable entirely to the consumer sub-segment declining quicker than anticipated.

The **Enterprise & Government** sub-segment continues to experience strong demand due to its flagship products – Microsoft Skype for Business, and Cisco Broadcloud. The segment is expected to perform strongly in the second half, and further into FY20.

Directors' report (continued)

The **Small to Medium Business** sub-segment continues to perform strongly with its flagship Virtual PBX product growing by 11% on PCP to 4,000 businesses. This sub-segment expects to continue to experience strong tail-winds due to the ongoing disruption to legacy copper voice services caused by the NBN roll out and the cease-sale of ISDN services by the major carriers.

The **Conferencing** (CCI) sub-segment gross margin contracted slightly during the period due to a softer than anticipated December. However, with cost savings achieved during the period this business continues to deliver growth at the EBITDA level. The CCI business is performing strongly in the high-end market of concierge conferencing services. The CCI business is launching a new suite of Web and Video conferencing products in coming months which is expected to drive new business in the middle market.

The **Consumer** sub-segment gross margin has declined quicker than anticipated due to legacy ADSL customer churn and lower than expected NBN upgrades, as a result, the Company is re-examining its short-term strategy in the consumer broadband market. The traditional MyNetFone VoIP business continues to perform to expectation with subscribers down only slightly to 81,880. The PennyTel brand continues to perform strongly with organic mobile subscribers up 600% on PCP to 6,636.

The gross margin split within the Domestic Retail Segment for the half consisted of:

- Enterprise & Government – 12%
- Small to Medium Business (SMB) – 46%
- Conferencing (CCI) – 29%
- Consumer – 13%

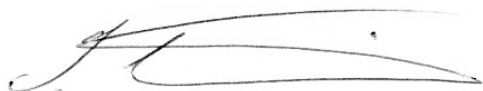
Rounding

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.

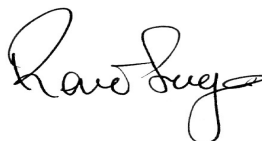
Auditor's Independence Declaration

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, 26 February 2019



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 2018 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 26th day of February 2019

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended	Note	Consolidated group	
		31 December 2018	31 December 2017
		\$000	\$000
Continuing operations			
Revenue	4	98,139	116,660
Cost of sales		(62,290)	(82,601)
Gross profit		35,849	34,059
Finance revenue	4	65	432
Other income		135	32
Employee benefits expense	4	(17,955)	(15,750)
Depreciation and amortisation	4	(4,178)	(2,870)
Other expenses	4	(8,441)	(6,885)
Costs related to acquisition		(782)	-
Financing costs	4	(531)	(760)
Profit before income tax		4,162	8,258
Income tax expense		(1,100)	(2,204)
Profit from continuing operations		3,062	6,054
Net profit for the period		3,062	6,054
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		303	(181)
Changes in fair value of cash flow hedges		(36)	408
Total comprehensive income for the period		3,329	6,281
Earnings per share from continuing operations			
- Basic earnings per share (cents)	10	4.18	8.30
- Diluted earnings per share (cents)	10	4.12	8.21

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

As at	Notes	Consolidated group	
		31 December	30 June
		2018	2018
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents		10,487	18,870
Trade and other receivables	5	40,002	33,450
Income tax receivable		939	-
Inventory		1,350	650
Total current assets		52,778	52,970
Non-current assets			
Property, plant and equipment		29,070	23,144
Deferred income tax asset		1,978	1,040
Goodwill and other intangibles	11	87,657	48,754
Total non-current assets		118,705	72,938
Total assets		171,483	125,908
Liabilities			
Current liabilities			
Trade and other payables	6	30,050	30,120
Loans and borrowings		10,500	2,500
Customer deposits		1,469	1,763
Income tax payable		-	1,996
Provisions	7	3,067	1,801
Total current liabilities		45,086	38,180
Non-current liabilities			
Loans and borrowings		43,875	8,190
Financial instruments		114	80
Provisions	7	1,991	1,876
Deferred tax liability		2,804	1,349
Total non-current liabilities		48,784	11,495
Total liabilities		93,870	49,675
Net assets		77,613	76,233
Equity			
Issued capital	9	51,026	50,221
Reserves		1,970	1,493
Retained earnings		24,617	24,519
Total equity		77,613	76,233

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	Translat- ion reserve	Hedging reserve	Retained earnings	Total
\$000	\$000	\$000	\$000	\$000	\$000

For the half-year ended 31 December
2017

Balance at 1 July 2017	49,000	1,646	(913)	(463)	19,077	68,347
Profit for the period	-	-	-	-	6,054	6,054
Other comprehensive income	-	-	(181)	408	-	227
Share-based payment transactions	-	100	-	-	-	100
Dividends paid	-	-	-	-	(3,279)	(3,279)
Shares issued - DRP	557	-	-	-	-	557
Balance at 31 December 2017	49,557	1,746	(1,094)	(55)	21,852	72,006

