Appendix 4E

(ASX Listing rule 4.3A)
Financial report for the year ended 30 June 2021

1. Reporting periods

Current reporting period:	1 July 2020 to 30 June 2021
Previous reporting period:	1 July 2019 to 30 June 2020

2. Results for announcement to the market

	%Change		$'000
2.1 Revenue from ordinary activities			
Revenue from ordinary activities – continuing operations	-5.2%	to	203,740
Revenue from ordinary activities – discontinued operations	-6.7%	to	14,949
Group Consolidated revenue from ordinary activities	-5.3%	to	218,689
2.2 Profit after tax from ordinary activities attributable to members			
Profit after tax from ordinary activities attributable to members – continuing operations	45.8%	to	11,882
Profit after tax from ordinary activities attributable to members – discontinued operations	-2.6%	to	3,696
Group Consolidated profit after tax from ordinary activities attributable to members	30.4%	to	15,578
2.3 Net profit for the period attributable to members			
Net profit for the period attributable to members – continuing operations	45.8%	to	11,882
Net profit for the period attributable to members – discontinued operations	-2.6%	to	3,696
Group Consolidated net profit for the period attributable to members	30.4%	to	15,578

	Amount per security	Franked amount per security
2.4 Dividend information		
2021 interim dividend (paid 1 April 2021)	3.3 cents	3.3 cents
2021 final dividend (paid 30 September 2021)	4.3 cents	4.3 cents
Total dividend per share for the year	7.6 cents	7.6 cents

2.5 FY2021 final dividend dates

Record date	2 September 2021
Payment date	30 September 2021

A Dividend Reinvestment Plan (DRP) is not in place for this dividend.

2.6 Brief explanation

As at 30 June 2021, the Group has indicated that part of the Direct business is intended to be sold in financial year 2022. Additional information supporting the Appendix 4E disclosure requirements can be found in the Director's Report and the consolidated financial report for the year ended 30 June 2021 lodged with this document.

	30 Jun 2021	30 Jun 2020
3. Net tangible assets per security	59.14 cents*	54.33 cents

*calculated based on total for the Group, including goodwill and intangibles held in assets classified as held for sale on the consolidated statement of financial positions

4. Entities over which control has been lost and gained

During the year, Pennytel Australia Pty Ltd, a subsidiary of MNF Group Limited, was sold on 5 March 2021.

During the year, Comms Code Pty Limited and Tariff Expert Pty Limited became 100% owned subsidiaries of MNF Group Limited from share purchases on 1 March 2021.

This information should be read in conjunction with the 2021 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.

The Appendix 4E and accompanying consolidated financial report have been audited and are not subject to any disputes or qualifications. The Independent Auditors Report is included in the attached consolidated financial report.

MNF Group Limited
Annual Report 2021

ABN 37 118 699 853

mnf group

Record phone number growth & strong performance across all metrics

EBITDA[1]

↑ $43.1m

Up 13% vs FY20

Underlying NPAT-A[2]

↑ $19.2m

Up 16% vs FY20

Gross Margin

↑ $102.2m

Up 6% vs FY20

Recurring Gross Margin

↑ $68.1m

Up 14% vs FY20

Net Retention Rate Top 10 Customers[3]

↑ 115%

Phone Numbers

↑ 5.8m

Up 29% vs FY20

1. EBITDA excludes restructure costs, gain on sale of Direct Segment brands, net interest, non-cash share scheme costs, acquisition costs, tax, depreciation and amortisation.
2. Underlying NPAT-A exclude amortisation of acquired customer contracts & acquired software, tax affected gain on sale of Direct Segment brands and restructure costs.
3. NRR (Net Retention Rate) is FY21 revenue compared to FY20 revenue of MNF Group's top 10 customers (excluding those that are minutes trading only). These customers combined represent approximately 19% of FY21 revenue.

Contents

Message from our Retiring Chairman

Terry Cuthbertson
Chairman,
Non-Executive
Director

Dear Fellow Shareholders,

It has been a great privilege to serve the company over the past 15 years in the role of Chairman. When I look back on all we've achieved in the past decade and a half and how much we've grown as a company, it really is remarkable. MNF began life as a small Australian start-up with a mere handful of employees, focusing on bringing low-cost VoIP calling to Australian families. From these humble beginnings, we've grown into a leader in cloud communications, now knocking on the door of Asia and beyond.

With over 400 employees worldwide, listed on the ASX and enabling companies like Zoom, Google and Twilio to launch and scale communication services without constraints, one thing is clear – the rise of MNF Group is a true Australian success story.

Even in the very early days of the business, we had a consistent vision of expansion, with our sights set firmly on Asia. Naturally, the vision evolved over the years, but it always stayed true to seeing the Asia-Pacific region as the next leap of opportunity for the growth of MNF.

Our achievements over the years

I was fortunate enough to oversee innumerable accomplishments by the team in my 15 years as Chairman, but I've highlighted six key achievements that stand out for me above the rest:

Listing on the ASX in 2006 – An important milestone, our IPO helped to expand our addressable market from consumers and small business to enterprise and wholesale - both domestic and global.

Consolidation of MNF and Symbio – Consolidating the two formerly separate companies helped to synergise the teams while giving MNF the foundations that allowed it to take off and succeed.

Strategic wins – From signing up Skype as our first major global customer, followed by Google and other industry-leading companies, we've had a lot of wins to celebrate over the years. In the Enterprise space, our contract with the Tasmanian Government was a major proof-point of our technological capabilities. In the wholesale space, the acquisition of TNZI helped us establish a foothold in the international market, while the acquisition of Telcoinabox served as the foundation of our telco-as-a-service segment.

Three key segments - The structuring of our business around the CPaaS, UCaaS and TaaS segments going forward directly fuels our growth to 100 million numbers and significantly expands our margins.

Focus on strategy - The recent divestments of Pennytel and MyNetFone are in-line with the focus on our strategy to maximise growth, while also simplifying the Group's structure and brands.

Executing into Asia – Our expansion will take our homegrown products and innovation to new shores, empowering software companies to enable calling and messaging via MNF-hosted phone numbers.

With Anne taking over the position of Chair for MNF, I know I'm leaving the company in safe hands and MNF in a great place to achieve its goals for the future. I'd like to thank all my fellow Board members for their service over the years, as well as thanking all of our employees for their hard work and dedication. I have to also thank all the shareholders of MNF, especially those who have been with us since day one – it was your belief in the company and what we could do that has propelled us to where we are now. I wish the company all the success going forward and will be keenly watching the next stage of growth.

Terry Cuthbertson
Chairman

Message from our Incoming Chairman

Anne Ward
Chairman,
Non-Executive Director

Dear Shareholders,

MNF Group is a great example of Australian innovation and growth. I am excited to have joined the Board as Chairman and I'm looking forward to continuing to build on MNF's success and leading this already high-performing Board to even greater heights.

I would like to thank my predecessor Terry Cuthbertson for his leadership of the MNF Board over the past 15 years and acknowledge the extraordinary legacy of achievements under his Chairmanship.

MNF is a regional leader in cloud communications, with a strong balance sheet, a proven business model, a blue chip client list and an experienced management team. The pandemic has accelerated the take up of next generation communications services and MNF is poised to build on its track record of strong growth in Australia and New Zealand by expanding its reach into South East Asia.

The recent launch in Singapore is the first step of this expansion. In coming months, further steps will be taken to build on this start and make MNF's unique software platform available in other Asian countries. The time to move into Asia is now, as over the next few years, 90% of global enterprises will leverage CPaaS, 75% of enterprise meetings will be virtual and 74% of unified communications users will be cloud-based. This expansion will help fuel MNF's growth to 100 million numbers, empowering service providers and creating choice for customers across the Asia Pacific Region.

Reflecting that MNF's core business is software, the company will now be organized around three operating divisions – CPaaS, TaaS and UCaaS - which will drive a sharper focus on the needs of our target customer groups. From FY22, our financial reporting will also reflect these operating segments. This new segmentation will allow direct comparison with our peers on a global stage, further demonstrating MNF's growth potential.

I look forward to working with Rene Sugo and the rest of the MNF Group Board as we guide the company through the next exciting phase of its growth and help MNF to generate value for its customers and its shareholders. Thank you for your ongoing support of MNF Group.

Anne Ward

Anne Ward
Chairman

Message from our CEO

Rene Sugo
Chief Executive Officer

Dear Fellow Shareholders,

Over the past 12 months, MNF Group has demonstrated reliability and resilience amongst the waves of uncertainty and upheaval that we've all had to contend with. With the COVID-19 pandemic still widespread worldwide, we have readily adapted to unforeseen changes and challenges along the way. Much like a year ago, however, the accelerated shift into unified communications and collaboration platforms has meant MNF is at the forefront of enabling society during this tumultuous time.

Singapore expansion

One of our biggest achievements in FY21 was launching our Symbio Singapore Network by our intended date of June 30, 2021, completing all regulatory approvals and a customer trial before 'going live'. With this, we have built a state-of-the-art, fully interconnected voice network in Singapore, a feat that has not been achieved in over 20 years prior to our entry into the country.

We intend to disrupt the Singapore communications market and enable the entry of our global customers and UCaaS innovators into one of the most digitally competitive countries in the Asia-Pacific region. Our expansion into the Lion City is delivering innovation, competition and flexibility to an underserved market, just as we transformed the Australian wholesale communications market back in 2004.

Focus on strategy

Domestically, we embarked on a journey of simplification and a focus on strategy, streamlining our brands through the divestment of non-core assets in order to focus on high performing opportunities. The recent sales of both the Pennytel brand to Macarthur Telecom and the MyNetFone consumer and small business segments to Vonex align with this goal. Finding a good home for these parts of the business – encompassing our customers, products and most importantly, our people – was crucial and we're very excited to see Macarthur and Vonex bring their own big plans for these segments to fruition.

What both the Singapore expansion and domestic business simplification speak to from my perspective is something that I pride myself, and by extension the Group, in doing: always delivering on our promises to investors. To list just three examples, we committed to a strategic review of our Direct business unit, launching Singapore by June 30 and hitting our top of guidance EBDITA target of $43 million. We achieved all three of these goals and look forward to continuing to deliver for our investors into FY22 and beyond.

Market outlook

In line with this journey of streamlining, for both our customers and investors, I am excited to announce the creation of three new software as a service (SaaS) divisions (explained further on p10) that will define our business going forward:

- Communications Platform as a Service (CPaaS)
- Telco as a Service (TaaS)
- Unified Communication as a Service (UCaaS)

Each of these divisions will directly contribute to our goal of 100 million numbers on the MNF network by 2030. This is our 'north star' and everything we do - every code release, every customer win, every port-in, every completed ticket - brings us closer to this objective.

MNF's target growth regions 2021-2030

100 million numbers is an ambitious target, but through geographic expansion, growing our market share and focusing on our three core divisions, we are on track to hit this important target. Moving into favourable technological, competitive and regulatory environments, as well as selecting some of the larger developed markets in the region to launch into, helps to build our scale and momentum.

Thank you from MNF

As various regions around the world have entered in and out of lockdown over the past year, our people have quickly adapted to the challenges of the new ways of working. As a business, we have embraced flexible working and supported our employees around the world, providing tools – both collaborative and well-being oriented - to navigate the pandemic.

Despite not being able to 'recharge our batteries' with travel and time away, the MNF team, including the Executive Team, has continued to handle the non-stop pressure and achieve our company goals, all while maintaining engagement levels across the business throughout an often-challenging year. I cannot thank our team enough for this massive effort.

I would like to also take this opportunity to thank our departing Chair of the Board Terry Cuthbertson for his 15 years of service to MNF Group. I am incredibly grateful for his leadership and guidance since 2006 and wish him great success in his next venture. At the same time, I am excited for the board renewal that we have recently undertaken and I am looking forward to working with Anne Ward, our new Chair of the Board.

Thank you to all our shareholders for their continued support. The company is looking forward to executing its refined strategy and continued growth well into the future.

Rene Sugo
CEO and Executive Director

Disrupting the multi-billion dollar telecom industry

The way we communicate is shifting into the cloud, creating a major new market valued at more than seventy billion dollars.[1]

Market context

Shift to cloud communications creating opportunity

While the move to cloud communication has been underway for many years, it is being accelerated by the need to replace end-of-life telecom networks. In addition, the COVID-19 pandemic is creating ubiquitous demand for collaboration tools to connect with friends, colleagues, customers and investors.

Globally, the biggest winners in this space are software innovators such as Zoom, Twilio, RingCentral and Microsoft, who are all MNF customers.

Locally, there are hundreds of small retail service providers (RSPs) and managed service providers (MSPs) winning share at the expense of the major telecommunications companies.

As a leading voice and messaging enabler, MNF plays a crucial role in this market disruption.

Value proposition

With our software platform, service providers from any part of the world, of any size, can 'switch on' communications coverage in Australia, New Zealand and Singapore.

MNF provides communication APIs, online self-service tools and cloud-based infrastructure that are the backbone of cloud communications.

The value we provide is critical to the technology stack of major cloud communication providers.

In Australia/New Zealand, we are the trusted backbone for 80% of vendors in Gartner's UCaaS Magic Quadrant and CPaaS Market Guide.[2]

Target market

Large and diverse addressable market

MNF is focused on service providers. We sell to businesses that in turn develop, sell and deliver their own communication products.

The service provider market is large, diverse and underserved by both legacy networks and telecom aggregators. It encompasses:

- **Software companies** Global businesses with a proprietary product, like Zoom, Microsoft and RingCentral.
- **Large telcos** Established telcos like Southern Phone Company or 2 Degrees, wanting to digitally transform their carrier foundation.
- **Small telcos & resellers** Local telecom businesses extending their product suite by selling NBN, Mobile and Hosted PBX.
- **Enterprise & Government** ICT providers tasked with deploying Teams Direct Routing and Webex Calling.

[1] Total of the combined worldwide market forecasts for UCaaS ($53B), CCaaS ($15B) and CPaaS ($17B) to 2023. Source: Gartner (2021), IDC (2020).

[2] Based on vendors included 2018 – 2020. Calculated share is correct as of December 2020.

[3] Forecast to 2025. Source: Frost & Sullivan (2020).

Competitive advantage

MNF bridges the gap between telecom and software

Cloud communications is a new paradigm, and it is leaving legacy networks behind.

When a service provider needs to deliver cloud communications they depend on access to key pieces of the telecom network: phone numbers, porting, and the ability to route calls and SMS. MNF provides all of these key inputs to service providers.

Importantly, cloud communication providers need these capabilities in the form of software:

- APIs they integrate into their own platforms, automating otherwise manual processes
- Online tools for telecom compliance, self-service ordering and number management
- Cloud-based infrastructure they can launch and scale quickly at minimal cost
- For RSPs and MSPs: Resale-ready products that can be easily customised and launched

Old-world telecom incumbents cannot deliver these software-enabled capabilities. They do not meet the needs of cloud-native telecoms and software providers. MNF bridges the gap between telecom and software – a unique offering in the Asia Pacific market.

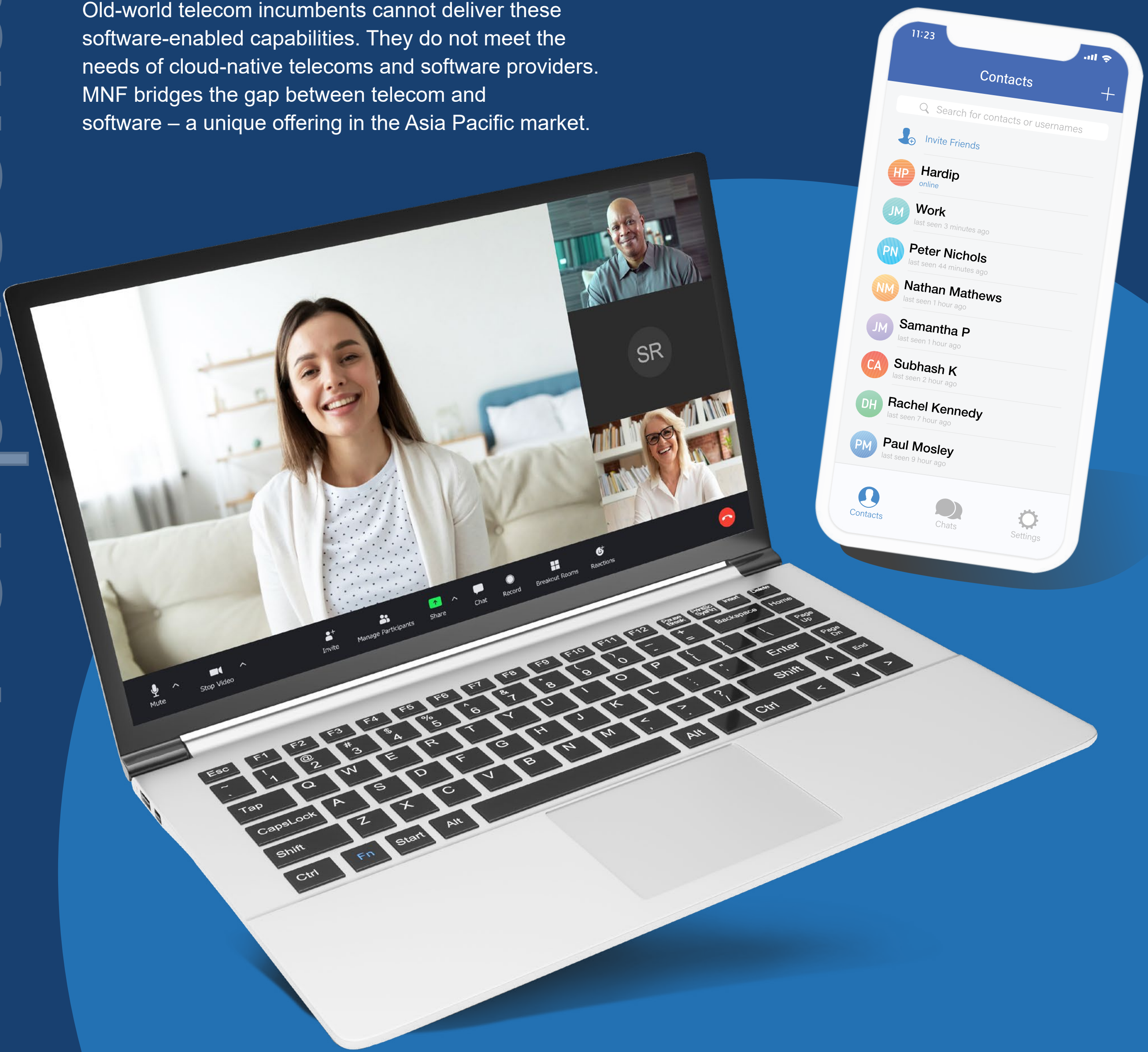
Executing a global growth strategy

MNF expanding into new markets, worldwide

Our strategic focus is taking our suite of software-enabled capabilities into more countries across the Asia-Pacific (APAC) region.

We see APAC as a huge, long-term and largely underserved market for cloud communications. In the coming years UCaaS adoption is forecast at ~23% CAGR[3] likely outpacing growth in North America and Western Europe.

