

# A fresh approach.

Annual Report 2018

spring' FG LIMITED

ABN 87 169 037 058

## Corporate Directory

### Board

Guy Hedley – Chairman  
*Non-executive Director*

Keith Cullen  
*Founder & Managing Director*

Chris Kelesis  
*Executive Director*

Jeff Zulman  
*Non-executive Director*

### Company Secretary

Ian Morgan

### Registered Office

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Sydney NSW 2000  
Ph: 02 9248 0422  
springFG.com

### Share Registry

Boardroom Pty Limited  
Level 12, 255 George St  
Sydney NSW 2000  
Ph: 02 9290 9600  
boardroomlimited.com.au

### ASX Listing Code

“SFL”

### Solicitor

Watson Mangioni Lawyers Pty Ltd  
Level 23, 85 Castlereagh St  
Sydney NSW 2000  
Ph: 02 9262 6666  
wmlaw.com.au

### Auditor

Rothsay Audit & Assurance Pty Ltd  
Level 1, 12 O'Connell St  
Sydney NSW 2000  
Ph: 02 8815 5400  
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## Contents

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CHAIRMAN'S LETTER TO SHAREHOLDERS	1
MANAGING DIRECTOR'S REPORT	2
Welcome to Spring	2
Financial Results	2
Revenue and profits	2
Summary of financial results	2
Dividend information	2
Strategic direction for growth	2
Restructuring and re-focusing salaried adviser operations	3
Unlocking value from existing client base	3
Evolution of real estate operations	3
Fintech initiatives	3
FY2019 and beyond	4
RISKS AND RISK MANAGEMENT	5
SUMMARY FINANCIAL INFORMATION	6
FY2018 summary of profit or loss	6
30 June 2018 summary balance sheet	7
SHAREHOLDER INFORMATION	8
Distribution of securities	8
Top 20 shareholders	8
Substantial shareholders	9
Voting rights	9
CONSOLIDATED FINANCIAL STATEMENTS	10
Important notice	
Full details relating to the Group's financial performance and other important information are provided in the Consolidated Financial Statements.	
The Consolidated Financial Statements of the Group commence from page 12 of this Annual Report and are separately indexed and page numbered from 1 to 56.	

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## Chairman's letter

spring' FG LIMITED

A fresh approach.

10 October 2018

### Dear Shareholders

The financial services industry is experiencing considerable upheaval. Structural changes that have been developing over time have been amplified and accelerated by the Royal Commission.

As nearly all the major banks have moved to re-evaluate or exit their financial advice operations we are seeing the disintegration of the vertically-integrated model of product manufacturing being coupled with advice/sales, that has dominated the industry landscape.

This *state of flux* and uncertainty that has arisen from it presents significant opportunity for your Company, most notably in our Wealth Today dealer group operations. The upside potential is significant, as the reputational damage suffered by the largest of brands including the banks and other major product producers, and uncertainty as to the nature of their future operations has many advisers aligned to them needing to contemplate their future.

On acquiring Wealth Today in January 2018, it had some 42 authorised representatives. Since the acquisition we restructured operations in readiness for growth, and we have both added advisers and shed some, with a net result of growing the group to more than 60 advisers. As is more fully set out in the managing director's report our goal is to now grow this considerably.

Of course, we are not immune to the challenges that are on the opposite side of the opportunities before us, as is evidenced by the Group's financial performance for FY2018. Revenue and other income declined to \$9.35M (FY2017 restated: \$12.54M) resulting in an operating loss of \$(2.43)M (FY2017 restated: operating profit \$2.10M). NPAT was \$(4.33)M (FY2017 restated: \$968K) after accounting for a number of one-off write-downs and impairment charges as set out further in this report and in the Group's audited financial statements contained herein.

Most notably our challenges were in our core Spring FG Wealth financial advice operations that operates exclusively with salaried advisers. The factors that impacted the results of these operations such as changes to superannuation rules and APRA policy moves to rein in residential property lending have now proven to be more than short-or-midterm cyclical and as such structural changes have been necessary, including our renewed focus on growth of our Wealth Today dealer group.

We have implemented annualised cost reductions of more than \$2.2M pa (primarily employment expenses) through a significant management restructure and further through a scaling back of our direct marketing and new client recruitment campaigns. Further rationalisation is being pursued with an eye to realigning and increasing our resources and efforts in servicing our existing clients, with growth targeted through existing clients and referrals from those clients.

I'd like to thank you for your support during what has been a challenging period. Your board and management are focused on re-building shareholder value and a platform for sustainable growth and profitability.

Yours sincerely



Guy Hedley  
Chairman

Sydney  
Level 11, 95 Pitt St  
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T 02 9248 0422

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spring' FG LIMITED

ABN 87 169 037 058

## Managing director's report

### Financial results

#### Revenue and profits

Full details relating to the Group's financial performance are provided in the Consolidated Financial Statements included within this Annual Report.

#### Summary of results

In line with its statements at the time of the Group's Half Year results both the operating profit and NPAT result were materially impacted by the decline in revenue and other income and a number of one-off write-downs and impairment charges.

Revenue and other income declined to \$9.35M (FY2017 restated: \$12.54M) resulting in an operating loss of \$(2.43)M (FY2017 restated: operating profit \$2.10M). NPAT was \$(4.33)M (FY2017 restated: \$968K) after accounting for:

- A one-off impairment charge to the carrying value of goodwill of \$1.250M (FY2017: \$0)
- A one-off write-down of \$852K associated with the disposal of intangible assets (FY2017: \$0)
- A one-off write-down of other intangible assets of \$266K (FY2017: \$0)
- Interest expense of \$265k (FY2017: \$155k)
- Depreciation and amortisation (excluding one-off impairments and write-downs) of \$184K (FY2017 \$173K)
- Income tax benefit of \$1.24M (FY2017 restated: expense \$610K)

The Group has implemented significant management and operational restructuring and cost reductions; and strategic changes to its distribution model to return the Company to growth and to operating profitability. These are more fully explained in sections of this report below.

Most significantly, annualised cost reductions of more than \$2.2M pa were successfully implemented over the last six-to-nine months (primarily employment expenses) of FY2018, with further rationalisation being achieved since the end of the financial year.

Reflecting a strategic shift in its distribution model, the Group's acquisition of financial services dealer group Wealth Today was completed in January 2018. Since completion of the acquisition, the Group has successfully increased authorised representative numbers and as explained below further growth in adviser numbers expected during FY2019, and beyond.

#### Dividend information

A fully franked final dividend of 0.5 cents per share was declared and paid for FY2017. The Company has paid a total of \$6.83M in fully-franked dividends since it was incorporated as the parent company of the Group in 2015. Due to the loss, no dividend will be declared or paid for FY2018. However, the Group retains its policy to pay dividends subject to available profits and cashflow.

### Strategic direction for growth

The financial services industry is undergoing considerable change, and in many cases upheaval. Structural changes that have been underway in the industry for some time have been amplified, and no doubt now will be accelerated by, the Royal Commission.