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

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

For the half-year ended	Consolidated group	
	31 December 2018	31 December 2017
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	104,696	93,478
Payments to suppliers and employees	(105,542)	(112,095)
Payments for settlement of financial liability	-	(416)
Receipts from settlement of financial liability	-	153
Interest received	91	637
Interest paid	(597)	(382)
Income tax paid	(4,276)	(3,105)
Net cash used in operating activities	(5,628)	(21,730)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,947)	(4,011)
Software development costs	(4,101)	(450)
Payment for business acquisitions	(35,570)	-
Net cash used in investing activities	(44,618)	(4,461)
Cash flows from financing activities		
Proceeds from issue of shares - SPP	289	-
Proceeds from issue of shares - DRP	515	557
Dividends paid	(2,965)	(3,279)
Repayment of borrowings	(1,250)	(1,250)
Proceeds from borrowings	44,935	-
Repayment of finance lease liability	(48)	-
Net cash from/(used in) financing activities	41,476	(3,972)
Net decrease in cash and cash equivalents	(8,770)	(30,163)
Impact of foreign exchange on cash and cash equivalents	387	(618)
Cash and cash equivalents at beginning of period	18,870	52,358
Cash and cash equivalents at end of period	10,487	21,577

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 for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 26 February 2019.

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 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 2018 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 2018 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 interim 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 2018.

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 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 Australian Domestic Retail, ANZ Domestic Wholesale & 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:

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, 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

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 & 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

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 2018 Financial Statements.

	Australian Domestic Retail	ANZ Domestic Wholesale	Global Wholesale	Total
	\$000	\$000	\$000	\$000
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
H1 2018				
External revenue	17,674	13,544	85,442	116,660
Inter-segment revenue	-	2,463	2,354	4,817
Segment revenue	17,674	16,007	87,796	121,477
Segment margin	11,272	8,586	14,201	34,059

Notes to the financial statements (continued)

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

	31 December 2018	31 December 2017
	\$000	\$000
Revenue		
Rendering of services	98,139	116,660
	98,139	116,660
Finance revenue		
Bank interest received on cash deposits	65	432
Employee benefits expense		
Wages and salaries	15,467	13,587
Superannuation	1,241	1,184
Share based payments expense	210	100
Other employee benefits expense	1,037	879
	17,955	15,750
Depreciation and amortisation		
Depreciation of fixed assets	3,057	1,847
Amortisation of intangible assets	1,121	1,023
	4,178	2,870
Other expenses		
Marketing	912	622
Property	1,784	1,421
Technology and support	1,598	1,130
Distribution	264	233
Audit and tax	266	230
Legal and consulting	176	120
Bank and transaction costs	194	199
Unrealised foreign exchange (gain)/loss	(191)	151
Other administrative expense	3,438	2,779
	8,441	6,885
Interest expense		
Finance charges on bank loan	531	384
Finance charges related to hedge instrument	-	376
	531	760

Notes to the financial statements (continued)

5. Trade and other receivables

	31 December 2018	30 June 2018
	\$000	\$000
Trade receivables	36,993	30,671
Doubtful debts provision	(2,179)	(1,010)
Other receivables	5,188	3,789
	40,002	33,450

6. Trade and other payables

Trade payables	14,659	10,264
Other creditors and accruals	15,011	19,797
Security deposits held	380	59
	30,050	30,120

7. Provisions

	Annual leave	Long service leave	Makegood provision	Total
	\$000	\$000	\$000	\$000
As at 1 July 2018	1,708	974	995	3,677
Arising during the year	1,382	126	-	1,508
Acquired during the year	632	464	26	1,122
Utilised during the year	(1,230)	(21)	-	(1,251)
Movement due to change in foreign currency translation rates	(1)	-	3	2
As at 31 December 2018	2,491	1,543	1,024	5,058
Current	2,491	333	243	3,067
Non-current	-	1,210	781	1,991

8. Dividends paid and proposed

	31 December 2018	31 December 2017
	\$000	\$000
Dividends paid during the half-year:		
Final fully franked dividend for the financial year ended 30 June 2018: 4.05 cents, paid 4 October 2018 (2017: 4.50 cents)	2,964	3,279
Dividends declared and not recognised as a liability:		
Interim fully franked dividend for the financial year ended 30 June 2019: 2.10 cents to be paid on 4 April 2019 (2018: 4.30 cents)	1,541	3,138

Notes to the financial statements (continued)

9. Issued capital

Movement in ordinary share capital

	2018		2017	
	Number	\$000	Number	\$000
As at 1 July	73,117,908	50,221	72,778,264	49,000
Shares issued - DRP	111,282	516	119,375	557
Shares issued - SPP	65,669	289	-	-
Shares issued - share options	82,500	-	89,250	-
As at 31 December	73,377,359	51,026	72,986,889	49,557