We are planning and investing today to be at the leading edge of this exciting opportunity. We have successfully launched our business in Singapore, providing a stepping stone into new markets across the Asia Pacific.



Our Strategy

We continue to execute our strategic vision and build MNF into a world-class software company.

Achieved all FY21 goals

The achievements of FY21 have helped to focus and transform our business. Key strategic milestones include:

- Simplification through the divestment of non-core parts of our Direct business
- Expanding into Asia with the official launch of our network in Singapore
- Continuing to add phone numbers and grow share in the Australian and New Zealand markets
- Defending our position as a trusted partner to the world's leading SaaS and telecom providers

We are now able to focus the whole of our business development, marketing and R&D resources on the huge opportunity we see ahead of us – disrupting the multi-billion-dollar telecommunications industry (see Our Opportunity).

FY22 strategic priorities

Our business is different to what it was 12 months ago, bringing a need to refresh our strategy. Our new strategy seeks to simplify our business, deliver best in-class software capability and accelerate business growth, both organically and through acquisition.

1. Business simplification

Structure business for growth

In FY22 we will realign our business structure to enable global growth. We will segment and report on our business within three software-as-a-service (SaaS) divisions: CPaaS, TaaS and UCaaS.

Each division is aligned to a key target market, with a distinct product set and geography. This structure more clearly communicates our value proposition to customers and can easily be scaled globally.

a. Communications Platform as a Service (CPaaS)

Our CPaaS offers APIs that simplify the integration of number ordering and porting capabilities into communication software. We generate recurring revenue by hosting numbers and providing call termination on behalf of our customers.

Customers like Zoom, Microsoft and Twilio rely on our CPaaS to provide localised calling and messaging services. The more number types and regions we provide, the more our CPaaS business grows.

Accordingly, we plan to grow CPaaS by adding number coverage in additional countries across Asia Pacific. Progress will be measured by the growth we achieve in phone numbers.

b. Telecom as a Service (TaaS)

TaaS is a software platform which enables small-medium telcos and MSPs to resell communication services – such as mobile, cloud PBX and data – under their own brand.

Over 500 Australian service providers rely on our TaaS platform to provision and manage services and bill their customers. We plan to grow TaaS by introducing new white label products, which will attract new customers and increase share of wallet among existing customers. Our KPI is the number of Services In Operation (SIOs).

c. Unified Communications as a Service (UCaaS)

UCaaS enables seamless phone-based calling and conferencing within Microsoft Teams and Cisco Webex. Calling remains a mission-critical capability for large enterprise.

Our UCaaS capabilities are semi-automated, making it easier and faster for ICT providers to enable calling features in Teams and Webex. Major customers include Australian Government agencies, national brands, multi-national enterprise and contact centres.

We plan to grow UCaaS by extending our capabilities into new APAC countries, serving the very largest APAC enterprises. Progress will be measured by growth in the number of enterprise seats.

2. Software leadership

Develop best-in-class software

Our core business is to empower service providers with the best software platform for delivering cloud communications in Asia-Pacific.

APAC is projected to be the next big growth market for cloud communications.[2] Service providers, large and small, are hungry to win business in this region.

However, service providers in APAC face significant technical, regulatory and market barriers.[1] Our software platform and coverage footprint are critical to making their plans a reality.

To continue delivering the capabilities that our customers need, we will increase our investment in talent acquisition, product development and product innovation.

3. Scale & expansion

Grow share in A/NZ and Singapore

The launch of our Singapore coverage provides a new 'greenfield' market in addition to our existing presence in Australia and New Zealand. Singapore is a major regional milestone in our Asia-Pacific expansion, and a key region sought by communications service providers.

We are focused on building our sales pipeline in Singapore. We have recruited local and international business development staff and are leveraging our existing customer relationships.

In Australia and New Zealand we continue to win market share in CPaaS, and will invest to further accelerate growth in our TaaS and UCaaS divisions.

Expand in Asia-Pacific

International expansion is central to our long-term growth strategy. We are focused on expanding in the underserved Asia-Pacific region.

Adding new countries means more coverage regions, which directly fuels growth in our CPaaS and UCaaS businesses. In turn increasing our Total Addressable Market (TAM) and strengthening our value proposition and competitive moat.

Strategic acquisitions

To accelerate expansion, we are looking to acquire companies that extend our coverage footprint into new countries or add important software capabilities to our business.

We have a stringent selection criterion when evaluating potential acquisitions for international expansion. These include:

- Market size and potential
- Ease of doing business
- Local regulations
- Potential acquisition
- Competition and pricing potential

We look forward to taking our customers and our capabilities to more markets.

[1] See, Gartner – Global SIP Trunking Services (2019) ID: G00368540
[2] See, Frost & Sullivan - Asia-Pacific Hosted IP Telephony and UCaaS Market, Forecast to 2025 (2020)

CPaaS

aircall

Using Symbio for our call termination has given us access to new markets, while providing increased quality and control. We're excited to expand our partnership with Symbio.

– Fred Viet – ANZ Sales Director, Aircall

With offices in New York, Paris, Madrid and most recently Sydney, Aircall - who provide cloud-based call centre software for over 8,500+ SMB and Enterprise customers – is one of the fastest growing cloud-based phone and contact centre solution vendors in the market today.

Aircall is leveraging Symbio's CPaaS platform for their outbound call termination services. As Symbio is a network owner and not an aggregator, Aircall are also working with Symbio to fulfill their compliance requirements through offering emergency services calling in Australia.

Partnering with a CPaaS operator and owner like Symbio means Aircall do not need to worry about building their own local voice interconnects. Symbio provides the voice carriage capabilities, expertise and quality, so Aircall can focus on their core business – disrupting the cloud-based phone and contact centre market.

TaaS

Telcoinabox are supporting us with our growth strategy to become the leading Indigenous technology provider.

– Colin Lethorn - Commercial Director, Boomerang Technology

Boomerang Technology is a proudly Aboriginal owned and managed company, providing managed IT services for small to medium businesses and government agencies. Registered with Supply Nation - Australia's leading database of verified Indigenous businesses – Boomerang is committed to providing employment opportunities for all Indigenous people to develop their skills and improve their career opportunities.

Boomerang partnered with Telcoinabox to become the first Indigenous licensed telecommunications carrier in Australia. As a licensed telco provider, Boomerang now competes with the larger telcos by providing market-leading communications based on Telcoinabox's TaaS platform, while giving businesses the choice of using a provider that supports Indigenous employment and skills building.

By using Telcoinabox's all in one TaaS platform Octane, Boomerang can focus on building their customer base and generating sales while the Octane platform takes care of the day-to-day backend tasks.

UCaaS

Children's Cancer Institute is the only independent medical research institute in Australia wholly dedicated to curing childhood cancer. A not-for-profit organisation, their team of more than 300 researchers, students and operational employees is recognised as one of the leading international child cancer research institutes.

> The MNF team have been excellent with their support and patient with our myriad of questions and setup requirements. The transition was smooth and well executed, which proves that they have the capability and expertise we need.

– Peter Huynh - Service Desk Manager, Children's Cancer Institute

By augmenting their Microsoft Teams deployment with MNF Enterprise's Cloud Connect calling capabilities, Children's Cancer Institute now has a flexible and agile UCaaS platform that they can manage in-house. Having more direct control of their phone systems means they are more responsive to requests from their internal customers, quickly re-allocating phone numbers on demand and modifying and testing configuration changes without relying on third parties.

Having a UCaaS platform already deployed with MNF Enterprise allowed the Institute to quickly adapt to working from home throughout the COVID-19 pandemic, with a previously manual task like call forwarding now easily switched on in the cloud. With their UCaaS offering optimised thanks to MNF Enterprise, Children's Cancer Institute can dedicate more time to their vital mission of curing childhood cancer.

People Experience

Our employees are our most important asset, and we are proud of the way in which employees have adapted to the changes in the operating environment caused by the global pandemic. All our employees adopted remote working and did so successfully, without interruption to their activities or service to our customers.

OVER

80%

of our people think we have a **great working environment**, culture and benefits

Support

To support employees through these challenging times we invested over $40,000 in initiatives such as promoting better self-care through quarterly virtual wellbeing walk-ins, confidential counselling sessions, and external virtual wellbeing webinars and workshops. Some topics covered were:

- Sleep - The foundation of wellbeing
- Stress Less
- Nutrition & Eating for Energy

In addition, flu vaccines were provided in all locations as well as the provision of company funded COVID-19 Vaccination leave for all employees.

Learning and Development

A key priority of the People Experience team is learning and development and we are proud to be able to continue delivering during a time where employees predominantly work from home.

Our LMS system provides an online platform for our people to access courses suitable to them at any time. The compliance courses are also delivered through this platform ensuring accurate reporting to meet regulatory requirements.

2097 COURSES COMPLETE

TRAINING HOURS **1050**

Managers

New Manager Workshop

Newly promoted and new managers attend a "New Manager Workshop". This has been converted to an online program to ensure continuity while we have worked from home.

6 WORK SHOPS

36 TRAINING HOURS

institute of MANAGERS AND LEADERS

We are members of the Institute of Managers & Leaders and employees are encouraged to utilise their resources and attend their webinars.

Thriving Teams Workshops

Thriving Teams Workshops, for collaborative, aligned and productive teams, has been rolled out to the Executive team. Scheduling is underway to roll it out to all employees in the business.

Inductions

Inductions also form an integral part of our L&D programs and ensure all new employees feel welcome. It's important to generate a sense of belonging, arming our people with the right information, tools, and equipment to succeed.

18 INDUCTIONS

36 TRAINING HOURS

Mentoring Program

Our Mentoring program's second year has proved a great success with both Mentors and Mentees benefitting greatly.

APPROX. **400** TRAINING HOURS

Diversity and Inclusion

We are proud that MNF is such a culturally diverse organisation and we will continue to focus on Diversity and Inclusion initiatives such as "Unconscious Bias and Inclusion" and "Cultural Awareness and Sensitivity" courses that were delivered in FY21 and attended by the majority of employees.

Welcoming employees

Despite challenges due to the global pandemic, our hiring did not slow down. This year required us to pivot hiring and onboarding employees remotely at speed.

We re-designed interview and onboarding processes to be conducted virtually, increased manager check-ins with the new hires, organised home office equipment and a "welcome box" to be sent to new employees' home in our effort to address the new way of working.

ATTENDED BY
30%
OF OUR WOMEN

Women at MNF

One of the programs that we were particularly proud to roll out was the Women@MNF initiative attended by 30% of our women.

The outcomes of the program have been powerful and have culminated in MNF being nominated as a finalist in the ACOMM awards in the Diversity and Inclusion category.

The guiding principle of our talent acquisition process is:

fairness, transparency & consistency

Training

We are committed to delivering programs and initiatives that build high performing and engaged employees aligned to our business strategies.

Hours of Training

- **1050** - LMS
- **640** - Women@MNF
- **414** - External Training
- **400** - Mentor Program
- **320** - D&I Programs
- **36** - New Manager Workshop
- **36** - Inductions

36 NEW POSITIONS

20 INTERNAL POSITIONS

Singapore hiring was a focus to support our strategic expansion in Asia.

In Australia and New Zealand, 36 new positions were created and 20 employees were promoted internally.

We currently have 8 Graduates across Technology and Products. We plan to increase the intake of our Graduate Program to support the industry and to develop talent to meet our future growth. We continue to operate a lean talent acquisition function by acquiring 93% of our new employees through direct recruitment.

In FY20 we also increased efforts in building change leadership capability through a strong 'change champions' network. The network comprises over 60 employees from all business units and their key role is to provide channels for feedback at all levels of MNF, to ensure successful projects delivery and increase workforce engagement. The champions meet on a regular basis in smaller groups, where they work on key projects and get change methodology training thus maintaining momentum.

Leadership Team

Commentary

John Boesen

Chief Technology Officer

successful launch of Singapore

The Technology business unit achieved several major milestones in FY21 with our team completing our network and software builds to support deployment of our TaaS capabilities into the Singapore market.

Cloud adoption continues to position us to pivot quickly and increase capacity faster than ever. Investment continues in FY22 to uplift key legacy platforms, further simplifying and speeding up our ability to deploy our tech stack into new countries.

Our software division fully automated all key system code deployments, eliminating several equivalent years of manual processes. We deployed a new data warehouse and reporting capabilities to power our next generation reporting requirements.

Our networks division refreshed our international network with a go live scheduled for FY22 as part of a modernisation program that will deliver more capabilities and efficiencies within that network segment.

FY22 will see us start to shift focus to our customer facing systems with the launch of new customer portals aimed at improving all aspects of interaction with our services, while we continue to streamline our systems, processes and technology to support future country deployments.

Jon Cleaver

Chief Executive
– Wholesale

a proven strategy and team

The Wholesale Business Unit spans our CPaaS and TaaS offerings within our Domestic (Australia, NZ, Singapore) and Global portfolios.

We have seen another incredible result from the team whilst navigating a rapidly evolving global environment. This result, underlined with being 100% organic growth, is built on the trust of our customers as we have supported them to continue to expand, compete and win.

It's a testament to our highly skilled team that we have maximised opportunities, increased market share whilst also delivering the strategic goals of the company.

These include:

- Simplifying our business and supporting the Direct Business Unit with setting up longstanding relationships with Pennytel and Vonex
- Successful launch of Singapore on time and with a go-to-market strategy already delivering results
- Optimising operations, not only gaining efficiencies and improvements in customer experience but with number portability enhancements, delivering more numbers faster than ever before

With a proven strategy and team, we continue to be excited by the opportunities both within our current countries and with our Asian expansion as we continue to power the future of communications.

Cathy Doyle

Chief People
Experience Officer

a culture that is inclusive & celebrates diversity

It is my privilege to have been selected to lead the People Experience function at MNF. My appointment is a clear sign of MNF's continued commitment to its people as this role will oversee the strategic direction for enhancing employee success and experience.

The wellbeing, safety and development of our people is at the forefront of everything we do, and this year we introduced MNF Flex and a range of actions and initiatives to support our employees mental health and wellbeing.

We continued our focus on ensuring that everyone at MNF, regardless of their differences, feels that they belong and can thrive in our organisation. We rolled out a series of programs and webinars to build awareness and inclusive leadership skills to cultivate a culture that is inclusive and celebrates diversity.

Looking ahead, developing the breadth and depth of the knowledge within MNF Group is critical. There is a pressing challenge of attracting, developing, and retaining amazing, talented people for our ambitious expansion strategy and providing development and career opportunities. Our values, strategy and commitment to our people position us well to navigate the future and thrive.

Iain Falshaw

Chief Executive
– Direct

a year of significant changes

Our Direct business has experienced a year of significant changes, culminating in the sale of our SMB and Consumer businesses to Vonex in July 2021. This divestment is in line with MNF's strategy to simplify its business and drive growth in CPaas and UCaas voice services.

Our Enterprise & Government segment grew strongly by continuing its focus on UCaaS customers - particular Cisco Webex and MS Teams - with UCaaS end-users growing by over 250% during the year.

In March, we sold our Pennytel mobile business to Macarthur Telecom - an existing wholesale customer - allowing us to continue to realise the benefits from Pennytel's ongoing growth.

The conferencing market was highly competitive and our Express Virtual Meetings business experienced a decline in its standard conferencing business as a result. EVM has focused on growing its managed conferencing business, where our skilled operators and virtual events platform are able to compete by adding greater value.

Finally, a strong NPS score of 45 for Direct and 94% of enquiries being resolved on the first call reflects our continued focus on improving customer experience.

Helen Fraser

General Counsel

looking ahead for the group's expansion

Providing legal and compliance related support to all areas of the MNF Group globally, the Legal team plays a key role in enabling the Group to execute on its strategy. We are involved in every major initiative as well as day to day support to all levels of the business – from operations through to the Board.

Through FY21, the Singapore project has continued to be a priority with compliance-related advice to support the network and product development and contracts advice related to interconnect partners and customers. At the same time, we've started looking ahead to the next countries for the group's expansion into Asia.

Introduction of new mandatory compliance obligations in FY21 has diverted significant resource effort towards analysis of their impact on the business and projects to implement compliance.

Disposal of non-core businesses have also been a key focus for the team in H2, with the sale of Pennytel and the consumer and SMB businesses of My Net Fone and Connexus.

Ritsa Hime

Chief Product Officer

successful delivery of our Singapore Network

Our Products Business Unit provides a centralised function for the product development and delivery functions for the Group and take responsibility for the overall customer and product experience.

Our teams have worked determinedly to ensure the successful delivery of our Singapore Network build and trial launch in Q4. This is a key milestone to expand our wholesale service offerings to CPaaS, UCaaS and Collaboration providers in Asia.

Furthermore, two key initiatives were delivered this year in support of our customers' needs for improved service offerings. A new service assurance portal was launched for our Telcoinabox customers and will continue deployment in FY22 with more enhanced service benefits for all our customers.

Our NBN product underwent a thorough review, starting with our customers' requirements, and led to the formation of a new partnership with NBN service provider, Superloop. Development is already underway to unlock our new NBN service offering and self-service capabilities for our wholesale customers in mid-FY22.

These achievements are a credit to the professionalism of our teams and their efforts over the last 15 months that have set the foundations for an exciting year ahead.

Chris Last

Chief Financial Officer

integration has continued as a theme

The Finance Business Unit delivers services to MNF across three main areas. Our services teams support MNF business units with day-to-day transactions and reporting. The specialist Finance support function covers areas such as Tax, Treasury and Company Secretarial. Finally, our Commercial Finance team provide business partnering support aimed at enhancing our decision-making capability across the wider business. All are established to support the delivery of shareholder value across the short and long term.

Integration has continued as a theme for FY21, with overseas functions being further merged with the central Finance teams to deliver simplicity and efficiency, alongside further investment to enhance the Group's treasury capability so as to support our expansion into Asian markets.

FY21 also contended with the broader background of COVID-19 and our teams have had a relentless and successful focus on cash delivery, minimising bad debtor risks to our shareholders. In addition, our teams have provided intensive and high-quality support for the Group's recently announced transaction with Vonex, alongside supporting another year of record Gross Margin and EBITDA delivery.

Andrew Tierney

Executive General Manager – Global

customer engagement has been key

It's been a year of preparing for change for the TNZI-branded international voice business and we're set up well to successfully execute on our goals in FY22.

Looking back on the past 12 months, one of the biggest achievements was our Global team sustaining the international calling business through the pandemic-driven, rapid shift towards CPaaS and UCaaS hosted services across the world.

Customer engagement has been key and innovations like TNZI Connect, a virtual event launched to stay in touch with customers, have kept our brand front of mind for our key service providers worldwide.

This next financial year is set up to be a cracker. Our focus will be on consolidating our global approach to customer engagement and overhauling our voice trading platform, delivering a step-up in capabilities and enabling significant cost savings across the board.

Financial Report

For the year ended 30 June 2021

Contents

Directors' Report

Your directors present this report, together with the financial statements of MNF Group Limited (the Company) and its controlled entities (the Group), for the financial year ended 30 June 2021.