We have seen each of the banks formerly declare moves to restructure, reduce or even exit their financial advice operations. Either through selling operations, "spinning them off", or scaling back operations. We are witnessing the disintegration of the vertically integrated model of product manufacturers controlling advice/sales channels that had emerged as the most prevalent model in the industry over the last 10-15 years.

The revelations at the Royal Commission over the course of the past six months or so have presented challenges for all the largest brands and their associated advice operations.

The incredible *state of flux* and uncertainty that has been created represents a considerable opportunity for the Group, most notably in our dealer group operations, under our Wealth Today brand. The upside potential is significant. Many thousands of bank-aligned and those aligned to other major product manufacturers are of course independent business operators who operate under either a branded or non-branded dealer group operated by these companies, rather than being salaried advisers.

The reputational damage to these giant brands, and the uncertainty as to the nature or scale of future operations as they follow through on their commitments to sell, spin-off, or rationalise certain operations has literally thousands of advisers aligned to needing to contemplate their future.

We see that the damage done to the country's largest brands over recent times creates the environment for what I would call the "rise and rise" of the independent financial adviser (IFA). By this we mean advice businesses with a localised feel, typically named after the principal/s or the local area in which they operate.

Far from a "brand" being something to represent strength and to aspire to alignment with (for IFAs and clients), it seems likely that a "brand" has become more likely a liability, as consumers consciously or sub-consciously seek comfort in dealing with the "local guys".

This presents the significant opportunity for us to grow our Wealth Today dealer group operations. Under the Wealth Today model advisers who join the group maintain their independence of name, whilst gaining access to support and ancillary services from us to help them manage and grow their enterprises.

On acquiring Wealth Today in January 2018, it had some 42 authorised representatives. Since the acquisition we restructured operations, increased services and support available, most notably in the areas of education and training, and consumer marketing tools. We have also both added advisers and shed some, with a net result of growing the group to more than 60 advisers.

## Managing director's report

We can now set our sights on growth with an initial target is to add another 40-50 to take us above 100 advisers in the group.

The Group's unique, centralised team-based approach to advice and service delivery presents an ideal platform for both individual advisers and brokers, as well as multi-practitioner firms who are looking to grow their practices and broaden their client offerings and revenue streams.

We have a depth and breadth of advice, dealing, education and support capabilities and experience to add value to even the most established advisers and brokers. And our experience in graduate and new-entrant recruitment and training makes us an obvious choice for those seeking entry to the industry.

Wealth Today's service offerings include critical base services such as compliance and education; approved product list management; and professional indemnity insurance cover.

Our approach is to tailor programs, enabling advisers and brokers to access those services most relevant to their specific needs including:

- Strategic and specialist paraplanning services and support
- Specialist personal insurance advice, processing and claims handling services
- Mortgage and finance advice, brokerage and loans processing services
- Estate planning services and support
- Specialist SMSF advice and support
- Personal and business tax and accounting services
- Marketing support, lead generation and client education programs

Through our licensed real estate operations, we are also developing a buyers' agent and advocacy model for those advisers who want to assist their clients with investment property advice and purchases.

Our mid-term goal is to grow adviser numbers above 250 advisers, a level which we consider achievable within the next two to three years.

### Restructuring and re-focussing salaried adviser operations

Of course, we are not immune to the challenges that are on the opposite side of the opportunities before us, most notably in our core Spring FG Wealth financial advice operations that operates exclusively with salaried advisers.

We need to continue adjust our strategy, operations and objectives to address the challenges before us. We have a relatively large existing client base and for the short-to-medium term at least this is where our focus sits.

As we have previously indicated a range of factors have impacted growth in these operations, most notably changes to superannuation rules, the threat of changes to negative gearing, and APRA policy moves to rein in residential property lending, in particular relating to the SMSF market. These factors which have restricted the ability of some prospective and existing clients to enter the market have now proven to be more than short-or-midterm cyclical and as such adjustment and structural changes to our salaried adviser operations have been necessary.

As we advised earlier this year, annualised cost reductions of more than \$2.2M pa have been successfully implemented over the past six-to-nine months (primarily employment expenses). These have been achieved through a significant management restructure and further through a scaling back of our direct marketing and new client recruitment campaigns.

### Unlocking full value from existing client base

Further rationalisation of operations continues, with an eye to realigning and increasing our resources and efforts in servicing our existing clients, with growth targeted through existing clients and referrals from those clients.

We are more focused than ever on servicing and delivering on our clients' total needs beyond superannuation and investment advice. This includes finance, estate planning, personal tax (compliance and advice) and SMSF administration and compliance.

### Evolution of real estate operations

Historically our clients' comfort with residential real estate and their desire to build property portfolios, and our services offered through our licensed real estate operations acting as agent for vendors, have produced significant revenue.

A general softening of capital city property prices, tightening lending restrictions, the withdrawal of several lenders from SMSF lending continue to have a material impact on this historically core aspect of our business. We have also seen the emergence of regulatory pressure regarding financial advice activities involving real estate.

Accordingly, we have moved to redefine the property aspects of our business moving to acting exclusively as a buyers' agent for our financial advice clients, rather than accepting appointments from vendors.

Having acted for and/or advised buyers and vendors on more than 1,000 transaction the Group is well placed to leverage this expertise, including through its dealer group operations as mentioned earlier.

This same experience and expertise presents opportunities in property funds management, where the Group is exploring direct, joint-venture and asset and funds management mandate opportunities.

### Fintech initiatives

The Group has pursued a variety of digital initiatives since inception. Its approach as previously advised has been to make "lots of small bets", looking to leverage existing operations and databases where possible, to explore opportunities to diversify its revenue, without committing any significant capital.

During the course of FY2017 and FY2018 the Group launched two fintech initiatives. The first being its mysuper247.com, a low-cost SMSF establishment and administration service for non-advised, self-directed investors. Due to limited uptake of the service and challenges with the delivery technology the Group has decided that to discontinue operations of mysuper247 as an SMSF platform. It will consider a relaunch of the service as a retail superannuation offering in due course. Discontinuing the service will not have a material impact on either revenue or expenses.

## Managing director's report

In mid FY2018 the Group launched MyMoney247.com, a personal financial management platform that provides consumers with digital services to manage their income, investments, bill payment, budgeting and tax requirements, on a paid subscription basis.

MyMoney247's customised technology was deployed and is operated by leading fintech company MoneyBrilliant. It enables subscribers to link their various accounts, manage their finances and keep track of their cash flow, 24 hours-a-day, 7-days-a-week, via PC, tablet or smart-phone, all for a monthly subscription fee.

To date no external marketing of the service has been undertaken due to the Group's focus on restructuring its core operations. The Group remains committed to the opportunity and believes in the mid-to-longer term MyMoney247's income and expenditure tracking and tagging features present an ideal basis for the management of personal tax affairs and the addition of online tax return services to the platform.

The addition of online home loan and other financial product sales, present further revenue upside for the Group in addition to the long-term recurring subscription revenue potential presented by the platform.

