M2 Group Ltd
ABN 74 091 575 021
ACN 091 575 021

Appendix 4D
Half-Year Report
For the period ended 31 December 2013

This information is provided to ASX under ASX Listing Rule 4.2A.3

1. Details of the reporting period

Current Period:	1 July 2013 to 31 December 2013 ("1H14")
Previous corresponding period:	1 July 2012 to 31 December 2012 ("1H13")

2. Results for announcement to the market

Revenue and Net Profit					**$'000**
2.1	Revenue from ordinary activities	Up	**66%**	To	**$505,956**
2.2	Profit from ordinary activities after tax attributable to members	Up	**26%**	To	**$30,940**
2.3	Net profit for the period attributable to members	Up	**26%**	To	**$30,940**

Dividend Information		Amount per security	Franked amount per security
2.4	**Dividends paid and to be paid:**		
	2013 final dividend per share	10.0c	10.0c
	2014 interim dividend per share	11.5c	11.5c
2.5	**Record date for determination of entitlement to the dividends:**		
	2013 final dividend	4 October 2013	
	2014 interim dividend	19 March 2014	

The Dividend Reinvestment Plan ("DRP") will operate for the interim dividend. Shares will be offered at a 5% discount to the volume weighted average price of shares sold on the ASX in the 5 days following the record date. Election notices for the DRP must be received by M2 no later than 20 March 2014.

M2 Group Ltd

(formerly M2 Telecommunications Group Ltd)
ABN 74 091 575 021
ACN 091 575 021

CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT

For the period ended 31 December 2013

Table of Contents

Corporate Directory

Directors
Craig Farrow - Chairman
Vaughan Bowen
John Hynd
Michael Simmons
David Rampa

Chief Executive Officer
Geoff Horth

Company Secretary
Kellie Dean

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Web Site: www.m2.com.au

Auditor
Ernst & Young
Level 23, 8 Exhibition Street
Melbourne VIC 3000

Share Registry
Link Market Services Limited
Level 9, 333 Collins Street
Melbourne VIC 3000

M2 Group Ltd's shares are listed on Australian Securities Exchange (ASX) under the issue code 'MTU'.

Directors' Report

The directors of M2 Group Ltd ("the Company") and its subsidiaries ('the Group") submit the following report for the half year ended 31 December 2013 ("1H14"). In accordance with the provisions of the Corporations Act 2001, the directors' report is as follows:

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below.

Mr. Craig Farrow	Chairman
Mr. Vaughan Bowen	Executive Director
Mr. John Hynd	Non-Executive Director
Mr. Michael Simmons	Non-Executive Director
Mr. David Rampa	Non-Executive Director

Principal Activities

The principal activities of the Group during the half year was the supply of telecommunications and energy services within the Australian and New Zealand markets through its Consumer, Business and Wholesale operating divisions.

Rounding

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Review of Operations

Financial Performance

The results for 1H14 are in line with expectations and have delivered a net profit before tax of $43.4 million, representing a 24% increase from the half year ended 31 December 2012 ("1H13").

The business acquisitions over the last 12 months have contributed positively to this growth in both revenue and earnings. Most notable is the Dodo business which was acquired on 1 May 2013, where a full six months of operations have been included for this current half. The Dodo business continues to perform in line with expectations and its integration into the broader M2 Group continues to provide greater scale and synergies.

The increase in M2's key financial performance areas can be illustrated below.

$'000s	Half year end 31 Dec 2013	Half year end 31 Dec 2012	Change in %
Revenue	505,956	305,150	Increase 66%
Net profit before tax	43,429	34,945	Increase 24%

Change of Name

Following shareholders' approval at the Annual General Meeting in October 2013, M2 changed its name from M2 Telecommunications Group Ltd to M2 Group Ltd; reflecting its diversified business.

Interim Dividend

On 21 February 2014, the directors declared an interim dividend on ordinary shares in respect of 1H14. The total amount of dividend is $20,629,239, which represents a fully franked dividend of 11.5 cents per share (on shares issued as at 31 December 2013). When compared to the corresponding period, the interim dividend is an increase of 15% (10.0 cent dividend paid relating to 1H13). This dividend will be paid on or around 16 April 2014. The interim dividend has not been provided for in the 1H14 financial statements.

Dividend Reinvestment Plan

M2's dividend reinvestment plan ("DRP") will be made available to shareholders for the interim dividend. Election notices for participation in the DRP must be received by the Company no later than 20 March 2014. Shares issued under the DRP will rank equally with existing M2 shares.