Board of directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Terry Cuthbertson
Chairman,
Non-Executive
Director

Interest in shares
855,906*

Interest in options
Nil*

Qualifications
BBus, qualified as Chartered Accountant in Australia

Experience and expertise
Appointed as a Non-Executive Director in March 2006 and has been the Group Chairman since March 2006. Mr Cuthbertson retired from his position as Non-Executive Director and Group Chairman on 22 July 2021.

Directorships of listed entities (last 3 years)
Chairman of Austpac Resources N.L. (ASX:APG) from 2004 (Director from 2001);
Chairman of Pacific Nickel Mines Ltd (ASX:PNM) from 2013 (Director from 2012);
Chairman of Mint Payments Ltd from January 2020;
Chairman of Lark Distilling Co. Ltd (ASX:LRK) from 2003 (resigned on 20 May 2019);
Director of IOUPay Ltd (ASX:IOU) from 2010 (resigned on 31 May 2019).

Special responsibilities
Chairman of the Risk Committee (resigned on 22 July 2021),
Member of the Audit and Nomination Committees (resigned on 22 July 2021)

* as at 22 July 2021

Ms Anne Ward
Chairman, Non-Executive
Director

Interest in shares
Nil

Interest in options
Nil

Qualifications
BA, LLB, FAICD

Experience and expertise
Appointed as a Non-Executive Director and Chairman on 22 July 2021.

Ms Ward is a highly experienced company director with a focus on growth strategies in rapidly changing, highly regulated and customer focused businesses and broad industry experience spanning financial services, banking, insurance, technology, healthcare, agriculture, government, education and tourism.

Prior to becoming a professional director, Ms Ward was a commercial lawyer for 28 years and was General Counsel for Australia at the National Australia Bank and a partner at Minter Ellison in Melbourne.

Ms Ward is Chairman of Redbubble Ltd (ASX:RBL), a Council member at RMIT University, a Director of the Foundation for Imaging Research, and a Governor of the Howard Florey Neuroscience Institute.

Directorships of listed entities (last 3 years)
Chairman of RedBubble (ASX:RBL) from March 2020 (director from March 2018);
Director of MYOB Group Ltd from March 2015 (resigned in May 2019)

Special responsibilities
Chairman of the Risk Committee (from 10 August 2021),
Member of the Audit and Nomination Committees (from 10 August 2021)

Mr Michael Boorne
Non-Executive Director

Qualifications
DipEEng

Experience and expertise
Appointed as Non-Executive Director in December 2006.

Mr Boorne is a successful entrepreneur with extensive experience in combining technical expertise with commercial and corporate experience. He has founded start-up businesses Sprit Modems and Mitron, and is a director and committee member of numerous private companies and charitable foundations. He was previously a Non-Executive Director of Netcomm Ltd.

Interest in shares
384,605

Interest in options
Nil

Directorships of listed entities (last 3 years)
None

Special responsibilities
Chairman of the Audit Committee,
Member of the Remuneration Committee

Mr Andy Fung
Non-Executive Director

Qualifications
BEng, MCom

Experience and expertise
Appointed as Non-Executive Director in March 2012.

Mr Fung is a co-founder of MNF Group Limited, Symbio Networks Pty Ltd and Symbio Wholesale Pty Ltd. He was Managing Director of the Group from 2006 until 2012. With extensive telecommunications industry experience, Mr Fung previously held senior management positions with Telstra, Optus and Lucent Technologies of the US.

During his time in Telstra, Mr Fung was seconded to the Australian Trade Commission (Austrade) as Specialist Trade Commissioner and supported Australian industry's export to countries in Asia.

Mr Fung is also an Executive Director of a private company with interests in trade and investments.

Interest in shares
11,462,428

Interest in options
Nil

Directorships of listed entities (last 3 years)
None

Special responsibilities
Chair of the Nomination Committee,
Member of the Audit and Risk Committees

Mr Rene Sugo
Chief Executive Officer
and Executive Director

Interest in shares
7,105,863

Interest in options
173,809

Qualifications
BEng (Hons), GAICD

Experience and expertise
Appointed as CEO and Executive Director in March 2012.

Mr Sugo is a co-founder of MNF Group Limited. He is a strong industry advocate, representing both the interests of MNF Group and the telecommunications industry. He has been a director of the Australian Communications Alliance and the INMS (Industry Number Management Services) since 2015.

Mr Sugo sits on various industry committees locally and overseas and regularly contributes articles and opinions on issues affecting the industry, such as the NBN, regulatory policy and innovation.

Mr Sugo started his career at the CSIRO - Australia's premier Research and Development organisation. Prior to making the move into the Communications industry, Mr Sugo worked at Lucent Technologies Bell Labs in Australia, the USA and Asia.

Directorships of listed entities (last 3 years)
None

Special responsibilities
Member of the Risk Committee

Mr David Stewart
Non-Executive Director

Interest in shares
251,625

Interest in options
Nil

Qualifications
GAICD

Experience and expertise
Appointed as Non-Executive Director on 13 August 2019.

Mr Stewart is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles.

Mr Stewart founded Banksia Technology Pty Limited in 1988 and became Managing Director of Netcomm Limited in 1997, remaining at the helm of the Company until December 2016. A year later he was appointed as a Non-Executive Director of NetComm Wireless, a position he held until June 30, 2019. Mr Stewart also joined the board of Lockbox Technologies in early 2018 until July 2020.

Directorships of listed entities (last 3 years)
Director of Beam Communications Holding Ltd (ASX:BCC) from November 2017,
Director of Netcomm Wireless Ltd (ASX:NTC) from 1997 (resigned on 30 June 2019)

Special responsibilities
Chairman of the Remuneration Committee,
Member of the Nomination Committee

Ms Gail Pemberton
Non-executive Director

Interest in shares
17,140

Interest in options
Nil

Qualifications
MA, GradCert in Finance, FAICD

Experience and expertise
Appointed as Non-Executive Director on 1 September 2020.

Ms Pemberton has extensive experience as a Director of both ASX listed and global companies and has participated in several IPOs, numerous acquisitions and divestments and capital raising.

Prior to pursuing a Non-Executive career in 2008, Ms Pemberton was COO at BNP Paribas Securities Services UK Ltd, and CEO and Managing Director at BNP Paribas Fund Services Australasia Pty Ltd. She was previously Group CIO and Financial Services Group COO at Macquarie Bank.

Ms Pemberton was awarded the Order of Australia (AO) in the Australia Day Honours list 2018 for distinguished service to the finance and banking industry through a range of roles, as a mentor to women. She was recognised by the Federal Government with the award of a Centenary Medal in 2002 for outstanding services to Australian business.

Directorships of listed entities (last 3 years)
Chair of Prospa Group Ltd (ASX:PGL) from 2018,
Chair of Eclipx Group Ltd (ASX:ECX) from 2015

Special responsibilities
Member of the Remuneration and Nomination Committees

Ms Catherine Ly
Company Secretary

Qualifications
BBus, CPA

Experience and expertise
Ms Ly joined the MNF Group in April 2006 as CFO and Company Secretary, and has focused on the role of Company Secretary and Treasurer from August 2013 to February 2021 following the expansion of the Group. Ms Ly is now focusing on the role of Company Secretary.

Board and Committees Meetings

From 1 July 2020 to 30 June 2021, the directors held 15 board meetings, 6 audit committee meetings, 3 nomination meetings, 2 remuneration meetings and 2 risk committee meetings. Each director's attendance at those meetings is set out in the following table:

			Committees *							
	Board		Risk		Remuneration		Nomination		Audit	
Directors	A	E	A	E	A	E	A	E	A	E
Mr Terry Cuthbertson** (Board Chair & Risk Committee Chair)	15	15	2	2	2	-	3	3	6	6
Mr Michael Boorne (Audit Committee Chair)	15	15	2	-	2	2	3	-	6	6
Mr Andy Fung (Nomination Committee Chair)	15	15	2	2	2	-	3	3	6	6
Mr David Stewart (Remuneration Committee Chair)	15	15	2	-	2	2	3	3	6	-
Ms Gail Pemberton	15***	10	2	-	2	2	3	3	6	-
Mr Rene Sugo	15	15	2	2	2	-	3	-	5	-

A Attended
E Eligible to attend
* Committee meetings are open to all directors to attend. "Eligible to attend" applies to directors who are formally part of the committee. "Attended" applies to directors regardless of whether they are formally part of committee or not.
** Mr Cuthbertson resigned on 22 July 2021.
*** Appointed as Director with effect from 1 September 2020. Ms Pemberton was invited to attend the board meetings and audit committee meeting as observer before the appointment.

Principal activities and significant changes in nature of activities

The principal activity of the MNF Group is providing voice, data and cloud-based communication and communication enablement services to residential, business, government and wholesale customers in Australia and internationally.

In the financial year, MNF Group derived revenue from the sale of the above-mentioned communications services. These fees consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. Revenue was also derived from the sale of hardware, equipment and consulting services to support the primary products of the business.

During the financial year, the Group operated in three main segments:

Domestic Wholesale

Based on the original Symbio and iBoss brands, the TelcoInaBox brand since financial year 2019 and the Comms Code brand since March 2021, focussing on selling a range of new-generation software to enable voice and unified communication services to Australian & New Zealand domestic wholesalers;

Global Wholesale

Based predominantly on the Symbio and TNZI brand, focussing on selling to multinational companies including global carriers, carriage service providers (CSP), cloud providers and application providers; and

Direct

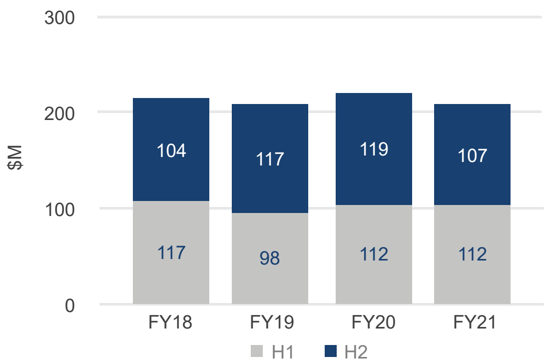
The Group announced a strategic review of the Direct business segment in February 2021. This segment was originally based on the MyNetFone brand and other retail acquisitions including Pennytel (subsequently sold on 6 March 2021), Callstream (subsequently sold on 23 July 2021), Connexus (subsequently sold on 14 May 2021) and Express Virtual Meetings. The segment focussed on selling mobile, conferencing and collaboration services directly to consumers, small to medium businesses, enterprises and government customers. The Group subsequently announced the sale of the Small to Medium Business customer base to Vonex on 23 July 2021 with the sale completed on the 9 August 2021. The Group will continue with its strategic review of the Direct business which was announced in February 2021.

During the financial year the Group announced the strategic review of the Direct Segment. The outcome of the strategic review was the disposal of all direct customer bases except those relating to Enterprise and Government. This remaining business will be reported in future under a new segment name called "UCaaS", short for Unified Communications as a Service. This newly defined operating segment will focus on building recurring revenue streams from predominantly Enterprise and Government customers in Australia, New Zealand and the broader Asia-Pacific region. The business in this segment will leverage the strong partnerships with Microsoft and Cisco to deliver cutting edge Unified Communications solutions to customers.

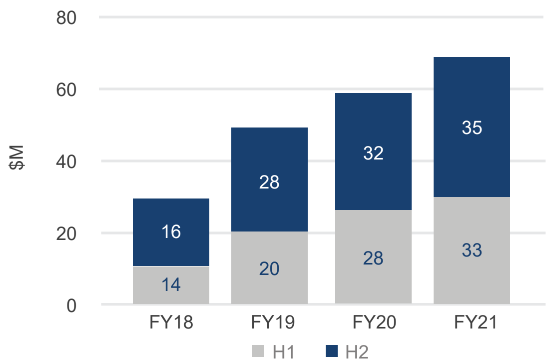
The overall nature of the business has not changed during the financial year.

MNF Group performance at a glance[1]

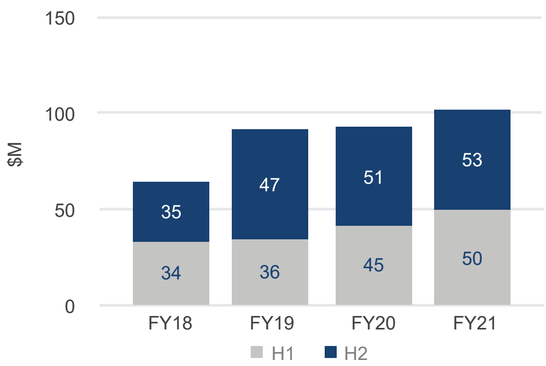
Revenue $218.7m



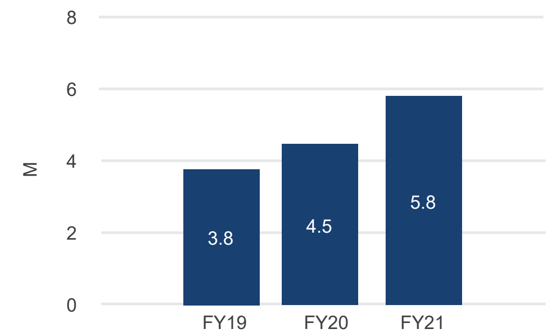
Group recurring margin increase $8.4m



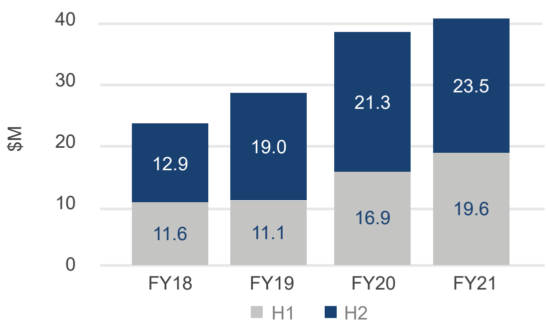
Margin $102.2m



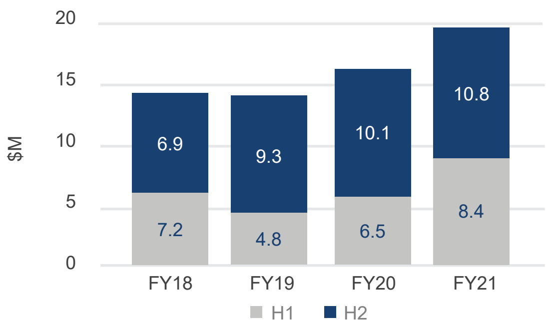
Phone numbers 5.8m



EBITDA $43.1m

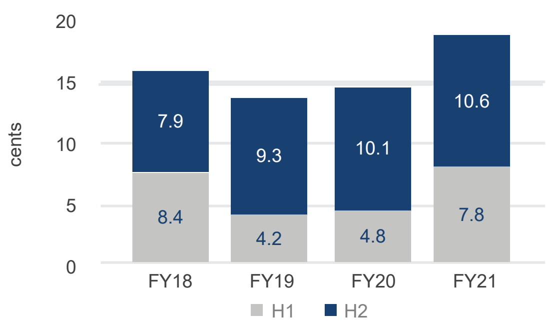


Underlying NPAT-A $19.2 m^

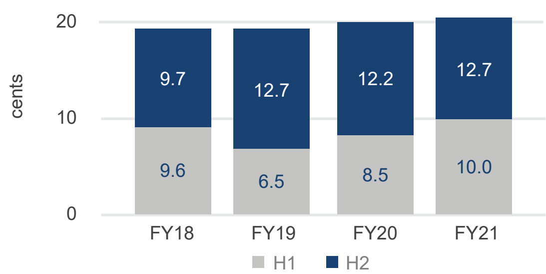


^ Excludes amortisation of acquired customer contracts & acquired software, tax affected gain on sale of Direct Segment brands and restructure costs

EPS 18.43 cents



Underlying EPS-A 22.7 cents^



^ Exclude amortisation of acquired customer contracts & acquired software, tax affected gain on sale of Direct Segment brands and restructure costs

[1] Results is the sum of the continuing operations and discontinued operations

Review of operations

A review of the operations of the Group during the financial year and the results of those operations follows:

*Record Margin and EBITDA**

Margin* increased $5.8m (6.0%) on the prior year to a record $102.2m (2020: $96.4m). EBITDA* of $43.1m was up 12.9% on the prior year. Net profit after tax (NPAT)* for the year was up 30.4% at $15.6m (2020: $11.9m) with Earnings per share (EPS)* increasing to 18.43 cents per share (2020: 14.88 cents per share). The total dividend for the full year is 7.6 cents per share (fully franked), with the Company declaring a final dividend of 4.3 cents per share for the second half of the 2021 financial year. The full year dividend payments represent 41.2% of the 2021 full year EPS.

	Year ended 30 June 2021	Year ended 30 June 2020	% change
Revenue from continuing operations	$203.7m	$214.9m	-5.2%
Revenue from discontinued operations	$15.0m	$16.0m	-6.7%
Group Consolidated Revenue	**$218.7m**	**$230.9m**	**-5.3%**
Gross profit from continuing operations	$92.6m	$86.7m	6.8%
Gross profit from discontinued operations	$9.6m	$9.7m	-1.0%
Group Consolidated Gross profit	**$102.2m**	**$96.4m**	**6.0%**
NPAT from continuing operations	$11.9m	$8.2m	45.8%
NPAT from discontinued operations	$3.7m	$3.8m	-2.6%
Group Consolidated NPAT	**$15.6m**	**$11.9m**	**30.4%**
EPS	18.43 cents	14.88 cents	23.9%
Dividends	7.6 cents	6.1 cents	24.6%

*total from both continuing and discontinued operations

The Group experienced good overall performance despite the COVID-19 pandemic and MNF continues to benefit from the increased utilisation of collaboration and communications software applications due to the COVID-19 pandemic. The business has had no immediate impact due to current lockdowns and July 2021 trading showed continued growth. The Group has ensured allowance for doubtful debts is updated to reflect the change in risk of default since initial recognition, based on the current economic environment.

Reconciliation of NPAT to EBITDA

	2021 $'000	2020 $'000
NPAT from continuing operations	11,882	8,152
NPAT from discontinued operations	3,696	3,795
Group Consolidated NPAT	**15,578**	**11,947**
Add back:		
Depreciation and amortisation*	17,720	16,117
Income tax expense	6,257	4,703
Net interest	2,736	2,769
Costs related to acquisition	57	-
Gain on sale of subsidiary	(367)	-
Restructuring costs	55	1,300
Non-cash share scheme costs	1,088	1,377
EBITDA	**43,124**	**38,213**

* Total from both continuing and discontinued operations

Cash and debt

The cash balance as at 30 June 2021 was $22.7m (2020: $46.1m). Total Debt as at 30 June 2021 is $Nil (2020: $30.0m).

The Group retains its finance facilities totalling $60.0m revolving credit facility, of which $60.0m is undrawn at 30 June 2021.

The Group's balance sheet is well positioned to support future acquisitions with $22.7m in cash and $60.0m of undrawn facilities. The Group's cash position will be further bolstered by $20.0m to be received at the completion of the aforementioned post year-end sale of the Small to Medium Business customer base to Vonex.

Business Outlook (FY2022 and beyond)

MNF Group today stands at the forefront of a global $70Bn legacy communications market migrating to the cloud – accelerated by the pandemic, and obligated by technology replacement. The future of global voice communications is now firmly in the realm of UCaaS (Unified Communications as a Service) and CPaaS (Communications Platform as a Service).