### FY2019 and beyond

The challenges faced during FY2018 where considerable and reflected in the financial results.

Several, like tightening lending restrictions and the withdrawal of several lenders from SMSF lending, and the emergence of regulatory pressure regarding financial advice activities involving real estate now seem certain to prevail for at least the mid-term and have required the Group to implement new strategies to restructure, rethink and adapt, as set out above.

On the flip side of these challenges, the near turmoil in the financial services industry has created significant opportunity for the Group to take advantage of the disintegration of the vertically integrated advice/sales model that been central to the industry for such a long time now.

As always, thank you for the continued support during this challenging period, and we look forward to being able to reward it as we focus on re-building long-term shareholder value and the platform for long term, sustainable growth and profitability.



Keith Cullen  
Founder & managing director

## Risks and risk management

In our daily operations and in pursuing our strategic goals the Group is exposed to a variety of risks. Whilst key financial risks are specifically addressed in the Consolidated Financial Statements the table below provides an overview of the general operational and strategic risks that the Group has identified and manages.

Risk	Description	Risk management strategy
Regulatory and Licensing Requirements and Compliance	Spring FG operates in highly-regulated markets that require it (through its various 100%-owned subsidiaries) to hold licences, registrations and other authorities and approvals. Risk that regulatory and supervisory requirements, if not met, or are breached could result in restrictive conditions being imposed or a suspension or cancellation of the licence or registration.	Comprehensive compliance regime. Extensive internal monitoring and reporting across all key aspects of its operations. External legal and compliance advice where deemed appropriate.
Management of Future Growth	Spring FG continues to experience and expects to continue to experience rapid growth and increase in the number of its clients, employees and officers. Risk that the scope of its supporting infrastructure will be inadequate and/or systems that are not implemented and improved in a timely manner.	Recruitment of experienced operational personnel. Use of appropriate external consultants and contractors.
Legislative and Regulatory Changes	Risk that legislative or regulatory changes could adversely affect the Group's ability to offer certain products or services and/or its ability to earn revenue and profits from them and/or affect the ability of clients or potential clients of Spring FG to access certain products or services or make them less attractive to them.	Diversify product and service offerings.
People risk	Loss of key executives. Loss of key individuals in operating businesses with consequential material business interruption.	Succession planning and appropriate restraints to protect ongoing business. Market competitive remuneration and career development opportunities.
Acquisition Strategy Risk	Risk that the Group will be unable to identify suitable acquisition targets. Risk that when the Group does make acquisitions that they will fail to deliver the revenue and profits that the Group anticipates. Risk that the overlay of the Group's business model will not be successful. Insufficient funding to make acquisitions. Deficiencies in due diligence.	Engaging external corporate and legal advisers and appointment of personnel that have experience in mergers and acquisitions. Thorough due diligence and tight acquisition agreements. Thorough integration and transition programs and ongoing monitoring of revenue and profits. Ongoing monitoring of capital and resources.
Fraud or embezzlement of Group or client funds	Risk that employee due diligence and monitoring is insufficient and/or that day-to-day operational controls are inadequate.	Fidelity and professional indemnity insurance held and appropriate policies and procedures implemented and regularly reviewed.
Investment impairment risk	Risk that investments, and in particular the value of acquired goodwill and intangible assets which are subject to a permanent decrease in value. Investment write-down or impairment results in an expense for the Group.	Close monitoring of investments. Close management of businesses operations to optimise results.
Increased competition risk	Risk that increased competition could result in margin reductions, underutilisation of employees, reduced operating margins and loss of market share or failure to gain market share.	Diversify product and service offerings. Continue to focus in natural growth areas such as SMSF. Continue to offer unique fresh approach.



## Summary Financial Information

	2018	Restated 2017
	\$	\$
<b>Revenue and other income</b>	<b>9,354,928</b>	12,537,181
Direct costs to generate revenue	<b>(3,273,972)</b>	(1,183,435)
Employee benefits expense	<b>(5,095,116)</b>	(5,569,238)
Advertising & Marketing	<b>(795,749)</b>	(890,712)
Consulting & Professional Fees	<b>(294,746)</b>	(265,305)
Rental expenses	<b>(1,034,129)</b>	(1,264,789)
Other operating expenses	<b>(1,295,546)</b>	(1,266,779)
	<hr/>	<hr/>
<b>Earnings before depreciation, amortisation, interest and tax</b>	<b>(2,434,330)</b>	2,096,923
Less:		
Finance costs	<b>(265,273)</b>	(154,540)
Depreciation & amortisation expense	<b>(742,779)</b>	(363,905)
Disposal of intangible assets	<b>(852,291)</b>	-
Impairment of goodwill	<b>(154,540)</b>	-
Loss on disposal of furniture & equipment	<b>(10,057)</b>	-
	<hr/>	<hr/>
<b>Net profit before tax</b>	<b>(5,554,730)</b>	1,578,478
Income tax expense	<b>1,224,925</b>	(609,715)
	<hr/>	<hr/>
<b>Net profit after tax</b>	<b>(4,329,805)</b>	968,763
	<hr/>	<hr/>
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>(3.106)</b>	0.765
Diluted earnings per share	<b>(3.106)</b>	0.765

## Summary Financial Information

	2018 \$	Restated 2017 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,243,072	2,597,804
Trade and other receivables	1,680,098	3,427,096
Other assets	482,213	457,144
Current tax assets	1,354,004	1,124,584
<b>Total Current Assets</b>	<b>4,759,386</b>	<b>7,606,628</b>
<b>Non-current Assets</b>		
Trade and other receivables	910,505	278,707
Property, Plant and equipment	677,842	877,505
Deferred tax assets	1,399,965	348,751
Investments	350,000	-
Intangible assets	7,247,760	8,547,732
<b>Total Non-Current Assets</b>	<b>10,586,072</b>	<b>10,052,695</b>
<b>TOTAL ASSETS</b>	<b>15,345,458</b>	<b>17,659,323</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	2,228,665	1,537,656
Provisions	181,960	325,840
Borrowing	1,080,000	800,000
Other liabilities	143,400	104,750
<b>Total Current Liabilities</b>	<b>3,634,025</b>	<b>2,768,246</b>
<b>Non-current Liabilities</b>		
Trade and other payable	269,791	318,037
Provisions	65,819	30,758
Borrowings unsecured	513,595	-
Borrowings secured	860,000	1,149,945
Deferred tax liabilities	484,270	500,469
<b>Total non-current liabilities</b>	<b>2,193,475</b>	<b>1,999,209</b>
<b>TOTAL LIABILITIES</b>	<b>5,827,500</b>	<b>4,767,455</b>
<b>NET ASSETS</b>	<b>9,517,958</b>	<b>12,891,868</b>
<b>EQUITY</b>		
Issued capital	18,895,112	17,939,217
Reserves	26,659	26,659
Accumulated Dividends	(6,827,069)	(6,827,069)
Accumulated Profit/Loss	(2,576,744)	1,753,061
Retained earnings	(9,403,811)	5,074,008
<b>TOTAL EQUITY</b>	<b>9,517,958</b>	<b>12,891,868</b>

## Shareholder Information

The shareholder information set out below was applicable as at 9 October 2018.