Shares will be issued under the DRP at a 5% discount to the volume weighted average price ("VWAP") of shares sold on ASX in the 5 trading days following the record date.

Outlook for Remainder of FY14

As at the date of this report, the directors are of the opinion that the business remains on track to deliver upon the guidance previously issued for FY14, in light of the half year performance and the encouraging progress being made in terms of revenue growth, margin control and expense management.

Auditor's Independence Declaration

The directors have received an auditor's independence declaration, which is attached on page 8 and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors

Craig Farrow
Chairman
Melbourne, 21 February 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of M2 Group Ltd

In relation to our review of the financial report of M2 Group Ltd for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Brumley

Don Brumley
Partner
21 February 2014

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 DEC 2013 $000	30 JUN 2013 $000
ASSETS			
Current Assets			
Cash and cash equivalents	5	22,125	47,995
Trade receivables		83,819	94,067
Inventories		9,304	4,884
Income tax receivable		1,485	-
Other current assets		25,420	29,190
Financial assets		174	733
Total Current Assets		**142,327**	**176,869**
Non-Current Assets			
Other receivables		110	325
Plant and equipment		59,591	58,795
Intangible assets and goodwill		612,088	634,467
Other non-current assets		4,207	4,931
Investment in associates		3,880	4,022
Financial assets		7,560	1,003
Total Non-Current Assets		**687,436**	**703,543**
TOTAL ASSETS		**829,763**	**880,412**
LIABILITIES			
Current Liabilities			
Trade and other payables		163,378	184,464
Interest-bearing loans and borrowings		30,550	30,573
Income tax payable		-	14,737
Provisions		12,327	22,016
Financial liabilities		644	787
Total Current Liabilities		**206,899**	**252,577**
Non-Current Liabilities			
Interest-bearing loans and borrowings		281,076	294,677
Deferred tax liability		7,089	16,280
Provisions		6,130	3,729
Other non-current liabilities		14,800	15,960
Total Non-Current Liabilities		**309,095**	**330,646**
TOTAL LIABILITIES		**515,994**	**583,223**
NET ASSETS		**313,769**	**297,189**
EQUITY			
Contributed equity		249,361	244,194
Reserves		131	1,903
Retained earnings		64,563	51,477
Parent interests		**314,055**	**297,574**
Non-controlling interests		(286)	(385)
TOTAL EQUITY		**313,769**	**297,189**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	6 Months to 31 DEC 2013 $000	6 Months to 31 DEC 2012 $000
Revenue	4	**505,956**	**305,150**
Cost of Sales		(320,228)	(189,405)
Gross profit		**185,728**	**115,745**
Other income		-	3,001
Employee benefits expenses		(47,571)	(38,093)
Depreciation and amortisation		(22,603)	(14,560)
Share based payments		(176)	(279)
Facilities and maintenance		(22,014)	(16,673)
Other expenses		(40,536)	(8,642)
Financing costs		(9,790)	(5,554)
Share in profit of associate		391	-
Profit before income tax		**43,429**	**34,945**
Income tax expense		(12,390)	(10,511)
Profit after income tax		**31,039**	**24,434**
Net profit for the period		**31,039**	**24,434**
Profit for the period is attributable to:			
- Non-controlling interest		99	(216)
- Owners of the parent		30,940	24,650
		31,039	**24,434**
Earnings per share for profit attributable to the ordinary equity of the holders of the parent:			
- Basic earnings per share (cents)		17.30	15.70
- Diluted earnings per share (cents)		17.12	15.49
Profit for the period		**31,039**	**24,434**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Changes in fair value of cash flow hedges		(1,338)	-
Exchange differences on translation of foreign operations		1	-
Movement in investment revaluation reserve		(611)	-
Total other comprehensive income, net of tax		**(1,948)**	**-**
Total comprehensive income for the period, net of tax		**29,091**	**24,434**
Total comprehensive income attributable to:			
- Non-controlling interest		99	(216)
- Owners of the parent		28,992	24,650
		29,091	**24,434**