10. Earnings per share

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

	31 December 2018	31 December 2017
	\$000	\$000
Net profit attributable to ordinary equity holders of the company	3,062	6,054
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	73,241,452	72,899,074
Add effect of dilution – share options	1,077,500	800,750
Weighted average number of ordinary shares for diluted earnings per share	74,318,952	73,699,824

Notes to the financial statements (continued)

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 2018	30,789	4,823	2,933	3,779	12,180	54,504
Additions	15,924	2,000	3,000	4,100	15,000	40,024
Balance at 31 December 2018	46,713	6,823	5,933	7,879	27,180	94,528
Accumulated Amortisation						
Balance at 1 July 2018	-	-	(1,358)	(427)	(3,965)	(5,750)
Amortisation	-	-	(293)	(241)	(587)	(1,121)
Balance at 31 December 2018	-	-	(1,651)	(668)	(4,552)	(6,871)
Net Book Value						
At 31 December 2018	46,713	6,823	4,282	7,211	22,628	87,657
At 30 June 2018	30,789	4,823	1,575	3,352	8,215	48,754

acquired externally or purchased as part of a business combination.

12. Business combinations

SuperInternet Group

On 21 June 2018, MNF Group Limited announced the purchase of Superinternet (S) Pte Ltd and its subsidiary, Superinternet Access Pte Ltd for \$2.0m. The acquisition completed on 6 July 2018.

SuperInternet has a fully interconnected voice network infrastructure in Singapore.

The acquisition of SuperInternet has been recognised in the accounts as follows:

	Consolidated provisional
	\$000
Purchase consideration paid	1,993
Less cash acquired	(43)
Net cash paid	1,950
Less fair value of identifiable net assets	(1,950)
Goodwill	-
Identifiable net assets acquired:	
Trade receivables	277
Doubtful debts provision	(30)
Other debtors	224
Deferred tax asset	418
Fixed Assets	3,081
Accumulated Depreciation	(569)
Trade creditors	(564)
Other creditors	(887)
Provisional fair value of identifiable net assets	1,950

Notes to the financial statements (continued)

12. Business combinations (continued)

Wholesale and Enablement business from Inabox Group

On 8 October 2018, MNF Group Limited announced the purchase of the Wholesale and Enablement business of Inabox Group for \$34.5m. The acquisition included Telcoinabox Operations Pty Ltd, Ivox Pty Ltd, Neural Networks Pty Ltd, Symmetry Networks Pty Ltd and Mobile Service Solutions Pty Ltd. The acquisition completed on 12 December 2018.

The Inabox Group performs a leading role in the Australian wholesale telecommunications market and brings considerable volume and scale to the MNF Group.

Goodwill arising from the acquisition has been recognised as follows:

	Consolidated provisional
	\$000
Purchase consideration paid	34,470
Less cash acquired	(200)
Net cash paid	34,270
Less fair value of identifiable net assets	(18,346)
Goodwill	15,924
Identifiable net assets acquired:	
Trade receivables	6,691
Doubtful debts provision	(1,073)
Other debtors	1,644
Deferred tax asset	370
Fixed Assets	4,528
Accumulated Depreciation	(3,165)
Customer contracts	3,000
Brand names	2,000
Software	15,000
Deferred tax liability	(1,500)
Trade creditors	(5,359)
Other creditors	(2,249)
Provisions	(1,123)
Customer deposits	(418)
Provisional fair value of identifiable net assets	18,346

The fair value of the acquired intangible assets (brand name, customer bases and software assets) is in the process of being independently valued, the provisional accounting above includes numbers based on management estimates and will be revised should the formal valuation of these assets be materially different.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

12. Contingent liabilities

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

13. 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 2018.

Notes to the financial statements (continued)

14. Entities over which control has been gained during the period

Name of the entity	Date control gained
Superinternet (S) Pte Ltd	6 July 2018
Superinternet Access Pte Ltd	6 July 2018
Telcoinabox Operations Pty Ltd	12 December 2018
Ivox Pty Ltd	12 December 2018
Neural Networks Pty Ltd	12 December 2018
Symmetry Networks Pty Ltd	12 December 2018
Mobile Service Solutions Pty Ltd	12 December 2018

15. Event after balance sheet date

Dividend declared

On 26 February 2019 the Directors of MNF Group Limited declared an interim fully franked dividend of 2.10 cents per share in respect of the half year period ended 31 December 2018.

The total amount of the interim dividend will be \$1,540,925 and will be paid on 4 April 2019.

The interim dividend has not been provided for in the 31 December 2018 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 2018 or on the cash flow of the Group for the period ended on that date.

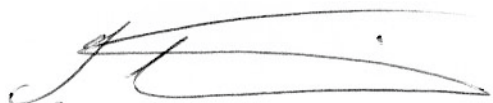
Directors' declaration

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 2018 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, 26 February 2019



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 2018, 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 2018 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 2018 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 2018 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 26th day of February 2019