### Distribution of equitable securities

The table below shows the distribution of the number of holders of equitable securities by size of holding ranges:

Holdings Ranges	Number of holders
1-1,000	13
1,001-5,000	37
5,001-10,000	151
10,001-100,000	181
100,001 or more	71
<b>Totals</b>	<b>453</b>
Number holding less than a marketable parcel	212

### Equity security holders

#### Twenty largest equity security holders

The table below shows the number of shares held and the percentage of total shares on issue held by holders who are the 20 largest shareholders in the Company:

Holder name	Number held	%
MR KEITH ROBERT CULLEN	20,481,964	14.364%
C A K INVESTMENTS PTY LTD <KELESIS FAMILY A/C>	20,228,646	14.186%
KRC INVESTMENTS PTY LTD	14,289,576	10.021%
IFM PTY LIMITED <IFM SUPER FUND A/C>	8,440,442	5.919%
DAM ENTERPRISE SERVICES PTY LTD	7,200,000	5.049%
BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	6,681,709	4.686%
IFM PTY LIMITED <IFM SUPER FUND A/C>	6,299,822	4.418%
MR MITCHELL ANSIEWICZ	5,099,791	3.577%
PORTFOLIO SERVICES PTY LTD	4,997,991	3.505%
JULORY PTY LTD <THE JULORY A/C>	3,840,347	2.693%
MR ANGELOS KELESIS & MRS VASO KELESIS <A & V KELESIS SUPER FUND A/C>	3,754,109	2.633%
IAN JOYE SUPER FUND PTY LTD	3,021,560	2.119%
PORTFOLIO SERVICES PTY LTD	2,699,651	1.893%
DIRDOT PTY LIMITED <GRIFFITH SUPER FUND A/C>	2,113,465	1.482%
PAUL SMSF PTY LTD <PAUL FAMILY SUPER FUND A/C>	1,889,759	1.325%
PACIFIC DEVELOPMENT CAPITAL LIMITED	1,785,714	1.252%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,689,757	1.185%
NATIONAL NOMINEES LIMITED <DB A/C>	1,666,667	1.169%
MR MIKE HALE & MRS GAIL DAVIDSON	1,388,165	0.974%
PAUL BIZ HOLDINGS PTY LTD <PFT A/C>	1,255,419	0.880%
Total Securities of Top 20 Holdings	118,824,554	83.333%
Total of Securities	142,590,868	

#### Unquoted equity securities

There are no unquoted equity securities.

## Shareholder Information

### Substantial holders

The table below shows the number of shares held and the percentage of total shares on issue held by holders who are substantial holders in the Company:

Holder name	Number held	%
MR KEITH ROBERT CULLEN	20,481,964	15.036%
C A K INVESTMENTS PTY LTD <KELESIS FAMILY A/C>	20,228,646	14.850%
KRC INVESTMENTS PTY LTD	14,289,576	10.490%
IFM PTY LIMITED <IFM SUPER FUND A/C>	8,440,442	6.196%
PORTFOLIO SERVICES PTY LTD	7,697,642	5.398%
DAM ENTERPRISE SERVICES PTY LTD	7,200,000	5.286%

### Holders with greater than 20%

The table below shows the number of shares held and the percentage of total shares on issue held by holders who hold directly or indirectly more than 20% of the issued ordinary shares in the Company:

Holder Name	Number held	%
MR KEITH ROBERT CULLEN	34,789,007	24.386%

## Voting rights

The voting rights attached to ordinary shares are set out below:

### Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Options

No voting rights. There are no options on issue.

### Other

There are no other classes of equity securities.



Financial  
\$ 898

*For the Year Ended 30 June : 898*

# Consolidated Financial Statements

for the year ended 30 June 2018

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Contents	Page
DIRECTOR'S REPORT	1
REMUNERATION REPORT (Audited)	7
LEAD AUDITOR'S DECLARATION OF INDEPENDENCE	14
CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME	15
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONSOLIDATED STATEMENT OF CASHFLOWS	18
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	19
DIRECTORS' DECLARATION	53
INDEPENDENT AUDITOR'S REPORT	54

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## DIRECTORS' REPORT

30 June 2018

The directors present their report, together with the consolidated financial statements of Spring FG Limited (Spring FG or the Company) and its subsidiaries and controlled entities (the Group) for the financial year ended 30 June 2018 (FY2018) and the auditor's report thereon.

The Company listed on the Australian Stock Exchange on 15 March 2015 (ASX code: SFL).

The Company's Corporate Governance Statement is located at [www.springfg.com](http://www.springfg.com).

### Directors

The names of each person who has been a director during the year and to the date of this report, and their qualifications and experience are provided below. The directors were in office for the entire period.

#### Guy Hedley

#### Chairman & Non-Executive Director

##### Experience

Guy Hedley is a non-executive director and chairman of Spring FG Limited. Guy has track record of success as a corporate executive in financial services. He was the founder and (for more than 10 years) head of Macquarie Private Bank in and an executive director at Macquarie Group from 2002 to 2012.

Under Guy's management, Macquarie Private Bank established itself as the leading private bank in the country. Guy is now the executive chairman of Atlas Advisers Australia. He holds an MBA (Exec.) from Australian Graduate School of Management and is a Master Stockbroker (SAA).

##### Interest in shares

387,842 ordinary shares

##### Special responsibilities

Chairman of Remuneration & Nomination Committee

#### Keith Cullen

#### Managing Director & CEO

##### Experience

Keith Cullen is the founder and managing director of Spring FG Limited and its subsidiary companies. Keith has extensive experience as a corporate executive, general manager and sales & marketing director in financial services, gaming & wagering technology and media. He also has considerable experience in capital markets and mergers and acquisitions.

From 2004 – 2006 Keith was Group CEO of WPS Financial Group; a diversified financial services group with offices across Australia.

From 1994 – 2006 he was a founding director and shareholder of eBet Limited (Managing Director, 1994-2004), an ASX-listed gaming & wagering technology company with operations in Australia, NZ, USA, Canada, and various Asian countries.

Prior to 1994 Keith held various sales & marketing roles with the privately-owned Australian Radio Network and ASX-listed Wesgo Communications.

##### Interest in shares

34,789,007 ordinary shares

##### Special responsibilities

Member of Audit & Risk Committee and Remuneration & Nomination Committee

## DIRECTORS' REPORT

30 June 2018

### **Chris Kelesis**                      **Executive Director**

#### **Experience**

Chris Kelesis is a founding shareholder and director of Spring FG Limited and its subsidiary companies and is licensee-in-charge of Spring FG Realty Pty Ltd.

Chris holds primary responsibility for managing the Group's relationships with major developers and property asset managers. He is also responsible for overseeing investment property contracts, settlement and asset agreement processes for the Group's clients and assisting in the ongoing management of their property assets.