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	6 Months to 31 DEC 2013 $000	6 Months to 31 DEC 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		534,668	298,271
Payments to suppliers and employees		(483,891)	(252,298)
Interest received		739	418
Interest paid		(11,182)	(4,983)
Income tax paid		(17,707)	(5,378)
Net cash flows from operating activities		**22,627**	**36,030**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(6,461)	(7,166)
Purchase of intangibles		(5,717)	(3,715)
Net receipt / (payment) for business acquisition		90	(5,400)
Payments for financial assets		(7,500)	-
Proceeds from disposal of plant and equipment		23	1
Net cash flows used in investing activities		**(19,565)**	**(16,280)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		340	788
Proceeds from borrowings, net of borrowing cost		-	5,400
Repayment of borrowings		(15,899)	(10,398)
Dividends paid		(13,373)	(10,868)
Net cash flows used in financing activities		**(28,932)**	**(15,078)**
Net (decrease) / increase in cash and cash equivalents		(25,870)	4,672
Cash and cash equivalents at beginning of period		47,995	24,957
Cash and cash equivalents at end of period	5	**22,125**	**29,629**

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Ordinary shares $000	Retained earnings $000	Employee equity benefits reserve $000	Foreign currency translation reserve $000	Cash flow hedge reserve $000	Investment revaluation reserve $000	Owners of the parent $000	Non-controlling interest $000	Total $000
At 1 July 2013	244,194	51,477	713	(105)	966	329	297,574	(385)	297,189
Profit for the period	-	30,940	-	-	-	-	30,940	99	31,039
Other comprehensive income	-	-	-	1	(1,338)	(611)	(1,948)	-	(1,948)
	244,194	82,417	713	(104)	(372)	(282)	326,566	(286)	326,280
Shares issued	346	-	-	-	-	-	346	-	346
Share option reserves	340	-	176	-	-	-	516	-	516
Dividends paid	-	(13,373)	-	-	-	-	(13,373)	-	(13,373)
Dividend reinvestment plan	4,481	(4,481)	-	-	-	-	-	-	-
At 31 December 2013	249,361	64,563	889	(104)	(372)	(282)	314,055	(286)	313,769
At 1 July 2012	150,911	37,403	637	(102)	-	-	188,849	(111)	188,738
Profit for the period	-	24,650	-	-	-	-	24,650	(216)	24,434
Other comprehensive income	-	-	-	-	-	-	-	-	-
	150,911	62,053	637	(102)	-	-	213,499	(327)	213,172
Shares issued	999	-	(211)	-	-	-	788	-	788
Share option reserves	-	-	279	-	-	-	279	-	279
Net translation during the year	-	-	-	(2)	-	-	(2)	-	(2)
Dividends paid	-	(10,868)	-	-	-	-	(10,868)	-	(10,868)
Dividend reinvestment plan	3,256	(3,256)	-	-	-	-	-	-	-
At 31 December 2012	155,166	47,929	705	(104)	-	-	203,696	(327)	203,369

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

1 CORPORATE INFORMATION

The condensed financial report of M2 Group Ltd ("M2" or the "Company" or the "Group") for the half year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 21 February 2014.

M2 is a company limited by shares incorporated in Australia whose shares are publicly traded on Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by M2 and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the 2013 annual financial report.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies

The accounting policies applied by the Group in its condensed consolidated half year financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2013. In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. The adoption of these amendments, discussed below, 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.

(i) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 establishes a single source of guidance on how fair value is determined when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities recognised at fair value, including where disclosures of assets at fair value are required. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Other than additional disclosures about the assets and liabilities which are held at fair value the adoption of AASB 13 has not had material impact on net assets or net results of the Group arising from incorporating "credit valuation adjustments" when calculating the fair value of financial liabilities.

The Group has not elected to early adopt any new Australian Accounting Standards that have been issued but are not yet effective.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

3 OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decisions makers) in assessing performance and in determining the allocation of resources.

The Group has three operating segments, Consumer, Business and Wholesale. The Group's risks and rates of return are affected predominantly by differences in the markets served by these business units. Prior to 1 July 2013, the Group identified two segments and with this change, prior period comparatives have been prepared based on the current three operating segments.

The operating segments are identified by management based on the manner in which the services are provided, whether Consumer, Business or Wholesale. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the resources of the Group's major risks and have the most effect on the rates of return.

The Consumer segment offers telecommunication services, targeted at the residential market, offering fixed line voice services, mobile voice and data services. In addition to this, the Consumer segment offers energy services to residential customers, offering both electricity and gas services.

The Business segment offers unique packaged telecommunications services, targeted particularly to small and medium sized enterprises, offering fixed line voice services, terrestrial broadband internet services as well as mobile voice and data services.