According to Gartner, by 2024…

- 90% of global enterprises will leverage CPaaS
- 75% of enterprise meetings will be virtual or remote
- 74% of new Unified Communications licenses will be cloud based

MNF Group has been focussed on this market opportunity since it commenced development of its first fully interconnected national voice network in Australia in 2009. Since then, the company has expanded its network and service offerings to New Zealand, and most recently Singapore. The company has announced its intention to expand further into the Asian markets of Malaysia, Vietnam, South Korea, Taiwan and Japan – all by 2025.

The company's role and key focus in the CPaaS and UCaaS ecosystem is predominantly the provision of nationally portable telephone numbers in each country where it is established. Phone numbers are the globally recognised standard for interworking of voice and messaging communications networks between countries, carriers, and more recently software applications. Over the last two decades, MNF Group has built its own proprietary software ecosystem for the purpose of delivering high quality voice communications services into the cloud.

To this end the company has embarked on a stated goal of achieving 100 million phone numbers on our networks by the year 2030. Each phone number generating high margin recurring revenue on a quasi-permanent basis, regardless of the frequency of use.

Our mission is to *"Empower service providers with the best software platform for delivering communications services across the Asia Pacific region supported by the best team in the world!"*

New Operating Divisions to Target Growth

In order to best support this newly energised focus, and following the disposal of the residential and small business operations, the company is announcing its intention to organise itself into three revenue generating divisions, supported by corporate business units of Finance, People Experience, Legal, and Technology.

The three new operating divisions are:

- **CPaaS – Communications Platform as a Service**

The CPaaS division will focus on empowering software companies (in Australia, APAC and globally) and larger infrastructure-based service providers to enable calling and messaging via MNF hosted phone numbers. This division will directly contribute to our overall goal of acquiring 100 million phone numbers on network by 2030. The CPaaS division will predominantly operate under the Symbio brand, and will incorporate the global **TNZI** brand and customer base.

- **UCaaS – Unified Communications as a Service**

The UCaaS division will focus on enabling the roll-out and self-service management of enterprise collaboration services (in Australia and the entire APAC region) based on industry leading partnerships with Microsoft Teams and Cisco WebEx. This division will purchase infrastructure from the CPaaS division thereby indirectly contributing to our overall goal of acquiring 100 million phone numbers on network by 2030. The UCaaS division will predominantly operate under the **MNF Enterprise** brand, and will incorporate the **Express Virtual Meetings** brand and customer base.

- **TaaS – Telecom as a Service**

The TaaS division will focus on providing a digital platform for small service providers (in Australia only) to operate their telecom and managed services business. This division will purchase infrastructure from the CPaaS division as well as other industry leading vendors of complementary telecom services, thereby indirectly contributing to our overall goal of acquiring 100 million phone numbers on network by 2030. The TaaS division will predominantly operate under the Telcoinabox brand, and will incorporate the iBoss brand and customer base.

The outcome is a much simpler MNF Group business with less brands and sharper focus, allowing for quicker execution and ultimately greater market impact. Our three different divisions can be leveraged at different times, in different combinations, to build our global footprint. We will consider the best strategy based on the dynamics of each market:

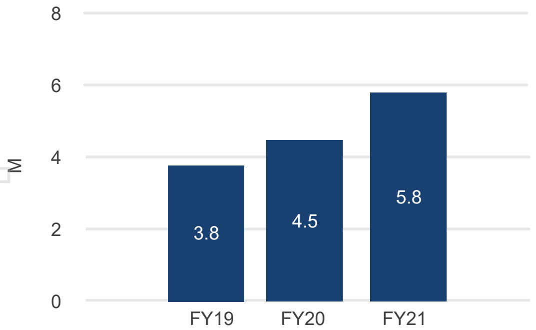
- Can we build a network that can port and host phone numbers? – CPaaS
- Are there strong challenger Retail Service Providers (RSP) or underserved Managed Service Providers (MSP)? – TaaS
- Can we offer a competitive voice package for Enterprise in partnership with Cisco and Microsoft? – UCaaS.

The company intends to state future results and forecast announcements segmented by these three operating divisions going forward from the FY2022 financial year. A legacy segmentation based on prior year business segmentation will also be provided in FY2022 only, for modelling and comparison purposes.

Our biggest opportunity is Asia-Pacific

Our business today is largely built on revenues and margins derived from our home market – Australia. Currently our market share of phone numbers in Australia sits at around 7.6% with 5.8 million phone numbers on network.

Phone numbers 5.8m **3-Year CGAR 22%**



This represents a 29% organic growth in numbers in the last 12 months, and circa 22% CAGR over the last 3 years.

Our goal is to take market share of between 20% to 30% in each domestic market we enter. This goal is substantiated not just by our historical growth, but by the strength of our customer relationships, and the breadth of applications we can deliver on our network. We ultimately do not see ourselves competing with the incumbent networks, rather our customers will be the ones competing and gaining market share on our behalf.

In order to reach beyond 20 million phone numbers, we must look to expand our addressable market. Some of the world's biggest markets are on our doorstep and waiting for a platform like ours to disrupt the incumbents view of the market. Singapore has been our first market in the region and has proved our ability to deploy our unique services into new countries under the challenging circumstances of a global pandemic.

The company has identified the following markets as having the characteristics and customer demand required to warrant investment – Malaysia, Vietnam, South Korea, Taiwan and Japan. These markets combined present a Total Addressable Market (TAM) opportunity of approximately 650 million fixed line phone numbers which could be ported to the MNF network. In order for MNF to reach its goal of 100 million fixed line phone numbers on its network it would require an average market share of only 15%.

A Case for Accelerated Investment

With the recent strategic review of the old Direct segment, and the high margin recurring nature of the old Wholesale segments, this has left MNF in the enviable position of being debt free, cash positive and ready to execute on the refined strategy.

In order to accelerate the execution of the refined strategy, the board has approved an increase to the software capitalisation budget from $10m in FY2021 to $20m in FY2022. This investment will directly fund the following initiatives in support of the three segments:

- Improving customer experience and automation across the ecosystem
- Incorporating additional new CPaaS, UCaaS and TaaS products and services
- Improving integration and automation into key vendor partners to support high growth strategies

Each division has an allocated business case and investment thesis designed to provide higher rates of revenue growth across the next 3 years, ensuring the business is set up as a sustainable high growth software business.

The business will investigate making operational cost investments over the next 12 months to maximise opportunities. This investment will directly support the following growth focussed activities:

- Increasing sales and marketing resources to build a bigger business development sales pipeline globally
- Increasing operational support resources to support the growing global customer base across CPaaS and UCaaS customer bases
- Additional strategy, planning and legal resources in order to find and complete additional acquisitions to support the strategy

Acquisition Opportunities

As part of the sharper focus on strategy the company also has a clearer framework for identifying target acquisitions. The business also has a $60.0m undrawn facility as well as $22.7mm positive cash at bank, together with the ability to raise additional debt and capital if required. The executive team and the board of MNF will continue to review opportunities that accelerate the company to achieve its strategic goals.

Dividends paid or recommended

Fully franked dividends paid or declared for payment during the financial year are as follows:

	$000	Franking
Dividends paid during the year:		
2020 final dividend of 3.6 cents per share paid on 1 October 2020	3,035	100%
2021 Interim dividend of 3.3 cents per share paid on 1 April 2021	2,794	100%
Dividends recommended (subsequent to year end):		
2021 final dividend of 4.3 cents per share recommended on 24 August 2021	3,634	100%

The 2021 final dividend is to be paid on 30 September 2021 to shareholders registered as at 2 September 2021.

Options

Shares under option or issued on exercise of options pertaining to directors

The Directors did not acquire any shares through the exercise of options during the year. 450,000 options which were granted on 25 October 2016 at the Annual General Meeting, expired on 30 June 2021.

Shares under option or issued on exercise of options for the Group

At the date of this report, the unissued ordinary shares of MNF Group Limited under options which were granted as at 30 June 2021 is as follows:

Grant Date	Date of expiry	Exercise price	Number of options
11 December 2018	30 June 2022	$Nil	120,000
17 December 2020	30 June 2030	$5.679	561,726
			681,726

Audited Remuneration Report

Letter from David Stewart

Committee Chair of the Remuneration Committee

Dear fellow Shareholders,

On behalf of the Board, I am pleased to present our FY21 MNF Group Remuneration Report which outlines FY21 performance and remuneration outcomes for key management personnel (KMP) of the Group for the year ended 30 June 2021.

In May 2020, the MNF Group Remuneration Committee was reconstituted and the current Remuneration Committee structure was approved. The Remuneration Committee Charter by which the committee is governed was refreshed and reapproved by the Board in June 2020.

The Remuneration Framework was designed to responsibly reward senior executives through the components of Fixed Remuneration, Short-Term Incentives (STI) and Long-Term Incentives (LTI). We benchmark against like companies utilising data compiled by consultants and an independent third-party data provider. STI's are based on achievement of the financial target (Financial KPI) and the key strategic objectives for the company (Customer, People and Strategy KPI). The LTI scheme is directly linked to Shareholder value creation and designed to only provide benefit to participants when there is share price growth in the long term and the employee remains engaged by the Group. This scheme came into effect for senior executives in July 2020.

This framework aims to deliver a standardised motivational incentive plan that also combines with securing employee retention and is aligned to acceptable market practice.

We continue to monitor the effectiveness of our MNF Group remuneration framework, particularly in the initial stages of implementation and as the company continues to evolve hence ensuring shared success amongst our Board, executive team, employees and shareholders.

Sincerely,

David Stewart

This report details the remuneration structures and outcomes for key management personnel (KMP) of the Group for the year ended 30 June 2021. This report forms part of the directors' report and has been prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

For the purposes of this report, KMP is defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, and includes directors (whether executive or otherwise) of the Company, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and other senior executives of the Group.

The table below outlines the KMPs of the Group and their movements during the 2021 financial year:

Name	Position	Term as KMP
Non-executive directors		
Mr Terry Cuthbertson	Non-executive Chair	Full financial year
Mr Michael Boorne	Non-executive Director	Full financial year
Mr Andy Fung	Non-executive Director	Full financial year
Mr David Stewart	Non-executive Director	Full financial year
Ms Gail Pemberton	Non-executive Director	From 1 September 2020
Executive director		
Mr Rene Sugo	Chief Executive Officer	Full financial year
Other KMPs		
Mr Chris Last	Chief Financial Officer	Full financial year
Ms Catherine Ly	Company Secretary and Treasurer	Until 28 February 2021*

*Ms Catherine Ly ceased her combined role as Company Secretary & Treasurer of the Group on 28 February 2021. As of 1 March 2021, Ms Ly's position is Company Secretary.

Remuneration Committee

The Remuneration Committee's purpose is to review and make recommendations to the Board on the level and composition of remuneration for non-executive directors, the CEO and CFO, and senior executives reporting directly to the CEO; and to review and make recommendations to the Board in respect of the LTI and STI scheme available to executives and other employees and to ensure that such remuneration and scheme is appropriate and not excessive while remaining competitive to attract and retain high quality directors and to attract, retain and motivate senior executives.

The Committee is also responsible for reviewing and reporting to the Board in respect of whether there is any gender or other inappropriate bias in remuneration for directors and senior executives; overseeing compliance with statutory responsibilities in relation to remuneration disclosure; and reviewing and approving the WGEA reports.

The Remuneration Committee charter and composition was revised in September 2020 and the committee comprises the following directors:

- Mr David Stewart - Non-executive Director (Committee Chair)
- Mr Michael Boorne - Non-executive Director
- Ms Gail Pemberton - Non-executive Director

The Group does not currently engage remuneration consultants to provide a formal remuneration recommendation, however, it may consider the use of remuneration consultants to provide such a recommendation in the future as the Group continues to grow.

The Board also sets the aggregate remuneration of non-executive directors, which is then subject to shareholder approval.

The 2020 audited remuneration report received positive shareholder support at the 2020 annual general meeting (AGM) with a vote of 79.58% in favour (2019: 99.30%). Due to COVID-19 restrictions voting was undertaken on hybrid model utilising group's Express Virtual Meeting platform.

The current aggregate maximum amount of non-executive directors' fees of $950,000 per annum (inclusive of superannuation guarantee charge contribution) was approved by shareholders at the 2020 AGM.

Executive remuneration arrangements

Remuneration principles and strategy

Remuneration levels for KMPs of the Group are designed to attract and retain appropriately qualified and experienced executives. The Group aims to reward executives based on their position and responsibility whilst maintaining comparability with other companies in the sector of similar revenue, market capitalisation and earnings levels. The executive remuneration structure changed from the prior year to include additional measures (financial and non-financial), and includes a combination of the following components:

Attract, motivate and retain highly skilled employees	Reward achievement of financial and personal strategic objectives		Align to long term shareholder value creation
FR	**STI**		**LTI**
Fixed Remuneration	Short-term incentive (at risk)		Long-term
• Base Salary plus superannuation. • Set based on market and internal relativities, performance and experience.	• 50% of STI outcome paid in cash after the financial year end. • STI outcome based on financial and individual performance. • Subject to malus, clawback and forfeiture in circum-stances outlined.	• 50% of the STI outcome is deferred as Nil-priced options for a period of two years from the end of the performance year. • Subject to malus, clawback and forfeiture in circum-stances outlined.	• Performance Rights subject to four-year performance period with 50% subject to EPS growth and 50% subject to Share Price growth. • Subject to malus, claw-back and forfeiture in circumstances outlined.

Fixed remuneration

Fixed remuneration consists of base salary, employer superannuation contributions and non-monetary benefits. Non-monetary benefits typically comprise leave entitlements. It is market competitive and set to attract, motivate and retain highly skilled personnel.

Details of the short-term incentive plan

The objective of the STI plan is to link the Group's financial and non-financial targets with the remuneration received by a select group charged with meeting those targets. As part of their respective employment agreements the CEO, CFO and other senior managers are eligible for a cash bonus and Nil-priced options subject to the attainment of these clearly defined objectives. The STI plan applies to the period from 1 July 2020 to 30 June 2021.

STI targets for financial year 2021 were linked to the Group achieving its three KPI's, they are as below:

Performance Rating of the Company for the financial year ended 30 June 2021	Multiplying Factor
EBITDA	60%
Customer Experience (CX)	20%
Staff Engagement	20%
EBITDA + CX + Staff Engagement	**100%**

EBIDTA Performance Rating Goals

Rating	EBITDA Goal	Payout Percentage
1 - Below threshold	EBITDA <= $39.0m	Nil Payout
2 - Threshold	$39.0m < EBITDA <= $40.0m	50% of incentive Payout
3 - Target	$40.0m < EBITDA <= $43.0m	100% of incentive Payout
4 - Stretch	EBITDA > $43.0m	150% of incentive Payout

CX Performance Rating Goals

Rating	CX Goal	Payout Percentage
1 - Below threshold	NPS < 30 & CES < 4.5	Nil Payout
2 - Threshold	NPS >= 30.0 & CES >= 4.5	50% of incentive Payout
3 - Target	NPS >= 33.0 & CES >= 5.0	100% of incentive Payout
4 - Stretch	NPS >= 36.0 & CES >= 5.5	150% of incentive Payout

Staff Engagement Performance Rating Goals

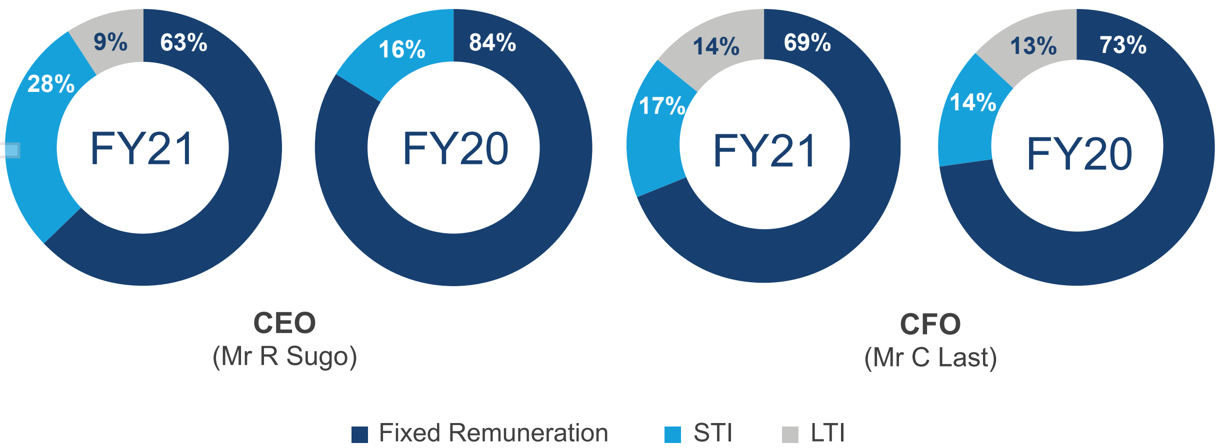
Rating	Gallop Q12 Score Band	Payout Percentage
1 - Below threshold	0.0 < Q12 <= 3.9	Nil Payout
2 - Threshold	3.9 < Q12 <= 4.1	50% of incentive Payout
3 - Target	4.1 < Q12 <= 4.2	100% of incentive Payout
4 - Stretch	4.2 < Q12 <= 5.0	150% of incentive Payout

The determination and agreement of these targets are set at the start of each financial year and align with the Group’s longer-term strategic goals.

The Board believes that the KPI objectives are appropriately challenging for executives and senior managers. If targets are met or exceeded, total STI awards will be calculated and paid out in the manner described above, subject to Board approval.

The Company's achievement against the three Performance Rating Goals for the FY21 year has resulted in a total payout of 120% of target STI awards to the executive team.

The below chart illustrates the structured employee entitlements of eligible KMPs as a percentage of their fixed remuneration:



Details of long-term incentive plans

LTI plans are offered under the Company's Employee Option Plans to align remuneration and executive performance with the creation of shareholder value over the long term. As such, LTI awards are only made to executives and other key employees who have an impact on the Group's performance.

As at 30 June 2021, the Group has two LTI schemes in place from current and prior years.

Share Plan 1

Share Plan 1 is share-based option plan aimed at retaining highly skilled KMPs and employees to appropriately remunerate in line with similar organisations in the market.

The options granted for Share Plan 1 have an exercise price of $Nil, this scheme has ceased. However there is one more vesting period.

Vesting Condition:

Recipient must be employed by MNF Group on each successive Vesting date in order to be eligible to receive each respective Tranche of Options. Should the employee resign or be dismissed, any unvested options will immediately expire.

Share Plan 2

Share Plan 2 is also a share-based option plan but only aimed at KMPs of the Group and subject to achieving performance criteria.

Options granted under Share Plan 2 have an exercise price of $5.6790 with vesting of each of the two tranches being conditional upon the recipient continuing employment with the Group up until date of vesting. Subject to the Board's discretion, should the employee resign, be terminated by the Group for any reason, or be terminated from the plan for any reason, the options granted prior to vesting date will be forfeited.