Chris is also an accomplished equities trader and technical analyst with more than 10 years' experience as a private and wholesale client adviser in roles with Spring Equities, Ark Equities and the Rivkin Group.

**Interest in shares**                      20,253,099 ordinary shares

**Special responsibilities** Licensee-in-charge of Spring FG Realty Pty Ltd

### **Jeff Zulman**                      **Non-executive Director**

#### **Experience**

Jeff Zulman is a non-executive director of Spring FG Limited. Jeff has extensive experience at operational and board level with both private and public companies in financial services and technology. He also has extensive experience in corporate advisory including mergers and acquisitions.

He is an executive director of Sydney-based corporate advisory firm, Coyne Holdings and founder and managing director of a specialist mortgage and finance brokerage advisory business, BBSA Finance Pty Ltd (BBBSA).

Previously Jeff held roles as CEO of mortgage aggregator Vow Financial and as the CEO of Beacon IT Group. He was also a non-executive director of ASX-listed eBet Limited (2001 – 2007).

He holds a BA Law (Witwatersrand) and Dip. Jurisprudence (Oxford).

**Interest in shares**                      137,266 ordinary shares

**Special responsibilities** Chairman of Audit & Risk Committee

## **Company Secretary**

### **Ian Morgan**

Ian is a Chartered Accountant and a Chartered Company Secretary, with over 30 years' experience. He holds a Bachelor of Business (NSW Institute of Technology), a Master of Commercial Law (Macquarie University), a Graduate Diploma of Applied Finance & Investment (Securities Institute), and is a Fellow of the Financial Services Institute of Australasia.





## DIRECTORS' REPORT

30 June 2018

### B. Review of financial position

The financial position of the Group as 30 June 2018 is summarised as follows:

Net assets were \$9.52M (FY2017 \$12.89M) with net tangible assets (NTA) \$870K (FY2017 \$3.995M).

NTA backing per ordinary share reduced to \$0.006 (FY2017 \$0.029) due to share issues during the period associated with acquisition of Wealth Today Pty Ltd and losses incurred during the year.

The Group had drawn receivables financing facilities of \$1.94M (FY2017: \$1.95M) the terms of which are more fully detailed in Note 11(a).

As previously noted the Company elected to early-adopt Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers* (AASB 15), with effect from 1 July 2015. All figures relative to FY2017 presented previously have reflected that early-adoption with all comparative figures for any prior corresponding period (PCP) restated and reflected as if AASB 15 had been applied in that year. However, the Company has identified an error in its implementation of AASB 15 and its retrospective restatements.

The error relates to recognition of settlement commissions (backend commissions) on property transactions for which Group subsidiary Spring FG Realty Pty Ltd acted as sales agent. Settlement commission on not-yet-completed properties was recognised as revenue in FY 2017 (and prior periods and restatements) based on the assumption that once a contract was unconditional the obligations on the part of Group were discharged.

However, the Group has determined that approach does not meet its revenue recognition criteria under AASB 15, and that the more conservative application of AASB 15 is to not recognise such revenue until settlement of the underlying transactions occurs.

Accordingly, it has restated opening balances for FY2017 comparative figures. The restatement impacts the FY2017 opening (and closing) balances for trade debtors, retained earnings and income tax liability.

The restatements result in FY2017 revenue increasing by \$383k, income tax expense increasing by \$115k and NPAT increasing by \$268k. Refer to Note 1[b] for its impact on the financial position. The restatement has no impact on cashflow for either FY2017 or the current period.

Derecognised historical backend commissions (and future backend commissions arising) are now recorded off balance sheet as *future settlement revenue book* with the Group's future entitlement to the amounts prevailing pending settlement of the underlying transactions. They will be recognised as revenue as and when settlement of the underlying transactions occurs.

The FY2018 closing balance of the Group's *future settlement revenue book* was \$2.689M which, in accordance with the above, *is not* reflected on the 30 June 2018 balance sheet.

### Cash from operations

Key matters related to and contributing to cash from operations of the Group during the period are summarised as:

Cash and cash equivalents decreased \$1.355M during the year to \$1.243M at the end of year (FY2017 \$2.598M).

Cash outflows from operating activities were \$(2.472M) (FY2017 \$0.557M).

### Capital management

As at 30 June 2018 the Company had a total of 142,590,868 ordinary shares on issue (136,218,237 at 30 June 2017) an increase of 6,372,631 shares.

The increase was due to the issue of shares as part consideration paid for the acquisition of Wealth Today Pty Ltd. There were no unissued shares or options as at 30 June 2018.

### Dividends

A fully franked final dividend of 0.5 cents per share was declared and paid for FY2017. The Company has paid a total of \$6.83M in fully-franked dividends since it was incorporated as the parent company of the Group in 2015.

Due to the loss, no dividend will be declared or paid for FY2018.

The Company retains its policy to pay dividends at least annually, subject to available profits and cashflow.

## DIRECTORS' REPORT

30 June 2018

### Significant changes in state of affairs

During the year ended 30 June 2018 the following significant changes in the state of affairs of the Group occurred.

- The Group has identified an error in the way it has recognised the settlement revenue from sale of property. Historically, the Group recognised both parts of revenue on execution of unconditional contract on the premises that the right to revenue is crystallised, when the unconditional contract is signed. However, on further investigation of facts and market conditions, this assumption was naïve. The right to revenue on settlement commission is not crystallised until the successful completion of project and subsequent settlement.
- On 1 January 2018 the company completed its acquisition of all of the issued capital of Wealth Today Pty Ltd (Wealth Today) for a total consideration of \$1.67M
- The Group sold its Risk-Ledger business services operation with an effective date of 22 December 2017 for a total consideration of \$1.54M.

### Indemnity and insurance of officers

The Company has entered into director protection deeds with each Director and an officer protection deed with the company secretary. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act 2001, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company.

The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contracts of insurance.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### Environmental Regulation

The Group's operations are not subject to any particular significant environmental regulations under a law of the Commonwealth or of a State or Territory legislation.

### Audit services

Rothsay Audit & Assurance Pty Ltd was the auditor of the Company and all Group entities and is the Group's lead auditor.

Details of the amounts paid to the auditor Rothsay Audit & Assurance Pty Ltd and the previous Auditors BDO, and/or their related-party firms for audit services provided during the financial year and/or the prior corresponding period are provided in Note 19 to the financial statements.

### Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

## DIRECTORS' REPORT

30 June 2018

### Non-Audit Services cont.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2018:

	2018	2017
	\$	\$
Taxation compliance services by Rothsay Chartered Accountants	35,240	58,136
BDO East Coast Partnership	-	-
<b>Total</b>	<b>35,240</b>	<b>58,136</b>

### Events after the reporting date

Correction of the prior period AASB15 error (see Note [1b]) resulted in a tax refundable of \$1,519,410. Accordingly, the Company submitted amended income tax returns for the periods FY2014-FY2017 resulting in income tax credits/refunds of this amount. The impact of which creates a franking account deficit/liability of corresponding amount \$1,519,410, the payment of which will result in a deferred tax asset of the same amount.