The Wholesale segment offers the full suite of fixed line voice services, including line rental services, mobile voice and data services, terrestrial broadband internet services and mobile telephones to the telecommunications reseller market at wholesale rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

3 OPERATING SEGMENTS (continued)

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the financial report and in the prior periods except as detailed below:

Corporate charges
Corporate charges comprise non-segmental expenses incurred by the various business functions that support the Consumer, Business and Wholesale operations. These business functions include IT, finance, facilities and equipment, commercial and head office. With the exception of head office, all other corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue so as to determine a segment result. Head office charges remain unallocated due to the difficulty in obtaining reliable measurement of amounts that can be reasonable allocated between the segments.

Income tax expense
Income tax expense is calculated based on the segment operating net profit. Income tax expense includes the effect of deductible temporary differences.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

3 OPERATING SEGMENTS (continued)

The following table present revenue and profit information for reportable segments for the half-years ended 31 December 2013 and 31 December 2012.

	Consumer		Business		Wholesale		Total	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Revenue								
Sales to external customers	280,198	98,651	177,344	166,464	48,414	40,035	505,956	305,150
Total revenue per the statement of comprehensive income							505,956	305,150

	Consumer		Business		Wholesale		Total	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Result								
Segment net operating profit after tax	13,897	9,934	16,227	12,490	3,136	2,992	33,260	25,416
Reconciliation of segment net profit after tax to net profit before tax								
Income tax expense - current and deferred							12,390	10,511
Unallocated result after tax							(2,221)	(982)
Net profit before tax per the statement of comprehensive income							43,429	34,945

	Consumer		Business		Wholesale		Unallocated		Total	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Depreciation & Amortisation	12,655	4,803	8,447	8,790	1,501	967	-	-	22,603	14,560
Income tax expense	5,547	4,273	6,476	5,373	1,252	1,287	(885)	(422)	12,390	10,511

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

4 REVENUE

	6 Months to 31 DEC 2013 $000	6 Months to 31 DEC 2012 $000
(a) Revenue		
Rendering of services	505,163	304,732
Interest income	793	418
	505,956	305,150

5 CASH AND CASH EQUIVALENTS

	31 DEC 2013 $000	30 JUN 2013 $000
Cash at bank and in hand	21,388	36,845
Short-term deposits	737	11,150
	22,125	47,995

Included within short-term deposits is an amount of $737 thousand at 31 December 2013 (30 June 2013 $800 thousand), which is held in trust for the Phone & Fly travel dollars loyalty program.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

6 DIVIDENDS PAID

	6 Months to 31 DEC 2013 $000	6 Months to 31 DEC 2012 $000
(a) Dividends declared and paid during the half-year on ordinary shares:		
Final fully franked dividend for the full-year ended 30 June 2013: 10.0 cents, paid 4 October 2013 (2012: 10.0 cents)	17,854	14,124
(b) Dividends proposed and not yet recognised as a liability:		
Interim franked dividend for the half-year ended 31 December 2013: 11.5 cents, will be paid on or around 16 April 2014 (2012: 10.0 cents)	20,629	15,798

7 SHARE-BASED PAYMENTS

During the current half year, nil options (half year 31 Dec 2012: 1,500,000 options) have been granted to key management personnel under the M2 Executive Management Team Option Plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8 BUSINESS COMBINATIONS

Prior period acquisitions

(a) Dodo Group
On 1 May 2013, M2 Group Ltd completed the 100% acquisition of Dodo Australia Holdings Pty Ltd and its related bodies corporate ("Dodo"), a telecommunications, utilities and insurance provider to the residential market. The acquisition of Dodo complements M2's existing consumer division, adding considerable scale and profit, the nationally recognised Dodo brand has demonstrated organic growth capability and refined back-of-house operations.

Dodo was acquired by M2 for a combination of cash and scrip consideration, valued at $203.9 million, on a debt-free and cash-free basis. The acquisition was funded via a 3 year, $400 million syndicated loan facility. This loan facility has also been utilised to refinance existing debts.

Due to the timing of the acquisition, the provisional fair value of the identified assets and liabilities of Dodo as of the date of acquisition have been reported for the year ended 30 June 2013.