Vesting Conditions:

1. Tranche 1 - Share price growth

The proportion of Tranche 1 options which will vest is subject to growth in the Company's share price (Share Price Growth) achieved during the performance period from 1 July 2020 to to 30 June 2024 (Performance Period) and will be determined in accordance with the following schedule:

Share Price Growth over the Performance Period (Annualized)	Proportion of Tranche 1 Awards that will satisfy the Share Price Growth performance condition
Share Price Growth < 3%	Nil
Share Price Growth >3%=5.999%	Progressive pro-rata vesting from 50% to 75% (On a straight-line basis)
Share Price Growth >6%=9.999%	Progressive pro-rata vesting from 75% to 100% (On a straight-line basis)
Share Price Growth ≥ 10%	100%

The Share Price Growth of the Company will be determined by the Board and is the growth in the share price over the Performance Period.

The start price for the Share Price Growth calculation will be $5.6790 being the 5 day volume weighted average price (**VWAP**) of a Share prior to 1 July 2020 (being the first day of the Performance Period). The end price for the Share Price Growth calculation will be the 5 day VWAP of a Share ending on 30 June 2024 (being the last day of the Performance Period).

2. Tranche 2 - EPS growth

The proportion of Tranche 2 options which will vest is subject to the growth in the Company's earnings per share (**EPS Growth**) during the Performance Period. EPS Growth is measured as the growth in the 'net profit after tax and interest' of the Company (on a per Share basis) over the Performance Period.

The starting EPS for the purpose of the EPS calculation will be 14.88 cents, being the EPS calculated in accordance with the FY20 audited annual consolidated accounts. The end EPS for the EPS calculation will be calculated following the end of the Performance Period in accordance with the above principles having regard to the FY23 audited annual consolidated accounts.

The EPS Growth condition for the Tranche 2 Awards will be determined in accordance with the following schedule:

EPS Growth over the Performance Period (Annualized)	Proportion of Tranche 2 Awards that will satisfy the EPS performance condition
EPS Growth < 3%	Nil
EPS Growth >3%=5.999%	Progressive pro-rata vesting from 50% to 75% (On a straight-line basis)
EPS Growth >6%=9.999%	Progressive pro-rata vesting from 75% to 100% (On a straight-line basis)
EPS Growth ≥ 10%	100%

EPS and Share Price Growth will be measured on an average annualized % growth rate calculated by reference to the respective measure at commencement of the 4 year vesting period compared to the respective measure at the end of the 4 year vesting period.

LTI share plans

Name	Share Plan	Date granted	Number granted	Plan Exercise Price $	Number vested during the year	Number lapsed during the year	Number outstand-ing end of the year	Financial year in which grant may vest	Value at vesting (if vested this year)	Maximum total value of grant $
Mr R Sugo	Plan 2	01-07-20	173,809	5.6790	-	-	173,809	FY2024	-	320,000[ii]
Mr C Last	Plan 1	07-01-20	10,000	NIL	10,000	-	-	FY2021	44,124	-
	Plan 1	07-01-20	10,000	NIL	-	-	10,000	FY2022	-	40,680[i]
	Plan 2	01-01-20	61,414	5.6790	-	-	61,414	FY2024	-	113,070[ii]

(i) Value based on the grant date
(ii) Based on Black-Scholes value at grant date

Shareholder returns

KMP remuneration is awarded with consideration of the Group's earnings and performance. The following table sets out MNF Group's key financial results and shareholder wealth generation over the past five years:

Performance metric	2021	2020	2019	2018	2017
Group Consolidated Revenue ('000)[1]	$218,689	$230,913	$215,587	$220,728	$191,752
Group Consolidated NPAT ('000)[1]	$15,578	$11,947	$9,943*	$11,859^	$12,066^
Group consolidated Basic EPS (cents)[2]	18.43	14.88	13.56*	16.25^	17.32^
Dividends paid ('000)	$5,829	$5,046	$4,505	$6,417	$5,099
Dividends declared per share (cents)	7.60	6.10	6.10	8.35	8.25
Share price (as at 30 June)	$5.34	$5.63	$3.85	$5.25	$4.37
Change in share price	($0.29)	$1.78	($1.40)	$0.88	$0.37
Market Capitalisation (as at 30 June)	$452m	$475m	$282m	$384m	$318m

1 The balance for financial year 2021 and financial year 2020 is the sum of both continuing and discontinued operations.

* Restated based on correction of deferred tax made to the 30 June 2019 financial year. See the 2020 annual financial report for details.

^ Financial years 2017 – 2018 results were not restated.

2 The Basic EPS shown here is calculated based on NPAT from both Continuing and Discontinued Operations for FY2021 and FY2020 for comparative purposes.

Remuneration details of directors and KMPs for the year ended 30 June 2021

Details of the nature and amount of benefits and payments for each director and KMP of the company for the 2020 and 2021 financial years are as follows, represented on an accrual basis:

	FY	Short-term			Post-employment benefits	Share-based payments (accounting valuation)[x]	Other benefits [iii]	Total
		Salaries and fees	Cash profit share and bonuses paid [i]	Cash profit share and bonuses accrued [ii]	Super-annuation	STI & LTI schemes		
		$	$	$	$	$	$	$
Directors								
Mr T Cuthbertson	2021	167,500	-	-	15,912	-	-	183,412
	2020	120,000	-	-	11,400	-	-	131,400
Mr M Boorne	2021	112,500	-	-	10,688	-	-	123,188
	2020	103,000	-	-	9,785	-	-	112,785
Mr A Fung	2021	101,686	-	-	9,660	-	-	111,346
	2020	82,400	-	-	7,828	-	-	90,228
Mr D Stewart	2021	98,314	-	-	9,340	-	-	107,654
	2020	65,733	-	-	6,245	-	-	71,978
Ms G Pemberton[v]	2021	79,479	-	-	7,551	-	-	87,030
	2020	-	-	-	-	-	-	-
Executive Director								
Mr R Sugo	2021	575,000	97,500	168,000	25,000	81,250	10,022	956,772[ix]
	2020	517,025	-	100,000	25,000	-	8,943	650,968
Other KMPs								
Mr C Last[vi]	2021	350,750	2,875	90,456	25,000	73,392	3,204	545,677[ix]
	2020	276,548	-	51,750	20,441	49,513	574	398,826
Mr M Gepp[vii]	2021	-	-	-	-	-	-	-
	2020	101,455	-	-	6,250	64,329	1,182	173,216
Ms C Ly[viii]	2021	118,947	-	-	11,300	1,000[iv]	-	131,247
	2020	174,250	-	-	16,554	6,730	-	197,534
Total	**2021**	**1,604,176**	**100,375**	**258,456**	**114,451**	**155,642**	**13,226**	**2,246,326**
	2020	**1,440,411**	**-**	**151,750**	**103,503**	**120,572**	**10,699**	**1,826,934**

* All the above numbers are rounded to the nearest $ value

(i) STI amounts paid in 2021 financial year relate to the achievement of 2020 targets.

(ii) STI amounts accrued in the current financial year are in relation to the 2021 financial year and would be paid in the subsequent financial year, subject to board approval.

(iii) The category "Other benefits" represent other benefits such as car parking and items including FBT.

(iv) The amount includes $1,000 employee share gift scheme awarded discretionary by the board.

(v) Ms G Permberton commenced her directorship on 01 September 2021.

(vi) Mr C Last commenced with Group as CFO on 12 September 2019.

(vii) Mr M Gepp ceased as CFO of the Group on 11 September 2019 and his employment ceased on 20 September 2019.

(viii) Ms C Ly ceased her combined role as Company Secretary & Treasurer of the Group on 28 February 2021. As of 01 March 2021, Ms C Ly's position is Company Secretary.

(ix) Total FY21 value excludes amounts paid in FY21 but accrued in FY2020.

(x) Share based payment value is based on Black-Scholes value at grant.

Key terms of employment agreements

The Group has entered into an executive employment agreement with the CEO. The remuneration and terms of employment for other key executives are also set out in written agreements. Each of these employment agreements are unlimited in term but may be terminated by written notice by either party or by the Company making a payment in lieu of notice.

Each of these agreements sets out the arrangements for total fixed remuneration, performance-related cash bonus opportunities, superannuation, termination rights and obligations and eligibility to participate in the employee equity-based incentive scheme. Executive salaries are reviewed annually. The executive employment agreements do not require the Company to increase base salary, incentive bonuses or to continue the participants’ participation in equity-based incentive programs. Payment of any STI is at the Board’s discretion. The Company may terminate the employment of the key executives without notice and without payment in lieu of notice in some circumstances.

These include if the executive:

- Commits an act of serious misconduct;
- Commits a material breach of the executive employment agreement;
- Denigrates or engages in any behaviour that may materially damage the reputation of, or otherwise bring the Group into disrepute; or is convicted of any criminal offence which would in the reasonable opinion of the Board of Directors adversely affect the carrying out of the executive’s duties.

The Company may terminate the employment of the key executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the following table:

KMP	Company notice period	Employee notice period	Termination provision	Details
Mr R Sugo	6 months	1 month	6 months’ base salary	Fixed salary package of $600,000, consisting of base salary and superannuation, reviewed annually by the Board
Mr C Last	3 months	3 months	3 months' base salary	Fixed salary package of $376,900 consisting of base salary and superannuation, reviewed annually by the Board in September

Directors' interests in shares and options of the Company

At the date of this report, the particulars of shares and options held by the directors and other KMPs of the Company in the Company or in related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

	2021		2020		Shareholding movement %
	Shareholding	Options	Shareholding	Options	
Directors					
Mr T Cuthbertson	855,906	-	855,906	100,000	0.0%
Mr M Boorne	384,605	-	384,605	100,000	0.0%
Mr D Stewart	251,625	-	200,000	-	25.8%
Ms G Pemberton	17,140	-	-	-	100.0%
Mr A Fung	11,462,428	-	13,625,802	100,000	-15.9%[i]
Executive Director					
Mr R Sugo	7,105,863	173,809	12,034,214	150,000	-41.0%[ii]
Other KMPs					
Mr C Last	20,599	71,414	10,282	20,000	100.3%
Ms C Ly	304,156[iii]	-	301,476	20,000	0.9%
Total	**20,402,322**	**245,223**	**27,412,285**	**490,000**	

(i) Please refer to ASX change of interest notice published on 19 March 2021.
(ii) Please refer to ASX change of interest notice published on 1 October 2020.
(iii) Ms C Ly ceased her role as a KMP on 28 February 2021. Ms C Ly's shareholding are as of 28 February 2021.

Directors' benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

This concludes the audited remuneration report.

Indemnifying officers or auditor

The Group has in place a contract insuring the directors, the company secretary and all executive officers of the Group and any related body corporate, against a liability incurred by a director, company secretary or executive officers to the extent permitted by the *Corporations Act 2001.*

The Group has indemnified the directors, the company secretary and all executive officers of the Group for costs incurred, in their capacity as officers of the Group, for which they may be held personally liable, except where there is a lack of good faith.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to the auditors of the Group or any related entities against a liability incurred by the auditors.

Proceedings on behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-audit services

During the current and prior year MNSA Pty Ltd Chartered Accountants, the Group's auditor, did not provide any non-audit services.

The total amount received by MNSA Pty Ltd Chartered Accountants for non-audit services was $Nil (2020: $Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received and can be found on page 83 of the financial report.

Rounding off

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 consolidated financial statements are rounded to the nearest thousand dollars, except where otherwise indicated.

This directors' report, incorporating the audited remuneration report, is signed in accordance with a resolution of the Board of Directors.

Anne Ward	**Rene Sugo**
Chairman	CEO and Executive Director

Sydney, 24 August 2021

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June	Notes	Consolidated group 2021 $'000	Consolidated group 2020 $'000
Continuing operations			
Revenue	4a	203,740	214,890
Cost of sales		(111,141)	(128,185)
Gross profit		**92,599**	**86,705**
Other income	4a	901	1,216
Employee benefits expense	4b	(41,951)	(40,008)
Depreciation and amortisation	4c	(17,710)	(16,107)
Other expenses	4d	(14,264)	(16,291)
Costs related to acquisition		(57)	-
Financing costs	4e	(2,908)	(2,993)
Restructure costs	19	(55)	(1,300)
Profit before income tax		**16,555**	**11,222**
Income tax expense	5a	(4,673)	(3,070)
Profit from continuing operations		**11,882**	**8,152**
Discontinued operations			
Profit from discontinued operations	21b	**3,696**	**3,795**
Net profit for the year		**15,578**	**11,947**
Other comprehensive income/(loss) Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,296)	44
Changes in fair value of cash flow hedges		844	(214)
		(452)	**(170)**
Total comprehensive income for the year		**15,126**	**11,777**
Earnings per share attributable to ordinary equity holders			
- Basic earnings per share (cents)	30	18.43	14.88
- Diluted earnings per share (cents)	30	18.28	14.72
Earnings per share from continuing operations			
- Basic earnings per share (cents)	30	14.06	10.15
- Diluted earnings per share (cents)	30	13.95	10.05

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June	Notes	Consolidated group 2021 $'000	Consolidated group 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	6a	22,668	46,164
Trade and other receivables	7	38,390	42,027
Inventories		1,262	1,906
Assets classified as held for sale	21d	13,349	-
Total current assets		**75,669**	**90,097**
Non-current assets			
Property, plant and equipment	9	27,361	30,246
Other receivables	8	932	-
Right-of-use asset	15	14,976	18,209
Deferred tax asset	5c, 5d	3,406	3,102
Goodwill and other intangibles	27	87,295	93,149
Total non-current assets		**133,970**	**144,706**
Total assets		**209,639**	**234,803**
Liabilities			
Current liabilities			
Trade and other payables	10	25,978	27,988
Customer deposits	13	1,198	3,938
Provisions	14	4,278	4,456
Lease liability	16	3,270	3,160
Income tax payable		31	1,643
Liabilities classified as held for sale	21d	2,421	-
Total current liabilities		**37,176**	**41,185**
Non-current liabilities			
Loans and borrowings	11	-	30,000
Financial instruments	12	-	841
Provisions	14	1,498	1,357
Lease liability	16	14,587	17,776
Deferred tax liability	5c, 5d	6,326	4,691
Total non-current liabilities		**22,411**	**54,665**
Total liabilities		**59,587**	**95,850**
Net assets		**150,052**	**138,953**
Equity			
Issued capital	17a	102,486	101,771
Reserves		3,773	3,138
Retained earnings		43,793	34,044
Total equity		**150,052**	**138,953**

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June	Notes	Consolidated group 2021 $'000	Consolidated group 2020 $'000
Cash flows from operating activities			
Receipts from customers		225,209	235,147
Payments to suppliers and employees		(182,670)	(199,556)
Interest received		146	214
Interest paid		(2,013)	(2,885)
Income tax paid		(5,703)	(4,058)
Net cash from operating activities	6b	**34,969**	**28,862**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,677)	(6,782)
Payment for business acquisitions		(5,937)	-
Software development costs		(9,181)	(8,883)
Proceeds received for sale of subsidiary		267	-
Net cash used for investing activities		**(19,528)**	**(15,665)**
Cash flows from financing activities			
Proceeds from share placement and options exercised – Share Placement		-	49,736
Proceeds from share placement and options exercised – DRP		724	910
Dividends paid		(5,829)	(5,046)
Repayment of borrowings		(30,000)	(25,600)
Hedge instrument settlement		(521)	-
Repayment of finance lease liability		(3,057)	(2,638)
Net cash (used for)/from financing activities		**(38,683)**	**17,362**
Net (decrease)/increase in cash and cash equivalents		(23,242)	30,559
Impact of FX on cash and cash equivalents		(560)	124
Cash and cash equivalents at 1 July		46,164	15,481
Cash from acquisition		306	-
Cash and cash equivalents at 30 June	6a	**22,668**	**46,164**

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
Balance at 1 July 2019	51,125	2,462	99	(630)	28,634	81,690
Adjustment for change in accounting standard	-	-	-	-	(1,491)	(1,491)
Profit for the period	-	-	-	-	11,947	11,947
Other comprehensive income	-	-	44	(214)	-	(170)
Dividends paid	-	-	-	-	(5,046)	(5,046)
Shares issued - DRP	910	-	-	-	-	910
Shares issued - share placement	49,736	-	-	-	-	49,736
Share-based payments	-	1,377	-	-	-	1,377
Balance at 30 June 2020	**101,771**	**3,839**	**143**	**(844)**	**34,044**	**138,953**
Balance at 1 July 2020	101,771	3,839	143	(844)	34,044	138,953
Profit from continuing operations	-	-	-	-	11,882	11,882
Profit from discontinued operations					3,696	3,696
Other comprehensive income	-	-	(1,296)	844	-	(452)
Dividends paid	-	-	-	-	(5,829)	(5,829)
Shares issued - DRP	715	-	-	-	-	715
Share-based payments	-	1,087	-	-	-	1,087
Balance at 30 June 2021	**102,486**	**4,926**	**(1,153)**	**-**	**43,793**	**150,052**

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Corporate information

These consolidated financial statements and notes represent those of MNF Group Limited (the Company) and its controlled entities (collectively, the Group) for the year ended 30 June 2021. The financial statements were authorised for issue on 24 August 2021 in accordance with a resolution by the directors of the Company.

MNF Group Limited is a for-profit entity limited by shares and incorporated and domiciled in Australia. Shares are publicly traded on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of the Group are described in the Directors' report.

The separate financial statements of the MNF Group Limited, the parent entity of the Group, have not been presented within this financial report as permitted by the *Corporations Act 2001*. The financial information of the Company has been disclosed in note 32.

2. Significant accounting policies

a. Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b. New and amended accounting policies adopted by the Group and New Accounting Standards for application in future periods

The accounting policies applied by the Group in this 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 2021, with the exception of any new accounting policies adopted, as disclosed below.

In the current year, 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 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.

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

An addendum on cloud computing was issued by the IFRS Interpretations Committee (IFRIC) in April 2021 (from an original announcement made in March 2019). This release evaluated whether the rights granted in the cloud computing arrangements (CCAs) are an acquisition of an intangible asset and within the scope of IAS 38 Intangible Assets, a right-of-use and within the scope of IFRS 16 Leases, or a contract to receive services.

Clarity was given regarding the ownership of intellectual property (IP) in CCAs. Where a CCA customer only has the right to receive access to the supplier's application software over the contract term, the CCA should be accounted for as a service contract, whereby the CCA customer has received the service, the access to the software, over the contract term. Customisations, enhancements or additional features to third-party CCAs can be capitalised by the customer if these features are delivered by an API where the customer owns the IP for these features. Non-owned IP configurations in a Software as a Service arrangement cannot be capitalised and associated costs should be expensed to the Profit or Loss Statement.

Adjustments as a result of the above identified before 30 June 2021 financial reports are to be treated as relating to a change in accounting policy. The Group has not identified any material adjustments as a result of this addendum.

c. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which MNF Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in note 25 to the Consolidated financial statements.