### Likely developments

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

## DIRECTORS' REPORT – REMUNERATION REPORT

30 June 2018

This remuneration report forms part of the Directors' Report and details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The current key management personnel all acted in their roles for entire financial year unless otherwise stated, are as follows.

The key management personnel of the Company are:

- Guy Hedley – Non-Executive Chairman
- Jeffrey Zulman – Non-Executive Director
- Keith Cullen – Managing Director
- Chris Kelesis – Executive Director

Key management personnel whose employment ceased during the period were:

- Frank Paul (ceased 2 January 2018)
- Russell Scott (ceased 9 March 2018)
- Mitchell Ansiewicz (ceased 30 April 2018)

This remuneration report outlines the Group's remuneration principals, framework and outcomes for the financial year ended 30 June 2018. The remuneration report is set out under the following main headings:

- principles used to determine the nature and amount of remuneration
- details of remuneration
- service agreements
- share-based compensation (not currently utilised)
- additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate to market and the relevant experience and expertise of key management personnel. The Board of Directors (Board) ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation when appropriate
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high-performance and high-quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group. Considerations include:

Alignment to Group client and shareholders' interests:

- has economic profit as a core component of plan design
- focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executive
- recognises that Group client satisfaction is a key driver to generating shareholder wealth

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to operations
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

## DIRECTORS' REPORT – REMUNERATION REPORT

30 June 2018

The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting.

### Executive remuneration

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has predominately fixed and in certain circumstances some variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives (none paid during period)
- share-based payments (not currently utilised)
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

### Group performance and link to remuneration

No Group performance linked incentives operated, and none were paid during the period.

There were no performance-based shares or options offered or issued during the period and there were no unissued shares or options as at 30 June 2018.

DIRECTORS' REPORT – REMUNERATION REPORT

30 June 2018

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. Further details are provided below in the Service Agreements section of this Remuneration Report.

	Short-term benefits				Post-employment benefits	Total
	Salary & fees	Bonus	Allowances	Interest not charged	Super	
FY2018	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
Guy Hedley (Chairman)	48,000	-	-	-	-	48,000
Jeffrey Zulman	35,000	-	-	-	-	35,000
<b>Executive Directors</b>						
Keith Cullen	274,222	-	-	15,439	19,149	308,810
Chris Kelesis	175,270	-	-	8,828	16,445	200,543
<b>Other Key Management Personnel</b>						
Russell Scott	132,297	-	8,750	-	15,037	156,084
Mitchell Ansiewicz	142,784	-	-	-	11,230	154,014
Frank Paul	175,555	-	-	-	12,631	188,186
<b>Totals</b>	<b>983,128</b>	<b>-</b>	<b>8,750</b>	<b>24,267</b>	<b>74,492</b>	<b>1,090,637</b>

	Short-term benefits				Long-term benefits	Post-employment benefits	Total
	Salary & fees	Bonus	Allowances	Interest not charged	LSL Accrual	Super	
FY2017	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
Guy Hedley (Chairman)	48,000	-	-	-	-	-	48,000
Jeffrey Zulman	35,000	-	-	-	-	-	35,000
<b>Executive Directors</b>							
Keith Cullen	-	-	-	21,800	-	26,000	47,800
Chris Kelesis	-	-	-	14,398	-	26,000	40,398
<b>Other Key Management Personnel</b>							
Russell Scott	135,165	-	15,000	-	-	30,135	180,300
Mitchell Ansiewicz	146,118	-	-	-	9,413	13,882	169,413
Frank Paul	215,620	-	-	-	-	20,484	236,104
<b>Totals</b>	<b>579,903</b>	<b>-</b>	<b>15,000</b>	<b>36,198</b>	<b>9,413</b>	<b>116,501</b>	<b>757,015</b>

Note: Allowance paid to Russell Scott was a motor vehicle allowance.

## DIRECTORS' REPORT – REMUNERATION REPORT

30 June 2018

### Fixed and at-risk remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed Remuneration		At Risk Remuneration	
	2018	2017	2018	2017
<b>Non-Executive Directors</b>				
Guy Hedley(Chairman)	100%	100%	-	-
Jeffrey Zulman	100%	100%	-	-
<b>Executive Directors</b>				
Keith Cullen	100%	100%	-	-
Chris Kelesis	100%	100%	-	-
<b>Other Key Management Personnel</b>				
Russell Scott	100%	100%	-	-
Mitch Ansiewicz	100%	70%	-	30%
Frank Paul	100%	100%	-	-

Note: Bonuses are at all times at the discretion of the Board and the Managing Director. No bonuses were granted or paid during the period.

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in executive service agreements or, in the case of non-executive directors, letters of engagement. Details of these formal agreements and the effective dates (which do not necessarily reflect the date of initial engagement of the relevant personnel) are as follows:

**Name:** Guy Hedley  
**Title:** Non-executive Director & Chairman  
**Agreement commenced:** 23 November 2014  
**Date commenced with Group:** 10 April 2014  
**Term of agreement:** No fixed term  
**Details:** Director's fees for the year ending 30 June 2018 of \$48,000, to be reviewed annually by the Nomination and Remuneration Committee.

**Name:** Jeff Zulman  
**Title:** Non-executive Director  
**Agreement commenced:** 23 November 2014  
**Date commenced with Group:** 23 November 2014  
**Term of agreement:** No fixed term  
**Details:** Director's fees for the year ending 30 June 2018 of \$35,000, to be reviewed annually by the Nomination and Remuneration Committee.



## DIRECTORS' REPORT – REMUNERATION REPORT

30 June 2018

**Name:** Keith Cullen  
**Title:** Managing Director and Chief Executive Officer  
**Agreement commenced:** 13 March 2015 or such other date agreed between the executive and the Company. By his own election Keith Cullen had not yet nominated a commencement date for this agreement during the period. The agreement commenced operation from 1 July 2017.  
**Term of agreement:** 3 years  
**Date commenced with Group:** 10 October 2010  
**Details:** Annual remuneration of \$308,810 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6-month termination notice by either party, cash bonus of up to 50% of base salary at the discretion of the Board, non-solicitation and non-compete clauses.

**Name:** Chris Kelesis  
**Title:** Executive Director  
**Agreement commenced:** 13 March 2015 or such other date agreed between the executive and the Company. By his own election Chris Kelesis had not yet nominated a commencement date for this agreement during the period. The agreement commenced operation on 1 July 2017.  
**Date commenced with Group:** 10 October 2010  
**Term of agreement:** 3 years  
**Details:** Annual remuneration of \$200,543 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6-month termination notice by either party, cash bonus of up to 40% of base salary at the discretion of the Board and the Managing Director, non-solicitation and non-compete clauses.