After further assessment, the fair value of the identified assets and liabilities of Dodo as of the date of acquisition have been adjusted during the current year. Effects of these adjustments on balance sheet are illustrated in the following table:

	CONSOLIDATED Provisional $000	CONSOLIDATED Final $000
Cash and cash equivalents	7,004	7,004
Trade and other receivables	23,605	22,152
Inventories	5,903	5,903
Other assets	974	974
Plant and equipment	1,815	1,815
Customer base	41,647	41,647
Brand names	26,388	26,388
Intangible assets	2,948	2,948
Deferred tax asset / (liability)	(12,001)	7,714
Trade and other payables	(105,326)	(105,326)
Income tax payable	(4)	(4)
Provisions	(10,107)	(10,456)
Fair value of identifiable net assets	(17,154)	759
Goodwill arising from acquisition	221,089	203,176
	203,935	203,935

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED Provisional $000	CONSOLIDATED Final $000
Purchase consideration:		
Cash paid	157,688	157,688
Scrip paid	46,247	46,247
Total purchase consideration	203,935	203,935

(b) Eftel Pty Ltd
On 12 April 2013, M2 Group Ltd completed a 88.85% share acquisition of Eftel Pty Ltd (formerly Eftel Ltd) and its related bodies corporate ("Eftel") as part of its off-market takeover offer for all shares in Eftel. Eftel offers similar products as M2, and is expected to generate synergies across the combined group.

Eftel was acquired by the Group for a purchase consideration of $38.5 million. The shareholders of Eftel Ltd were offered to elect either:

- one M2 share for every 12.34 Eftel shares; or
- $0.3581 cash in for every one Eftel share.

On 14 June 2013, the Group completed its 100% acquisition of Eftel.

Due to the timing of the acquisition, the provisional fair value of the identified assets and liabilities of Eftel as of the date of acquisition have been reported for the year ended 30 June 2013.

After further assessment, the fair value of the identified assets and liabilities of Eftel as of the date of acquisition have been adjusted during the current year. Effects of these adjustments on balance sheet are illustrated in the following table:

	CONSOLIDATED Provisional $000	CONSOLIDATED Final $000
Cash and cash equivalents	2,896	2,896
Trade and other receivables	5,977	4,235
Inventories	210	210
Other assets	509	509
Plant and equipment	2,035	2,035
Customer base	11,357	11,357
Brand names	2,777	2,777
Software	169	169
Deferred tax asset / (liability)	(2)	389
Trade and other payables	(18,615)	(22,464)
Interest-bearing loans and borrowings	(8,997)	(8,997)
Provisions	(1,395)	(1,395)
Fair value of identifiable net assets	(3,079)	(8,279)
Goodwill arising from acquisition	41,577	46,777
	38,498	38,498

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED Provisional $000	CONSOLIDATED Final $000
Purchase consideration:		
Cash paid	646	646
Scrip paid	37,852	37,852
Total purchase consideration	38,498	38,498

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

9 EVENTS AFTER BALANCE SHEET DATE

Interim Dividend

On 21 February 2014, the directors declared an interim dividend on ordinary shares in respect of the half year period ended 31 December 2013. The total amount of dividend is $20,629,239, which represents a fully franked dividend of 11.5 cents per share (on shares issued as at 31 December 2013). When compared to the corresponding period, the interim dividend is an increase of 15% (10.0 cent dividend paid relating to 1H13). This dividend will be paid on or around 16 April 2014.The interim dividend has not been provided for in the 31 December 2013 financial statements.

10 CAPITAL COMMITMENTS

The Group had contractual obligations to purchase plant and equipment, software and other value added services for $2.4 million at balance sheet date (half year 31 Dec 2012: $4.0 million) principally relating to Ninja billing system and core upgrades for Data centre.

11 RELATED PARTY TRANSACTIONS

On 5 September 2013, the Group agreed to provide an advance amount of $5.5m to Aggregato Global Limited, a related party in which the Group holds a 32% equity interest. The advance was provided under a formal Loan Deed which is structured on arm's length commercial terms. The advance is interest bearing at a margin over and above the average bid rate for bank accepted bills of exchange having a term of approximately equal to three months or a minimum floor rate. The advance is repayable commencing with principal reductions on 1 December 2014 with full settlement by 1 September 2016. The Loan Deed contains a right to convert some or all or the outstanding advance into equity prior to the final principal repayment date of 1 September 2016. The conversion option and interest rate floor represents an embedded derivative which is measured at fair value. The measurement at fair value is based on valuation techniques that contain both quoted prices in active markets and unobservable inputs.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of M2 Group Ltd, I state that:

In the opinion of the directors:

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

(i) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the half year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

Craig Farrow

Chairman

Melbourne, 21 February 2014

Building a better working world

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To the members of M2 Group Ltd

Report on the half-year financial Report

We have reviewed the accompanying half-year financial report of M2 Group Ltd, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the 31 December 2013 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of M2 Group Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of M2 Group Ltd is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Don Brumley
Partner
Melbourne
21 February 2014