In complying with the Accounting Standards, continuing and discontinued operations have been distinguished in the Statement of Profit and Loss and Other Comprehensive Income for both the 2021 financial year and the 2020 financial year in the consolidated financial statements. Assets held for sale and liabilities held for sale have also been disclosed separately in the Statement of Financial Position as at 30 June 2021 in the consolidated financial statements. Details of the components of these balances are disclosed in note 21.

d. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

Consideration transferred for the acquisition comprises the fair value of the assets transferred, liability incurred and the equity interests issued by the acquirer. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition-related costs are expensed as incurred.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred, over the acquisition-date fair values of identifiable net assets. See Note 2p for further details regarding impairment testing.

e. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the consolidated financial statements based on historical knowledge and best available current information. Estimates assure a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Key estimates that have a significant risk of causing adjustments to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an independent valuer using the Black-Scholes model. The accounting estimates and assumptions relating to equity-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may have impact on profit or loss and equity.

(ii) Useful lives of property, plant and equipment
The Group reviews the estimated useful lives of property, plant and equipment at the end of each financial year. The Group adjusts the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.

(iii) Utilisation of tax losses
The Company and its wholly-owned Australian subsidiaries are members of a tax consolidated group under Australian taxation law. Each entity in the tax consolidated group contributed tax losses to the Group. The Australian tax group has no tax losses to currently utilise.

(iv) Research & Development (R&D) tax concession
When calculating the income tax provision for the year, the Research & Development tax incentive for the current financial year is based on management's operational knowledge and best estimate at the time, utilising prior year's claim as a benchmark. The Directors believe the estimate is reasonable and conservative. This may be subject to change following the finalisation of the Research & Development tax incentive when the Company finalises its Australian Tax Return.

(v) Determination of cash generating units (CGUs) and their recoverable amount for impairment assessment
Impairment assessment compares the carrying value of identified CGUs with their recoverable amounts. Management judgement is applied to identify these CGUs and determine the recoverable value. Refer to Note 2p and Note 28 for further information.

f. Revenue recognition

(i) Revenue from Contracts with Customers
In accordance with AASB 15 Revenue from Contracts (AASB 15), the Group recognises revenue to depict the transfer of goods and services to customers, in an amount that reflects the consideration to which the Group is entitled in exchange for those goods and services. Note 4 provides specific information to assist users to understand the nature, timing and uncertainty of revenues and cash flows from contracts with customers. All reported revenue for the Consolidated Group, apart from interest revenue and other income, is generated from Contracts with Customers.

The Group provides telecommunication services, including data and voice services and provision of low value hardware as part of total business communication solutions. Accordingly, performance obligations for contracts with customers are generally satisfied over time, and revenue is recognised accordingly. Where hardware is purchased outright by a customer, revenue is recognised at the time of purchase. This does not represent a material level of revenue for the Group.

Where payment is received by the Group in advance of a performance obligation being satisfied, a contract liability is recognised in the Statement of Financial Position. Where a performance obligation has been satisfied and the Group is yet to issue an invoice to the customer, a contract asset is recognised in the Statement of Financial Position. Where a performance obligation has been satisfied and an invoice has been issued to a customer but not yet paid, a trade receivable is recognised in the Statement of Financial Position.

Transaction prices for provision of goods and services are agreed within Contracts with Customers. The Group determines its transaction prices based on the cost to the Group in acquiring or supplying the good or service itself, plus a margin to cover operating costs and return requirements of the Group. The Group may offer discounts to customers for bulk supply of particular goods or services. Discounts are recognised in line with corresponding revenue recognition.

The cost to the Group in fulfilling return, refund and warranty obligations is negligible. The majority of the Group's revenue is generated from the provision of voice services and call connections that do not have enduring obligations.

Impairment of contract assets and trade receivables for Contracts with Customers is assessed by the Group on an ongoing basis and allowed for within the Group's provision for doubtful debts calculation (refer Note 7).
Costs incurred in obtaining Contracts with Customers are not material at the Group level, and the Group does not recognise any assets in relation to costs to obtain or fulfil Contracts with Customers, outside of contract assets as identified above.

(ii) Interest income
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

g. Leases

Except for short-term leases and leases of low value assets, the Group applies a single recognition and measurement approach for all leases representing the right to use the underlying asset: right-of-use assets recognised at the commencement date of the lease and corresponding lease liabilities measured at the present value of lease payments over the lease term are recognised in the Statement of Financial Position. Depreciation charges for the right-of-use assets and interest expenses on the lease liabilities replaces the straight-line operating lease expense.

h. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in-hand, as well as short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

i. Trade and other receivables

Trade and other receivables are non-interest bearing financial assets with fixed or determinable payments that are not quoted on an active market. The balance is mostly made up of contractual agreements with customers. Generally, the terms and conditions of these contracts require settlement between 14 to 30 days from the date of invoice. The balance is recognised and carried at original invoice amount net of any doubtful debts provision.

Bad debts are written off when it is determined the debt is irrecoverable. These amounts have been included in other expenses.

j. Foreign currency transactions and balances

(i) Functional and presentation currency
The functional currency of each Group entity is measured using the currency of the primary consolidated environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the Company’s functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the Statement of Financial Position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group Companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

On consolidation, assets and liabilities have been translated into Australian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences are taken to Other Comprehensive Income (OCI) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

k. Income tax

(i) Current tax
Current income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income is the tax payable on taxable income, calculated using applicable income tax rates enacted as at reporting date. Current

tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

(ii) Deferred tax
Deferred taxes arise due to temporary timing differences between accounting and tax treatments of income and expenses. They are calculated at the tax rates expected to apply to the period when the asset is realized, or the liability is settled.

Deferred tax assets relating to unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Except for business combinations, no deferred tax is recognised from the initial recognition of an asset or liability when there is no effect on the accounting or taxable profit or loss.

Current tax assets and liabilities are offset when a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(iii) Tax consolidation
MNF Group Limited and its wholly-owned Australian subsidiaries are part of a Tax Consolidation Group under Australian taxation law. MNF Group Limited is the head entity in the Tax Consolidation Group. Tax expense, deferred tax liabilities and deferred tax assets arise from temporary differences of the members of the Tax Consolidation Group using the 'separate taxpayer within group' approach by reference to the carrying amounts in each separate entity and the tax values applying under Australian taxation law.

MNF Group Limited, as the head entity in the Tax Consolidation Group, recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of all entities in Australia.

Members of the MNF Group Limited Tax Consolidation Group have entered into a tax sharing agreement.

l. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

m. Inventories

Costs of purchased inventory are determined after deducting rebates and discounts. Inventories are measured at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n. Property, plant and equipment

(i) Carrying amount
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by the Company's Directors to ensure it is not more than the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

(ii) Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Furniture & fittings	6 to 10 years
Office equipment	3 to 5 years
Leasehold improvements	3 to 9 years
Network infrastructure and IT systems	2 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

o. Financial instruments

Non-derivative financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to Statement of Profit or Loss and Other Comprehensive Income immediately.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (all other loans and receivables are classified as non-current assets).

(ii) Investments in subsidiaries held by the parent
Investments in subsidiaries held by the parent entity are recognised and subsequently measured at cost in the separate financial statements of the Company, less any impairment.

(iii) Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, is terminated, is exercised, or the designation is revoked, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in reserves is reclassified to the Statement of Profit or Loss and Other Comprehensive Income.

Derivatives are initially recognised at fair value. Any directly attributable transaction costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised as Other Comprehensive Income (OCI) and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item impacts profit or loss.

Fair value hedges
When a derivative is designated as a fair value hedging instrument, the hedged item is re-measured to take into account the profit or loss attributable to the hedged risk, with the profits or losses arising recognised in the Statement of Profit or Loss and Other Comprehensive Income. This offsets the profit or loss arising on the hedging instrument which is measured at fair value in the Statement of Profit or Loss and Other Comprehensive Income. Changes in fair value of the derivative instrument are also recognised in the Statement of Profit or Loss and Other Comprehensive Income.

p. Intangible assets and goodwill (impairment testing)

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. Profits or losses recognised in the Statement of Profit or Loss and Other Comprehensive Income as a result of the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

At the end of each reporting period, goodwill, indefinite life intangibles and intangibles not ready for use are tested for impairment irrespective of whether there are indications of impairment. Intangibles with definite useful lives are only tested for impairment if there is any indication of impairment. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recognition and measurement:

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill assets are not subject to amortisation and are tested for impairment annually, or whenever an indication of impairment exists.
Brands	Brands identified on acquisitions are measured and recorded at valuation less accumulated impairment losses. Brands are not subject to amortisation and are tested for impairment annually, or whenever an indication of impairment exists.
Software Development	Expenditure on research is recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.
Other intangible assets	Other intangible assets, including customer contracts, patents, trademarks and software acquired by the Group that have finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their residual values using the straight-line method over their estimated useful life. It is generally recognised in the Statement of Profit or Loss and Other Comprehensive Income. Goodwill is not amortised.

The estimate useful life of intangibles is as follows:

Patents and trademarks	5 to 20 years
Software and software development costs	5 to 10 years
Customer relationships	3 to 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

q. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

r. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the date of the Statement of Financial Position. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

s. Employee leave benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the date of the Statement of Financial Position. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

t. Contributed capital

Ordinary shares are classified as Equity. Incremental costs directly attributable to the issue of new shares or options are shown in Equity as a deduction, net of tax, from the proceeds.

u. Earnings per share

Basic earnings per share is determined as net profit/(loss) attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share include options outstanding that will have the potential to convert to ordinary shares and dilute the basic earnings per share.

v. De-recognition of financial assets and financial liabilities

Financial assets are de-recognised when the contractual rights to receipt of cash flows expires, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised when the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

w. Share-based payment transactions

The Group provides benefits to its employees and directors (including KMPs) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

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

At each subsequent reporting date until vesting, the cumulative charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

The charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to Equity.

3. Operating segments

The MNF Group operates two Business Units, Wholesale and Direct. The Wholesale Business Unit is managed as two segments, Domestic Wholesale and Global Wholesale, reflecting the different markets and product suites of each segment.

Domestic Wholesale

Domestic Wholesale customers are predominantly Retail Service Providers (RSPs), Managed Services Providers (MSPs) and IT companies in Australia or New Zealand. Key products include:

- Australian and New Zealand phone numbers with number portability
- Terminating calls in Australia / New Zealand (CTS)
- Software for telecom billing and compliance management
- Whitelabel cloud phone systems and mobile services (MVNO)

Domestic Wholesale services are typically sold through subsidiary brands Symbio Networks, iBoss, Telcoinabox and Comms Code.

Global Wholesale

Global Wholesale customers are predominantly international UCaaS, CPaaS and CCaaS vendors, software and app developers and global telecom providers. Key products include:

- Australian and New Zealand phone numbers with number portability
- Terminating calls in Australia / New Zealand (CTS)
- International toll-free phone numbers (ITFS)
- Management of international routing with toll fraud mitigation

Global Wholesale services are typically sold through Symbio Networks and TNZI.

Direct

Direct customers are small and medium businesses and households in Australia, as well as Enterprise and Government organisations in Australia, New Zealand and Singapore. Key products include:

- Australian and New Zealand phone numbers with number portability
- Enterprise UCaaS: Cisco Webex and Microsoft Teams
- SMB cloud phone systems, audio and video conferencing
- Residential home phone and mobile services

Enterprise and Government customers are served through the MNF Enterprise brand in Australia and Supernet in Singapore. Small business customers are served by Connexus and Express Virtual Meetings, while residential customers are served by Pennytel (up until 5 March 2021) and MyNetFone.

The information is consistent with the results presented for internal management reporting purposes, measured at gross margin level. The accounting policies used by the Group in reporting segment information internally, are the same as those contained in note 2 to the 2021 financial statements.

	Domestic Wholesale	Global Wholesale	Direct	Discontinued operations - Direct	Continuing Operations Total
	$'000	$'000	$'000	$'000	$'000
2021					
External revenue	93,999	95,085	29,605	(14,949)	203,740
Inter-segment revenue	10,763	4,418	-	-	15,181
Segment revenue	**104,762**	**99,503**	**29,605**	**(14,949)**	**218,921**
Segment margin	**45,937**	**36,102**	**20,159**	**(9,599)**	**92,599**
2020					
External revenue	89,741	107,268	33,904	(16,023)	214,890
Inter-segment revenue	10,285	6,393	-	-	16,678
Segment revenue	**100,026**	**113,661**	**33,904**	**(16,023)**	**231,568**
Segment margin	**41,212**	**32,462**	**22,753**	**(9,722)**	**86,705**

For the year ended 30 June	2021	2020
	$'000	$'000

4. Revenue and expenses*

a. Revenue and other income

	2021 $'000	2020 $'000
Rendering of services and sale of goods	**203,740**	**214,890**
Interest on bank deposits	172	224
Other income	729	992
	901	**1,216**

Disaggregation of revenue from contracts with customers

The disaggregation of the Group's revenue based on the nature and timing of transfer of goods and services is set out below:

2021						
Revenue type	**Revenue recognition**	**Domestic Wholesale $'000**	**Global Wholesale $'000**	**Direct $'000**	**Discontinued Operations $'000**	**Total $'000**
External revenue	Over time	93,999	95,085	29,605	(14,949)	203,740
Inter-segment revenue	Over time	10,763	4,418			15,181
Segment revenue from continuing operations		**104,762**	**99,503**	**29,605**	**(14,949)**	**218,921**

2020						
Revenue type	**Revenue recognition**	**Domestic Wholesale $'000**	**Global Wholesale $'000**	**Direct $'000**	**Discontinued Operations $'000**	**Total $'000**
External revenue	Over time	89,741	107,268	33,904	(16,023)	214,890
Inter-segment revenue	Over time	10,285	6,393	-		16,678
Segment revenue from continuing operations		**100,026**	**113,661**	**33,904**	**(16,023)**	**231,568**

Disaggregation of revenue is presented in line with the Operating Segment reporting as included in note 3. Revenue disaggregated to geographical market and customer type allows for consideration on how economic factors could affect the Group's revenue streams.

* revenue and expenses have been disclosed based on continuing operations. For further information regarding discontinued operations, refer to note 21.

For the year ended 30 June	2021	2020
	$'000	$'000
b. Employee benefits expense		
Wages and salaries	34,732	32,419
Superannuation	3,079	2,810
Share based payments expense	1,052	1,341
Other employee benefits expense	3,088	3,438
	41,951	**40,008**
c. Depreciation and amortisation		
Depreciation of fixed assets	7,124	7,220
Depreciation of leases	3,273	3,318
Amortisation of intangible assets	7,313	5,569
	17,710	**16,107**
d. Other expenses		
Marketing	495	797
Managed service	3,128	3,053
Property	1,011	1,173
Technology and support	5,466	5,044
Accounting and audit	852	671
Legal and consulting	616	650
Insurance	817	754
Unrealised Foreign exchange (gain)/loss	(87)	68
Bank and transaction costs	249	260
Other administrative expenses	1,717	3,821
	14,264	**16,291**
e. Financing costs		
Finance charges on lease liability	762	1,821
Finance charges on bank loan	1,238	894
Finance charges related to hedge instrument	387	278
Hedge instrument settlement	521	-
	2,908	**2,993**

* revenue and expenses have been disclosed based on continuing operations. For further information regarding discontinued operations, refer to note 21.

For the year ended 30 June	2021	2020
	$'000	$'000

5. Income and deferred tax

a. Income tax expense

The major components of income tax expense are as follows:

	2021 $'000	2020 $'000
Current tax	6,463	5,117
Adjustment in respect of prior years	(206)	(414)
Group consolidated income tax expense	6,257	4,703
Adjustment in respect of discontinued operations	(1,584)	(1,633)
Income tax expense for continuing operations	**4,673**	**3,070**

b. Reconciliation between Tax expense and the accounting profit

	2021 $'000	2020 $'000
Group consolidated profit before income tax	21,835	16,650
Adjustment in respect of discontinued operations	(5,280)	(5,428)
Profit before income tax – continuing operations	**16,555**	**11,222**
At the Group's statutory rate of 30% (2020: 30%)	**4,967**	**3,367**
Tax incentives	(116)	(183)
Effect of tax rates in foreign jurisdictions	(80)	(57)
Non-temporary differences	108	357
Adjustment in respect of prior year	(206)	(414)
Income tax expense	**4,673**	**3,070**
Effective income tax rate	28%	27%

c. Movement in deferred tax balances

The movement in the Deferred Tax Account is shown below

	2021 $'000	2020 $'000
Opening deferred tax balances		
Deferred tax asset	3,102	2,227
Deferred tax liability	(4,691)	(6,097)
Overall deferred tax balance	(1,589)	(3,870)
Recognised in equity for acquisition	(703)	-
Recognised in profit or loss	(628)	2,281
Closing deferred tax balances		
Deferred tax asset	3,406	3,102
Deferred tax liability	(6,326)	(4,691)
	(2,920)	(1,589)

For the year ended 30 June	2021	2020
	$'000	$'000
d. Deferred tax asset and deferred tax liability arise from the following:		
Deferred tax asset ***Temporary differences relating to***		
Doubtful debts provision	520	767
Employee entitlements provision	1,456	1,470
Other	993	637
Unrealised gains and losses	82	46
Lease accounting	355	182
	3,406	**3,102**
Deferred tax liability ***Temporary differences relating to***		
Fixed assets	(1,627)	(732)
Intangible assets	(3,043)	(2,695)
Software development costs	(1,559)	(1,147)
Other receivables, prepayments and other assets	(46)	(68)
Losses carried forward	(51)	(49)
	(6,326)	**(4,691)**

e. The Company and its wholly-owned Australian entities are members of a tax consolidated group. Transactions within the tax consolidated group have been eliminated in full on consolidation. The Australian tax consolidated group is treated as a single entity for income tax purposes.

For the year ended 30 June	2021	2020
	$'000	$'000

6. Operating cash flows reconciliation

a. Cash and cash equivalents

Cash at bank and on hand	**22,668**	**46,164**

b. Reconciliation of net profit after tax to net cash flows from/(used for) operating activities

Profit for the year	**15,578**	**11,947**
Add/(subtract) non-cash items		
Depreciation and amortisation	14,447	12,799
Share based payments expense	1,087	1,377
Loss on disposal of property, plant and equipment	39	23
Gain on sale of subsidiary	(367)	-
Lease depreciation	3,273	3,318
	18,479	17,517
Cash movements in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	3,507	(429)
Decrease/(increase) in inventory	532	(360)
Increase in deferred tax assets	(212)	(85)
Decrease in trade and other payables	(1,579)	(4,152)
Decrease in current tax liabilities	(160)	(1,105)
(Decrease)/increase in customer deposits	(2,346)	2,445
Increase in deferred tax liabilities	939	2,370
Increase in provisions and employee benefits	231	714
	912	(602)
Net cash flows from operating activities	**34,969**	**28,862**

7. Trade and other receivables

Trade receivables	32,490	38,592
Doubtful debts provision	(1,609)	(3,171)
Other receivables, prepayments and other assets	7,509	6,606
	38,390	**42,027**

Doubtful debts provision

The Group applies professional judgement to estimate the doubtful debts provision for our trade receivables. Assessment is based on historical trends (using the expected credit loss model and prior write-off movements) and management's assessment of general economic conditions.

As a result of the current pandemic, which has impacted the global economic environment which our customers operate in, the Group has undertaken stringent review to ensure our doubtful debts provision remains appropriate.