**Name:** Russell Scott  
**Title:** Chief Financial Officer  
**Agreement commenced:** 21 November 2014  
**Date commenced with Group:** 21 November 2014  
**Initial term of agreement:** 2 years  
**Date ceased with Group:** 9 March 2018  
**Details:** Remuneration for the year ending 30 June 2018 of \$156,084 inclusive of superannuation and 3-month notice period.

**Name:** Mitchell Ansiewicz  
**Title:** Group General Manager (Spring FG Wealth Pty Ltd)  
**Agreement commenced:** 21 November 2014  
**Initial term of agreement:** 2 years  
**Date commenced with Group:** 9 May 2011  
**Date ceased with Group:** 30 April 2018  
**Details:** Remuneration for the year ending 30 June 2018 of \$154,014 inclusive of superannuation, and 3-month notice period.

DIRECTORS' REPORT – REMUNERATION REPORT  
30 June 2018

<b>Name:</b>	Frank Paul
<b>Title:</b>	Chief Operating Officer
<b>Agreement commenced:</b>	21 November 2014
<b>Initial term of agreement:</b>	2 years
<b>Date commenced with Group:</b>	1 May 2014
<b>Date ceased with Group:</b>	2 Jan 2018
<b>Details:</b>	Remuneration for the year ending 30 June 2018 of \$188,186 inclusive of superannuation, and 3-month notice period.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**Additional disclosures relating to key management personnel**

**Shareholdings**

All shares held by key management personnel are at their discretion as there is no requirement in the Company's constitution, in executive services agreements or letters of engagement for key management personnel to hold shares.

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at start of year	Additions	Disposals	Balance at the end of year
Ordinary shares				
Guy Hedley	387,842	-	-	387,842
Jeffrey Zulman	137,266	-	-	137,266
Keith Cullen	34,789,007	-	-	34,789,007
Chris Kelesis	20,253,099	-	-	20,253,099
Russell Scott	188,652	-	-	188,652
Mitchell Ansiewicz	5,145,202	-	45,411	5,099,791
Frank Paul	5,115,030	-	-	5,115,030
	<b>66,016,098</b>	<b>-</b>	<b>45,411</b>	<b>65,970,687</b>

No shares acquired by key management personnel were granted as remuneration during the year.

**Loans to Key Management Personnel**

The Group provided loans to certain key management personnel during the year. The table below sets out the details of the balances of those loans in the aggregate at the beginning and end of the period. Loans outstanding at the end of the current year are unsecured and repayable on demand. There is no interest payable on the loans.

	Balance at 1 July 2017	Interest paid and payable on loan	Interest not charged	Write-downs and allowances for doubtful debts	Highest balance during the year	Balance at 30 June 2018	Number in group at end of year
Keith Cullen	215,785	-	15,439	-	291,302	291,302	
Chris Kelesis	106,570	-	8,828	-	166,570	166,570	
Total	322,355	-	36,198	-	457,872	457,872	2

**Shared facilities agreement**

Atlas Advisors Australia Pty Ltd, a company of which Guy Hedley is the chairman and a shareholder, maintains an office space within the Group's Sydney headquarters and contributes \$35,000 per annum to shared facilities. The shared facilities agreement terms and rate are considered as being on an arm's length basis.

*This concludes the remuneration report, which has been audited.*

DIRECTORS' REPORT  
30 June 2018

**Lead Auditor's Declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 has been received and forms part of the Directors' Report. It can be found on page 14 of the financial report.

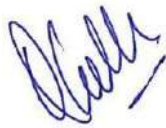
**Rounding of Amounts**

Some amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars in accordance with ASIC Legislative Instrument 2017/191.

Signed in Sydney this 28th of September 2018 in accordance with a resolution of the Board of Directors of Spring FG Limited.



Guy Hedley  
**Chairman**



Keith Cullen  
**Managing Director**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor of Spring FG Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Spring FG Limited and the entities it controlled during the year.

**Rothsay Audit & Assurance Pty Ltd**



**Frank Vrachas**

Director

Sydney, 28 September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 30 June 2018

	Note	2018 \$	Restated 2017 \$
Revenue	2	7,381,246	11,133,167
Other income	2	1,973,682	1,404,014
		<u>9,354,928</u>	<u>12,537,181</u>
Less:			
Direct cost of sales expenses	3	(3,273,972)	(1,183,435)
Employee benefits expense	3	(5,095,116)	(5,569,238)
Advertising & marketing expenses	3	(795,749)	(890,712)
Consulting & professional fee expenses	3	(294,746)	(265,305)
Rental expenses	3	(1,034,129)	(1,264,789)
Other operating expenses	3	(1,295,546)	(1,266,779)
		<u>(2,434,330)</u>	<u>2,096,923</u>
Less:			
Finance costs	3	(265,273)	(154,540)
Depreciation & amortisation expense	3	(742,779)	(363,905)
Disposal of intangible assets	3	(852,291)	-
Impairment of goodwill	3	(1,250,000)	-
Loss on disposal of furniture & equipment	3	(10,057)	-
<b>Profit (loss) before income tax</b>		<u>(5,554,730)</u>	<u>1,578,478</u>
Income tax (expense) benefits	5	1,224,925	(609,715)
<b>Profit (loss) after income tax expenses for the year</b>		<u>(4,329,805)</u>	<u>968,763</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income (loss) for the year</b>		<u><u>(4,329,805)</u></u>	<u><u>968,763</u></u>

**Earnings per share for profit from continuing operations attributable to the owners of Spring FG Limited**

	Note	2018 cents	2017 cents
Basic earnings per share (cents)	14	(3.106)	0.765
Diluted earnings per share (cents)	14	(3.106)	0.765

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2018

	Note	2018 \$	Restated 2017 \$	Restated 1-Jul-16
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	1,243,072	2,597,804	1,377,865
Trade and other receivables	7	1,680,098	3,427,096	1,682,419
Other assets	10	482,212	457,144	288,041
Current tax assets	18	1,354,004	1,124,584	1,468,713
<b>TOTAL CURRENT ASSETS</b>		<b>4,759,386</b>	<b>7,606,628</b>	<b>4,817,038</b>
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables	7	910,505	278,707	-
Plant and equipment	8	677,842	877,505	702,335
Deferred tax assets	18	1,399,965	348,751	390,828
Investments		350,000	-	-
Intangible assets	9	7,247,760	8,547,732	8,117,100
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,586,072</b>	<b>10,052,695</b>	<b>9,210,263</b>
<b>TOTAL ASSETS</b>		<b>15,345,458</b>	<b>17,659,323</b>	<b>14,027,301</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	2,228,665	1,537,656	1,717,401
Provisions	12	181,960	325,840	249,656
Borrowings	11	1,080,000	800,000	-
Other liabilities	12	143,400	104,750	354,180
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,634,025</b>	<b>2,768,246</b>	<b>2,321,237</b>
<b>NON-CURRENT LIABILITIES</b>				
Trade and other payables	11	269,791	318,037	-
Provisions	12	65,819	30,758	-
Borrowings unsecured	11	513,595	-	-
Borrowings secured	11	860,000	1,149,945	-
Deferred tax liabilities	18	484,270	500,469	456,104
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,193,475</b>	<b>1,999,209</b>	<b>456,104</b>
<b>TOTAL LIABILITIES</b>		<b>5,827,500</b>	<b>4,767,455</b>	<b>2,777,341</b>
<b>NET ASSETS</b>		<b>9,517,958</b>	<b>12,891,868</b>	<b>11,249,960</b>
<b>EQUITY</b>				
Issued capital	13	18,895,112	17,939,217	15,376,684
Reserves		26,659	26,659	26,659
Accumulated Dividends		(6,827,069)	(6,827,069)	(4,937,681)
Accumulated Profit/Loss		(2,576,744)	1,753,061	784,298
Retained earnings		(9,403,813)	(5,074,008)	(4,153,383)
<b>TOTAL EQUITY</b>		<b>9,517,958</b>	<b>12,891,868</b>	<b>11,249,960</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. Refer to the Directors' Report and Note 1 b) herein for details regarding the above restated prior period information.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2018