8. Other receivables

Other receivables	932	-
	932	**-**

Other receivables consist of an amount receivable which is non-trading in nature, where the payment period is greater than 12 months from balance sheet date based on agreed terms.

9. Property, plant and equipment

	Office furniture & equipment	Leasehold improvements	Network infrastructure & equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
a. Reconciliation of carrying amount					
Cost:					
At 1 July 2019	7,696	4,472	45,930	51	58,149
Additions	723	1,315	4,793	5	6,836
Disposals	(582)	(164)	(5)	(12)	(763)
Reclassify asset category	-	-	(12)	12	-
Transfer to Software and other assets	-	-	-	(51)	(51)
Effect of movement in exchange rates	2	(7)	30	-	25
At 30 June 2020	**7,839**	**5,616**	**50,736**	**5**	**64,196**
At 1 July 2020	7,839	5,616	50,736	5	64,196
Acquisition	-	-	116	-	116
Additions	94	172	4,301	120	4,687
Assets held for sale	(10)	-	-	-	(10)
Disposals	(1)	-	(377)	-	(378)
Transfer to Goodwill and other intangibles	-	-	-	(6)	(6)
Effect of movement in exchange rates	(37)	(30)	(1,159)	-	(1,226)
At 30 June 2021	**7,885**	**5,758**	**53,617**	**119**	**67,379**
Accumulated depreciation:					
At 1 July 2019	(4,984)	(1,141)	(21,248)	-	(27,373)
Depreciation expense	(1,038)	(733)	(5,459)	-	(7,230)
Disposals	559	164	5	-	728
Effect of movement in exchange rates	(1)	1	(75)	-	(75)
At 30 June 2020	**(5,464)**	**(1,709)**	**(26,777)**	**-**	**(33,950)**
At 1 July 2020	(5,464)	(1,709)	(26,777)	-	(33,950)
Acquisition	-	-	(48)	-	(48)
Depreciation expense	(823)	(842)	(5,412)	-	(7,077)
Assets held for sale	(10)	-	-	-	(10)
Disposals	13	-	302	-	315
Reclassify asset category	48	-	(48)	-	-
Effect of movement in exchange rates	24	6	722	-	752
At 30 June 2021	**(6,212)**	**(2,545)**	**(31,261)**	**-**	**(40,018)**
Net Book Value:					
At 30 June 2020	2,375	3,907	23,959	5	30,246
At 30 June 2021	**1,673**	**3,213**	**22,356**	**119**	**27,361**

b. Disposals

Asset disposals mostly relate to equipment that is fully written down to net book value $Nil and is no longer in use. There was no material impact to the profit or loss account in relation to these disposals.

For the year ended 30 June	2021 $'000	2020 $'000
10. Trade and other payables		
Trade payables	13,781	16,877
Other creditors and accruals	11,820	10,729
Security deposits held	377	382
	25,978	**27,988**
11. Loans and borrowings		
Non-current liabilities		
Secured bank loan	-	30,000
	-	**30,000**

The Group's finance facilities consist of $60.0m (2020: $60.0m) in revolving credit facilities and a $3.0m (2020: $3.0m) revolving multi-option credit facility.

In May 2021, the Group paid down the $10.0m Westpac loan payable amount, and in June 2021, the group further paid down the $20.0m HSBC loan payable amount, which brings the loan payable to $Nil as of 30 June 2021.

A total of $60.0m in facilities is available to be utilised; $45.0m in facilities have a maturity date of 15 July 2022 and a $15.0m facility has a maturity date of 16 May 2024.

$2.5m of the revolving multi-option credit facility has been utilised as bank guarantees for property leases and supplier securities as required.

Facilities are secured by a fixed and floating charge over the assets of the Group. Interest rates payable under the bank facilities are based on BBSY rates plus a variable margin based on the net leverage ratio of the Group (calculated quarterly). For more information about the Group's exposure to interest rate and foreign currency risk, see note 33.

For the year ended 30 June	2021 $'000	2020 $'000
12. Financial instruments		
Non-current liabilities		
Interest rate swap contract - cash flow hedge	-	841
	-	**841**

Interest rate swap contract - cash flow hedge

Interest rate swap contract has been terminated in May 2021.

In April 2019, the Group rolled into a new interest rate swap contract to protect the loan facility from exposure to increasing interest rates. A hedge relationship was designated on this date. Under this interest rate swap, the Group was obliged to receive interest at a variable rate and pay interest starting April 2019 at fixed rate of 1.835% (2019: 1.385%) per annum. The swap covered 100% (2019: 54%) of the floating rate exposure under the Facility.

The gain or loss from remeasuring the hedging instrument at fair value is recognised in other comprehensive income and deferred in equity in the hedge reserve. It is reclassified into profit or loss when the hedged interest expense is recognised.

13. Customer deposits

For the year ended 30 June	2021	2020
	$'000	$'000
Pre-paid accounts	**1,198**	**3,938**

Customer deposits mostly relates to cash received in advance from customers with respect to prepaid customer accounts. The balance represents the unused call credits as at balance date.

14. Provisions

	Annual leave	Long service leave	Make good provision	Total
	$'000	$'000	$'000	$'000
As at 1 July 2020	3,267	1,410	1,136	5,813
Arising during the year	3,309	475	-	3,784
Utilised/paid out during the year	(3,704)	(109)	-	(3,813)
Movement due to change in foreign currency translation rates	-	-	(8)	(8)
As at 30 June 2021	**2,872**	**1,776**	**1,128**	**5,776**
Current	2,872	1,334	72	**4,278**
Non-current	-	442	1,056	**1,498**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2.

15. Right-of-use asset

For the year ended 30 June	2021	2020
	$'000	$'000
Land and buildings – right-of-use	21,515	21,515
Less: Accumulated depreciation	(6,590)	(3,318)
Effect of movement in exchange rate in Accumulated depreciation	51	12
	14,976	**18,209**

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.

16. Lease liability

Current	3,270	3,160
Non-current	14,587	17,776
	17,857	**20,936**

17. Issued capital

For the year ended 30 June	2021	2020
	$'000	$'000
a. Ordinary shares		
Issued capital	**102,486**	**101,771**

	2021		2020	
Movements in ordinary shares on issue:	**Number of shares**	**$'000**	**Number of shares**	**$'000**
At 1 July	84,311,444	101,771	73,410,315	51,125
Exercise of share options (i)	120,000	-	210,000	-
Issued for cash (ii)	-	-	10,410,000	49,736
Issued from DRP participation (iii)	163,356	715	214,799	910
Issued for Staff Share Plan (iv)	77,952	-	66,330	-
At 30 June	**84,672,752**	**102,486**	**84,311,444**	**101,771**

(i) In 2021, 120,000 options were exercised with an exercise price of $Nil (2020: 210,000 options).
(ii) No shares issued as a result of share placement.
(iii) Shares issued as a result of participation in the MNF Group dividend reinvestment plan (at an issue price of $4.43, 2020: $4.75 and $3.05).
(iv) Shares issued under Staff Share Plan to all eligible staff at $Nil value.

Share capital movements above are presented net of transaction costs.

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

b. Share options

	2021		2020	
Movements in ordinary shares on issue:	**Number**	**WAEP $**	**Number**	**WAEP $**
Outstanding at 1 July	860,000	5.15	1,070,000	4.14
Granted during the year	561,726	5.68	-	-
Exercised during the year	(120,000)	-	(210,000)	-
Expired during the year	(620,000)	(7.15)	-	-
Outstanding at 30 June	**681,726**	**5.68**	**860,000**	**5.15**
Exercisable	681,726	5.68	860,000	5.15

The outstanding options balance as at 30 June 2021, issued under the share-based option scheme is represented by 561,726 options issued to employees with an exercise price of $5.6790 each and an expiry date of 30 June 2030. The last tranche of the options granted on 11 December 2018 for 120,000 share options was issued to employees with an exercise price of $Nil and expiry date of 30 June 2022. 620,000 share options were granted in the 2018 AGM with an exercise price of $7.15 each were not exercised and expired on 30 June 2021.

For the year ended 30 June	2021	2020
	Number	Number

18. Staff share-based payments

Outstanding options		
Employee option plan	507,917	410,000
Options held by directors	173,809	450,000
Total	**681,726**	**860,000**

a. Employee option plan (EOP)

The Board may issue options under the EOP to any employee of the Group, including executive directors and non-executive directors. Options will be issued free of charge, unless the Board determines otherwise. Each option is to subscribe for one share and when issued, the shares will rank equally with other shares. Unless the terms on which an option was offered specify otherwise, an option may be exercised at any time after one year from the date it is granted, provided the employee is still employed by the company.

An option may also be exercised in special circumstances, that is, at any time within six months after the employee's death, total and permanent disablement, or retrenchment. An option lapses upon the termination of the employee's employment by the company and, unless the terms of the offer of the option specify otherwise, lapses three years after the date upon which it was granted.

The maximum number of options on issue under the EOP must not at any time exceed 5% of the total number of shares on issue at that time.

b. Share options granted to directors

450,000 options were granted to directors prior to the 2020 financial year, all the options were expired and unexercised on 30 June 2021. 173,809 options at exercise price of $5.679 were granted to the CEO for his LTIAs under EIP as approved in the 2020 AGM. The following table illustrates the number and weighted average exercise prices (WAEP) of movements of share options held by directors during the year:

	2021		2020	
	Number	WAEP $	Number	WAEP $
Outstanding as at 1 July	450,000	7.15	450,000	7.15
Granted during the year	173,809	5.679	-	-
Expired during the year	(450,000)	-	-	-
Outstanding as at 30 June	**173,809**	**5.679**	**450,000**	**7.15**

19. Restructure costs

During the period, the Group underwent a minor reassessment of part 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:

For the year ended 30 June	2021	2020
	$'000	$'000
Redundancy costs	55	1,300
	55	**1,300**

20. Contingencies and contract commitments

Contingencies
There were no contingent liabilities as at 30 June 2021.

Guarantees
There were no new guarantees as at 30 June 2021. The Company has a guarantee to Telstra Corporation Limited. This guarantee covers all primary obligations including any debts of its wholly owned subsidiaries. It does not impose any greater liability of the Company than is already in place for the subsidiaries collectively.

Other matters
From time to time, the Group is subject to legal claims. The majority of these are subsequently proven to be without merit and resolved with no cash outflow.

21. Assets and liabilities classified as held for sale and discontinued operations

a. Description
On 7 June 2021, the Company announced that it signed a non-binding (other than customary matters including exclusivity) conditional term sheet with Vonex Limited, a Telecommunications services company, for the sale of part of its Direct business for $31m.

The sale is in line with the Company's strategy to simplify the business and drive growth in its Communications Platform as a Service (CPaas) and Unified Communications as a Service (UCaas) voice services.

The associated assets and liabilities have been classified as held for sale and presented separately in the Company's 2021 financial statements. Financial information relating to the assets and liabilities held for sale for the period is set out below.

b. Financial performance and cash flow information
The financial performance and cash flow information presented are for the current year ended 30 June 2021 and prior year ended 30 June 2020.

For the year ended 30 June	2021	2020
	$'000	$'000
Revenue	14,949	16,023
Gross Profit	**9,599**	**9,722**
Expenses	(4,319)	(4,295)
Profit before income tax	**5,280**	**5,427**
Income tax expense	(1,584)	(1,632)
	3,696	**3,795**

Net cash inflow/(outflow) from operating activities	3,673
Net cash inflow/(outflow) from investing activities	-
Net cash inflow/(outflow) from financing activities	-
Net increase in cash generated	**3,673**

c. Details of the sale
The Direct businesses that form the sale agreement include those that provide cloud phone, mobile and internet services directly to small business and residential customers in Australia. These customers are predominantly served by the MyNetFone brand; however, the brand is not part of the sale and the Company will retain the Enterprise and Government customers.

Conditions to finalising the asset sale agreement include a satisfactory outcome of due diligence on the Company, funding for the transaction being secured by Vonex, and board approval for both Vonex and the Company. The Group confirmed that MNF Group had completed the sale of part of the Direct business to Vonex on 9 August 2021.

d. Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale as at 30 June 2021.

As at 30 June	2021
	$'000
Assets classified as held for sale	
Trade debtors	538
Inventory	109
Property, plant and equipment	10
Deferred tax asset	9
Goodwill and other intangibles	12,683
	13,349
Liabilities classified as held for sale	
Trade and other creditors	(582)
Provisions	(245)
Income tax payable	(1,594)
	(2,421)

22. Events after reporting date

Appointment of new chairman

On 22 July 2021, the Group announced the appointment of Ms Anne Ward as an independent director and Chairman of the Board effective immediately, and succeeds Mr Terry Cuthbertson, who announced his intention to step down from the Board in October 2020.

Discontinued operations

On 7 June 2021, the Group announced that MNF Group had signed a Term Sheet for Vonex Ltd (Vonex) to buy part of the Group's business.

On 23 July 2021, the Group confirmed that MNF Group had entered into a Binding Agreement with Vonex to acquire part of the Group's direct business.

On 9 August 2021, the Group confirmed that MNF Group had completed the sale of part of the Direct business to Vonex.

See note 21 for detail regarding business transaction post-balance sheet date.

Dividends

The dividend as recommended by the Board will be paid subsequent to the balance date.

There are no other events after reporting date.

23. Auditor's remuneration

The auditor of the Group is MNSA Pty Ltd Chartered Accountants.

	2021	2020
	$'000	$'000
Auditors of the Group Amounts received or due and receivable by MNSA Pty Ltd Chartered Accountants for:		
Audit and review of the annual report of the entity	335	322
Non-audit services	-	-
Other Auditors		
Audit and review of financial statements	85	93
	420	**415**

24. Director and executive disclosures

a. Details of Key Management Personnel (KMP)

Mr Terry Cuthbertson (i)	Chairman and Non-executive Director
Ms Anne Ward (i)	Chairman and Non-executive Director
Mr Michael Boorne	Non-executive Director
Mr Andy Fung	Non-executive Director
Mr David Stewart	Non-executive Director
Mr Rene Sugo	Director & Chief Executive Officer
Ms Gail Pemberton (ii)	Non-executive Director
Mr Chris Last	Chief Financial Officer
Ms Catherine Ly (iii)	Company Secretary

(i) Mr Terry Cuthbertson retired from his position as Chairman and Non-executive Director on 22 July 2021. Ms Anne Ward commenced her appointment as Chairman and Non-executive Director on 22 July 2021.
(ii) Ms Gail Pemberton commenced her appointment on 1 September 2020.
(iii) Ms Catherine Ly ceased her role as a KMP on 28 February 2021.

b. Compensation of KMPs

The Group has applied the exemption under Corporations Amendments Regulation 2006 No 4 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports as required by AASB 124 *Related Party Disclosures*. These disclosures are provided in the directors' report designated as audited.

c. Shareholdings of KMPs

	Year	Balance at the beginning of period	Acquired/ (disposed) during the year*	Options exercised	Balance at end of period
Directors	2021	27,100,527	(7,022,960)	-	20,077,567
	2020	27,759,065	(658,538)	-	27,100,527
Other KMPs	2021	376,290	(365,691)	10,000	20,599
	2020	348,775	15	27,500	376,290

* Ms Catherine Ly's shareholding as at 28 February 2021 has been included in this disposal balance upon her cessation as a KMP on this date.

The above shareholdings are held directly and indirectly through controlled entities.

d. Share options of KMPs

	Year	Balance at the beginning of period	Granted	Options exercised	Options forfeited	Balance at end of period
Directors	2021	450,000	173,809	-	(450,000)	173,809
	2020	450,000	-	-	-	450,000
Other KMPs	2021	40,000	61,414	(10,000)	(20,000)	71,414
	2020	77,500	40,000	(27,500)	(50,000)	40,000

25. Controlled entities

The consolidated financial statements include the financial statements of MNF Group Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Ownership interest	
		2021	2020
My Net Fone Australia Pty Limited	Australia	100%	100%
Symbio Networks Pty Limited	Australia	100%	100%
Symbio Wholesale Pty Limited	Australia	100%	100%
Internex Australia Pty Limited	Australia	100%	100%
Pennytel Australia Pty Limited (i)	Australia	-	100%
Symbio Wholesale (Singapore) Pte Limited	Singapore	100%	100%
TNZI International Pty Limited	Australia	100%	100%
TNZI USA LLC	USA	100%	100%
TNZI New Zealand Limited	New Zealand	100%	100%
TNZI Australia Pty Limited	Australia	100%	100%
TNZI UK Limited	United Kingdom	100%	100%
TNZI Singapore Pte Limited	Singapore	100%	100%
Symbio Wholesale NZ Pty Limited	New Zealand	100%	100%
Conference Call International Pty Limited	Australia	100%	100%
Express Virtual Meetings Pty Limited	Australia	100%	100%
Eureka Teleconferencing Pty Limited	Australia	100%	100%
Conference Call Asia Pty Limited	Australia	100%	100%
Ozlink Conferencing Pty Limited	Australia	100%	100%
Superinternet (S) Pte Limited	Singapore	100%	100%
Superinternet Access Pte Limited	Singapore	100%	100%
Telcoinabox Operations Pty Limited	Australia	100%	100%
IVox Pty Limited	Australia	100%	100%
Neural Networks Pty Limited	Australia	100%	100%
Mobile Service Solutions Pty Limited	Australia	100%	100%
Comms Code Pty Limited (ii)	Australia	100%	-
Tariff Expert Pty Limited (ii)	Australia	100%	-

(i) On 5 March 2021, the Group completed the sale of Pennytel Australia Pty Limited. See note 26 for details.

(ii) On 1 March 2021, the Group completed the purchase of Comms Code Pty Limited and Tariff Expert Pty Limited. See note 29 for details.

26. Entities over which control has been lost during the financial year

Pennytel Australia Pty Ltd, a subsidiary of the Group, was sold for a total consideration of $1,682,000.

Name of the entity	Date control lost
Pennytel Australia Pty Limited	6 March 2021

27. Goodwill and other intangibles

	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	-	-	-	8,817	65	8,882
Transfer from Work in Progress	-	-	-	-	51	51
Balance at 1 July 2020	**46,282**	**5,419**	**8,451**	**20,879**	**26,814**	**107,845**
Acquisition	3,653	76	2,342	-	164	6,235
Additions	-	-	-	9,175	-	9,175
Transfer from Work in Progress	-	-	-	6	-	6
Disposals	(452)	-	-	(1,290)	-	(1,742)
Reclassify asset category	-	-	-	114	(114)	-
Transfer to Assets classified as held for sale	(12,683)	-	-	-	-	(12,683)
Balance at 30 June 2021	**36,800**	**5,495**	**10,793**	**28,884**	**26,864**	**108,836**
Accumulated Amortisation						
Balance at 1 July 2019	-	-	(2,329)	(805)	(5,993)	(9,127)
Amortisation	-	-	(1,110)	(1,823)	(2,636)	(5,569)
Balance at 1 July 2020	**-**	**-**	**(3,439)**	**(2,628)**	**(8,629)**	**(14,696)**
Acquisition	-	-	-	-	-	-
Amortisation	-	-	(1,086)	(3,547)	(2,680)	(7,313)
Disposals	-	-	-	468	-	468
Reclassify asset category	-	-	-	(10)	10	-
Balance at 30 June 2021	**-**	**-**	**(4,525)**	**(5,717)**	**(11,299)**	**(21,541)**
Net Book Value						
At 30 June 2020	**46,282**	**5,419**	**5,012**	**18,252**	**18,185**	**93,149**
At 30 June 2021	**36,800**	**5,495**	**6,268**	**23,167**	**15,565**	**87,295**

Acquired externally or purchased as part of a business combination

28. Impairment testing

a. Impairment tests for intangible assets with definite useful lives

For the purpose of annual impairment testing, indefinite life intangible assets are allocated to the Group's CGUs. As at 30 June 2021, the Group had three CGUs, being Domestic Wholesale, Global Wholesale and Direct.

The carrying amount of goodwill broken out into CGUs is detailed below:

For the year ended 30 June	2021	2020
	$'000	$'000
CGUs		
Domestic Wholesale	25,233	21,579
Global Wholesale	5,376	5,376
Direct	18,874	19,327
Less Assets classified as held for sale	(12,683)	-
Total goodwill	**36,800**	**46,282**

Brands have been allocated to the following CGUs:

For the year ended 30 June	2021	2020
	$'000	$'000
CGUs		
Domestic Wholesale	672	596
Global Wholesale	1,823	1,823
Direct	3,000	3,000
Total Brands	**5,495**	**5,419**

The recoverable amount of the Group's indefinite life intangible assets have been determined based on value-in-use calculations using cash flow projections based on five-year financial forecasts and assumptions that represent management's best estimate of the range of business and economic conditions at the time. Calculations are reviewed and approved by the Board of Directors.

Value-in-use represents the present value of the future net cash flow arising from the assets' continued use and subsequent disposal. Any reduction in the carrying value is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the impairment loss is incurred.

In determining value in use, management apply their best judgement in establishing forecasts of future operating performance, as well as a selection of growth rates, terminal rates and discount rates. These judgements are applied based on management's understanding of historical information and expectation of future performance.

Key assumptions used

The following describes the key assumptions on which the Group has based its cash flow projections when determining value in use ("VIU") relating to the cash-generating units:

	Domestic Wholesale		Global Wholesale		Direct	
	2021	2020	2021	2020	2021	2020
Discount rate (post tax)	8.5%	8%	10.5%	10%	8.5%	8%
Terminal value growth rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

The discount rate is based on the Group's weighted average costs of capital adjusted to reflect an estimate of specific risks assumed in the cashflow projections

The Terminal value growth rate is based on the Group's expectation of long-term performance of the CGUs in line with industry expectations. This is used to extrapolate cashflows beyond the five-year period.

Other key assumptions used in the value-in-use calculations include:

- Gross profit is based on expected customer growth rates and direct costs to deliver the services. Management have used assumptions based on historical trends and expected trends within market expectations.

- Overheads were forecast based on current expenditure adjusted for inflationary increases
- Capital expenditure forecast based on requirement to maintain and expand network infrastructure to support the future growth assumed in profit projections

Based on the results of the impairment testing and evaluation, no impairment identified for the CGUs.

Sensitivity analysis

For all CGUs, any reasonable change in the key assumptions such as the terminal value growth rate and discount rate on which the recoverable amount is based would not cause any of the CGU's carrying amount to exceed its recoverable amount.

b. Impairment tests for intangible assets with definite useful lives

At each reporting date, the Group reviews the carrying amount of intangible assets with definite useful lives to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated using the value in use method. For assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

As at end of 30 June 2021, there are no indicators of impairment hence no further impairment testing required on intangible assets with definite lives.

29. Business Combinations

Comms Code Pty Ltd and Tariff Expert Pty Ltd

On 1 March 2021, the Company purchased Comms Code Pty Limited and Tariff Expert Pty Limited for AUD $5.9m. Comms Code and Tariff Expert impart MNF Group with a fast-growing wholesale customer base, and a software solution that not only dominates in the Australian market, but can also scale and expand into MNF Group's other markets.

Goodwill arising from the acquisition has been recognised as follows:

As at	1 Mar 2021 $'000
Purchase Consideration Paid	**5,930**
Less Cash acquired	(306)
Net Cash Paid	**5,624**
Less Fair value of identifiable net assets	(1,971)
Goodwill	**3,653**
Identifiable Net Assets Acquired	
Trade and other receivables	307
Fixed assets	68
Software	164
Brand	76
Customer contracts	2,342
Deferred tax liability	(703)
Trade and other creditors	(267)
Provisions	(16)
Fair Value of Identifiable Net Assets	**1,971**

The fair value of the acquired intangible assets (customer contracts, brand and software assets) has been valued internally and the above accounting reflects the final purchase price allocation adopted by the Directors.

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.

The amounts of revenue and net profit of Comms Code and Tariff Expert since the acquisition date included in MNF Group's consolidated statement of comprehensive income for the reporting period are set out in the table below.

For the period of	1 Mar 2021 - 30 Jun 2021
	$'000
Revenue	917
Net profit	**231**

The revenue and net profit contributable to the Group, if the acquisition date of Comms Code and Tariff Expert that occurred during the year had been as of the beginning of the annual reporting period, are set out in the table below. This is based on 4 months of audited results (from 1 March 2021 to 30 June 2021) and 8 months of unaudited results.

For the year ended 30 June	2021
	$'000
Revenue	2,789
Net profit	**931**

30. Earnings per share

Earnings and weighted average number of ordinary shares used in calculating basic and diluted earnings per share are:

For the year ended 30 June	2021	2020
	$'000	$'000
Net profit attributable to ordinary equity holders of the Company	15,578	11,947
Net profit attributable to ordinary equity holders of the Company from continuing operations	11,882	8,152

For the year ended 30 June	2021	2020
Weighted average number of shares:		
Weighted average number of ordinary shares for basic earnings per share	84,520	80,282
Add effect of dilution:		
- Share options	682	860
Weighted average number of ordinary shares for diluted earnings per share	**85,202**	**81,142**

31. Dividends paid and proposed

	Cents per share	$'000	Date of payment
Recognised amounts:			
2020 fully franked final dividend declared and paid	3.60	3,035	1 October 2020
2021 fully franked interim dividend declared and paid	3.30	2,794	1 April 2021
Unrecognised amounts:			
2021 fully franked final dividend declared(i)	4.30	3,634	30 September 2021

(i) The final dividend was declared on 24 August 2021. The amount has not been recognised as a liability in the 2021 financial year and will be brought to account in the 2022 financial year.

The proposed payment date of the 2021 final dividend is 30 September 2021.

The amount of franking credits available for future reporting periods is $15,122,890 (2020: $11,625,833).

The tax rate at which paid dividends have been franked is 30% (2020: 30%). Dividends proposed will be franked at the rate of 30%.

32. Parent entity

Key financial information relating to the parent entity is summarised below:

For the year ended 30 June	2021	2020
	$'000	$'000
Statement of profit or loss and other comprehensive income		
Loss attributable to the owners of the Company	(16,799)	(6,857)
Other comprehensive (loss)/gain	844	(214)
Total comprehensive loss attributable to the owners of the Company	**(15,955)**	**(7,071)**
Statement of financial position		
Total current assets	7,229	29,822
Total non-current assets	128,036	111,629
Total current liabilities	(64,906)	(17,129)
Total non-current liabilities	(22,523)	(56,505)
Net assets	**47,836**	**67,817**
Issued Capital	107,301	106,585
Reserves	4,929	2,997
Retained earnings	(64,394)	(41,765)
Total equity	**47,836**	**67,817**

33. Financial risk management objectives and policies

The Group's principal financial instruments as at year end comprise cash at bank, trade and other receivables, trade payables, forward foreign exchange contract and a loan facility.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Foreign currency risk

The Group is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the United States Dollar (USD) and the New Zealand Dollar (NZD). Much of the USD exposure is subject to a natural hedge, as the buy and sell side of most foreign currency transactions are in USD. Any unhedged foreign exchange positions associated with our transactional exposures will directly affect profit or loss as a result of foreign currency movements.

Sensitivity to foreign currency movements:

A movement of +/- 10% in the Australian dollar at 30 June 2021 would impact the profit or loss by less than $383k (30 June 2020: $138k). This analysis assumes a movement in the Australian dollar across all currencies and only includes the effect of foreign exchange movements on monetary financial instruments.

(ii) Interest rate risk

The Group’s interest rate exposure relates to short-term cash and long-term loans, both are subject to the floating interest rate. The Group’s objective is to minimise the cost of net borrowings and to minimise the impact of interest rate movements on the Group’s interest expense and net earnings. To this end, at 30 June 2021, the Group has no drawn down loans and as such has extinguished the interest rate swap previously held.

(iii) Liquidity risk

Liquidity risk represents the Group’s ability to meet its contractual obligations as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of current accounts, short-term deposits, long-term borrowings, preference shares, finance leases and a revolving multi-option credit facility. The Group has access to a sufficient variety of sources of funding to adequately mitigate liquidity risks.

At the end of reporting period, the Group has nil short-term deposits. This is as a result of utilising the funds held to repay long-term loans and mitigate interest risk ((ii) above). The detailed schedule is as per below:

For the year ended 30 June	2021	2020
	$'000	$'000
Term deposit		
Not later than 1 month	-	-
Later than 1 and not later than 3 months	-	8,000
Later than 3 and not longer than 12 months	-	14,000
Longer than 1 year	-	-
Total	**-**	**22,000**

(iv) Credit risk

The Group has considered the impact of Covid-19 on its current economic environment and how this has affected our exposure to credit risk. For credit sales, the Group only trades with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Ageing analysis and ongoing credit evaluation are performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised. Management have undertaken stringent review of this process as a direct result of the current pandemic. Receivable balances are monitored on an ongoing basis so that our exposure to bad debts is not significant. Refer to Note 7 for further information.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group’s financial instruments recognised in the financial statements.

For the year ended 30 June	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Cash	22,668	22,668	22,164	22,164
Weighted average effective interest rate 0.25% (2020: 0.3%)				
Short-term Term Deposit	-	-	22,000	22,000
Weighted average effective interest rate Nil% (2020: 0.69%)				
Cash at call	-	-	2,000	2,000
Weighted average effective interest rate Nil% (2020: 1.5%)				
Trade and other receivables	38,390	38,390	42,027	42,027
Financial liabilities				
On statement of financial position				
Trade payables	25,978	25,978	27,988	27,988
Loans and borrowings	-	-	30,000	30,000
Weighted average effective interest rate Nil% (2020: 3.23%)				
Interest rate swap contract – cash flow hedge	-	-	841	841

34. Company details

The registered office and principal place of business of MNF Group Limited is:
Level 4, 580 George Street, Sydney, NSW, 2000, Australia

Directors' declaration

In accordance with a resolution of the directors of MNF Group Limited, the directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 48 to 81, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group;

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Board

Anne Ward
Chairman

Rene Sugo
CEO and Executive Director

Sydney, 24 August 2021

MNF GROUP LIMITED ABN 37 118 699 853 and Controlled Entities

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

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

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

MNSA Pty Ltd
MNSA PTY LTD

AFacey
Allan Facey
Director

Dated in Sydney this 24th day of August 2021

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

MNF GROUP LIMITED ABN 37 118 699 853 and Controlled Entities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MNF GROUP LIMITED and Controlled Entities

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MNF Group Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MNSA Pty Ltd
ABN 59 133 605 400
Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001
Tel (02) 9299 0901
Fax (02) 9299 8104
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Key Audit Matter	*How Our Audit Addressed the Key Audit Matter*
Disposal of business operations	
During the period MNF Group Limited disposed of assets and operations as part of its strategic plan going forward. One of which being considered at year end was finalised subsequent to balance date. These transactions completed during the financial year and subsequent to year end resulted in discontinued operations and non-current assets held for sale. Refer to note 21 for assets and liabilities classified as held for sale and discontinued operations. .	During our audit we identified significant transactions completed during the period and subsequent to year end and considered the impact to the group's financial disclosures. We evaluated Management's identification process of accounts and balances impacted by these transactions and the reasonableness of the assumptions used in determining the appropriate accounting treatment. Our procedures included questioning Management on the suitability of the reallocation of intangibles model, and the reasonableness of the assumptions, and the resulting disclosures made with particular attention to the business segments and assets disposed of, by performing the following: • assessing the transactions and balances captured in the reallocation of discontinued operations; • assessing the calculation of assets and liabilities disclosed as assets held for sale; • challenging the assumptions made in compliance with Australian Accounting Standards; and • analysing underlying calculations of balances disclosed.

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Carrying Value of Goodwill

MNF Group Limited has goodwill of $36.8M contained within three Cash Generating Units.

For the Cash Generating Units, the determination of recoverable amount, being the value-in-use, requires judgement on the part of Management in both identifying and then valuing the relevant Cash Generating Units. Recoverable amounts are based on future financial forecasts and Management's view of a range of variables such as business and economic conditions including operating performance and the most appropriate growth and discount rates.

Refer to Note 2 of the Financial Statements, Significant accounting policies.

We evaluated the appropriateness of Management's identification of the Group's Cash Generating Units and tested the effectiveness of the impairment assessment process, including indicators of impairment.

Our procedures included challenging Management on the suitability of the impairment model, and the reasonableness of the assumptions, with particular attention to the business segments, by performing the following:

- assessing MNF Group's key market-related assumptions in Management's valuation models with industry comparators and with assumptions made in the prior years including revenue and margin trends, capital expenditure on assets, market share, foreign exchange rates and discount rates, against external data where available;
- testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board approved long range plans;
- assessing the reliability of Management's forecasts through a review of actual performance against previous forecasts; and
- consideration of COVID-19 impacts to Management's assumptions and forecasts.

We validated the appropriateness of the related disclosures in Note 27 and Note 28 to the Financial Statements, including the sensitivities provided with respect to acquisitions.

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Revenue recognition

Revenue represents a material balance consisting of a high volume of individually low value transactions and we have identified the following types of transactions and assertions related to revenue recognition which give rise to key risks:

- the accuracy and completeness of revenue recorded as a result of reliance on the output of billing systems; and
- entry of the billing system reports to the financial accounting records.

In responding to these matters, our audit approach included testing of systems and controls, in particular procedures covering:

- segments, products, billing systems, cash collection and other relevant support systems around the recognition of material revenue streams;
- the reconciliation of billing systems to the general ledger, including validation of material journals processed between the billing system and general ledger;
- the accuracy and completeness of recording customer bills;
- reconciliation of cash receipts from customers with the receivable's ledger; and
- consideration of COVID-19 impacts to collection of receivables and related provisions.

Capitalisation of Software Development and asset lives

There are a number of areas where Management judgement impacts the carrying value of intangible assets and their respective amortisation profiles. These include:

- the decision to capitalise or expense costs; and
- the review of the annual asset life including the impact of changes in the Group's strategy.

We evaluated the appropriateness of capitalisation policies, performed tests on costs capitalised and assessed the timeliness of the transfer of assets in the course of development.

In performing these procedures, we considered the judgements made by Management including:

- the nature of underlying costs capitalised as part of the cost of the software billing and delivery platforms;
- the appropriateness of asset lives applied in the calculation of amortisation;
- assessing the need for accelerated amortisation; and
- changes in development activities due to COVID-19 business environment.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibility of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001
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Fax (02) 9299 8104
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If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.

- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 46 of the Directors' report for the year ended 30 June 2021.

In our opinion the Remuneration Report of MNF Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

MNSA Pty Ltd
MNSA PTY LTD

Afacey
Allan Facey
Director

Dated in Sydney this 24th day of August 2021

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

Additional information required by ASX Ltd and not shown elsewhere in this report is as follows.
The information is current as at 10 August 2021.

(a) Distribution of equity securities

(i) Ordinary share capital

84,672,752 fully paid ordinary shares are held by 4,177 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

681,726 unlisted options are held by 22 individual option holders.
Options do not carry a right to vote.

The numbers of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares
1 – 1,000	1,923
1,001 – 5,000	1,279
5,001 – 10,000	424
10,001 – 100,000	516
100,001 and over	35
	4,177

The number of security investors holding less than a marketable parcel of ordinary shares is 218.

(b) Substantial shareholders

	Fully paid	
Ordinary shareholders	**Number**	**Percentage**
Mr Andy Fung and related parties	11,462,428	13.54
Mr Rene Sugo and related parties	7,105,863	8.39
QVG Capital Pty Ltd	5,277,604	6.23
National Nominees Ltd ACF Australian Ethical Investment Ltd	5,143,740	6.07

(c) Twenty largest holders of quoted equity securities

	Fully paid	
	Number	Percentage
National Nominees Limited	13,891,290	16.41
Mr Andy Kam Kan Fung & Ms My Van Monique Ly	11,254,074	13.29
Avondale Innovations Pty Ltd	6,503,373	7.68
J P Morgan Nominees Australia Pty Limited	5,731,754	6.77
HSBC Custody Nominees (Australia) Limited	5,374,923	6.35
Ms Catherine Margaret Salisbury	4,212,582	4.98
Citicorp Nominees Pty Limited	4,132,077	4.88
CS Third Nominees Pty Limited	3,290,487	3.89
BNP Paribas Nominees Pty Ltd	1,074,535	1.27
Kore Management Services Pty Ltd	855,906	1.01
UBS Nominees Pty Ltd	823,664	0.97
Boorne Superannuation Fund Pty Ltd	811,226	0.96
RACS SMSF Pty Ltd	602,490	0.71
CMS Fund Pty Ltd	602,482	0.71
L & C Pty Ltd	600,000	0.71
G & E Properties Pty Ltd	597,247	0.71
Neweconomy Com Au Nominees Pty Limited	566,855	0.67
Lee Superfund Mgmt Pty Limited	380,571	0.45
Mr Michael John Boorne	371,199	0.44
Ms Le Quan Catherine Ly	303,723	0.36
	61,980,458	**73.22**

(d) On-Market Buy Back

There is currently no on-market buy back.

Corporate Information

Directors
Terry Cuthbertson (Chairman until 22 July 2021)
Anne Ward (Chairman from 22 July 2021)
Michael Boorne
Andy Fung
David Stewart
Rene Sugo (CEO)
Gail Pemberton

Company Secretary
Catherine Ly

Chief Financial Officer
Chris Last

Registered Office
Level 4, 580 George Street
Sydney NSW 2000
Australia

Bankers
Westpac Banking Corporation
Westpac Place
Sydney NSW 2000
Australia

HSBC Bank Australia Limited,
Head Office
Sydney NSW 2000
Australia

Principal Place of Business
Level 4, 580 George Street
Sydney NSW 2000
Australia
Phone: 61 2 8008 8000

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia
Phone: 61 2 8280 7100

Auditors
MNSA Pty Ltd
Chartered Accountants
Level 1, 283 George Street
Sydney NSW 2000
Australia

This annual report covers both MNF Group Limited as an individual entity and the consolidated group comprising MNF Group Limited and its subsidiaries.

The Group's functional and presentation currency is AUD. The Company is listed on the Australian Securities Exchange under the code MNF.

Annual Report
Copies of the 2021 Annual Report with the Financial Statements can be downloaded from:
www.mnfgroup.limited/investors/annual-reports

www.mnfgroup.limited

MNF Group Limited Annual Report 2021