2018	Note	Ordinary Shares \$	Retained Earnings \$	Option Reserve \$	Total \$
Balance at 1 July 2017 (Restated)		17,939,217	(5,074,008)	26,659	12,891,868
Profit attributable to members of the parent entity	14	-	(4,329,805)	-	(4,329,805)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued during the year	13	955,895	-	-	955,895
Balance 30 June 2018		<b>18,895,112</b>	<b>(9,403,813)</b>	<b>26,659</b>	<b>9,517,958</b>

2017 Restated	Note	Ordinary Shares \$	Restated Retained Earnings \$	Option Reserve \$	Restated Total \$
Balance at 1 July 2016		15,376,684	(4,153,383)	26,659	11,249,960
Profit attributable to members of the parent entity	14	-	968,763	-	968,763
<i>Transactions with owners in their capacity as owners</i>					
Dividends provided for or paid	15	-	(1,889,388)	-	(1,889,388)
Shares issued during the year	13	2,651,078	-	-	2,651,078
Transaction costs	13	(88,545)	-	-	(88,545)
Balance 30 June 2017		<b>17,939,217</b>	<b>(5,074,008)</b>	<b>26,659</b>	<b>12,891,868</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. Refer to the Directors' Report and Note 1 b) herein for details regarding the above restated prior period information.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 30 June 2018

	2018	2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	8,990,551	11,088,030
Payments to suppliers and employees	(11,133,534)	(11,423,489)
Net interest received / (paid)	(257,035)	(42,665)
Income taxes paid	(71,908)	(179,137)
Net cash provided by / (used in) operating activities	23 (2,471,926)	(557,261)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of risk ledger	1,441,600	-
Proceeds from disposal of plant & equipment	16,258	-
Proceeds from disposal of 50% of Spring FG Digital Pty Ltd	225,000	-
Purchase of property, plant and equipment	(30,587)	-
Acquisition of Wealth Today Pty Ltd, net of cash acquired	25 (108,250)	-
Purchase of intangible assets	(156,364)	(968,606)
Loan to Spring FG Digital Pty Ltd	(125,000)	-
Loans (to) / from related parties - payments made	(135,518)	113,284
Net cash provided by / (used in) investing activities	1,127,139	(855,322)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	-	2,225,079
Proceeds from borrowings	1,130,055	1,949,950
Repayment of borrowings	(1,140,000)	-
Capital raising costs	-	(88,545)
Dividends paid by parent entity	-	(1,453,962)
Net cash provided by / (used in) financing activities	(9,945)	2,632,522
Net increase/(decrease) in cash and cash equivalents held	(1,354,732)	1,219,939
Cash and cash equivalents at beginning of year	2,597,804	1,377,865
Cash and cash equivalents at end of financial year	6 1,243,072	2,597,804

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### Notes to the Consolidated Financial Statements

#### 1. Summary of Significant Accounting Policies

The financial report of Spring FG Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018. The principal accounting policies adopted in the preparation of the financial statements are set out in this Note 1, below. These policies have been consistently applied to all the years presented.

The Group has adopted all of the new, revised or amending Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards did not have any significant impact on the financial performance or position of the Group.

Except for the early adoption of AASB 15 Revenue from Contracts with Customers, no other new, revised or amending Accounting Standards that are not yet mandatory have been adopted early.

##### 1.a Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards as issued by the Australian Accounting Standards Board and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is a 'for profit company'.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are based on historical costs, except for the measurement at fair value of selected noncurrent assets, financial assets and financial liabilities.

##### 1.b Revenue recognition principles

###### Prior Period Error related to early-adoption of AASB 15

As previously noted the Company elected to early-adopt Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers* (AASB 15), with effect from 1 July 2015. All figures relative to FY2017 presented previously have reflected that early-adoption with all comparative figures for any prior corresponding period (PCP) restated and reflected as if AASB 15 had been applied in that year. However, the Company has identified an error in its implementation of AASB 15 and its retrospective restatements.

The error relates to recognition of settlement commissions (backend commissions) on property transactions for which Group subsidiary Spring FG Realty Pty Ltd acted as sales agent. Settlement commission on not-yet-completed properties was recognised as revenue in FY 2017 (and prior periods and restatements) based on the assumption that once a contract was unconditional the obligations on the part of Group were discharged.

However, the Group has determined that approach does not meet its revenue recognition criteria under AASB 15, and that the more conservative application of AASB 15 is to not recognise such revenue until settlement of the underlying transactions occurs.

Accordingly, it has restated opening balances for FY2017 comparative figures. The restatement impacts the FY2017 opening (and closing) balances for trade debtors, retained earnings and income tax liability.

The restatements result in FY2017 revenue increasing by \$383k, income tax expense increasing by \$115k and NPAT increasing by \$268k. The restatement has no impact on cashflow for either FY2017 or the current period.

Derecognised historical backend commissions (and future backend commissions arising) are now recorded off balance sheet as *future settlement revenue book* with the Group's future entitlement to the amounts prevailing pending settlement of the underlying transactions. They will be recognised as revenue as and when settlement of the underlying transactions occurs.

The FY2018 closing balance of the Group's *future settlement revenue book* was \$2.689M which, in accordance with the above, is not reflected on the 30 June 2018 balance sheet.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 1.b Revenue recognition principles (continued)

#### Prior Period Error related to early-adoption of AASB 15 (continued)

	30 June 2017 Unadjusted \$	Adjustments \$	30 June 17 Adjusted \$
Retained earnings	(1,528,718)	(3,545,290)	(5,074,008)
Reduction in trade and other receivables			
- Current	7,205,010	(3,777,914)	3,427,096
- Non-current	1,565,493	(1,286,786)	278,707
Increase in income tax receivable	-	1,124,584	1,124,584
Total assets	21,599,439	(3,940,116)	17,659,323
Reduction in income tax payable	394,826	(394,826)	-
Total liabilities	5,162,281	(394,826)	4,767,455
Net assets	16,437,158	(3,545,290)	12,891,868

	30 June 2016 Unadjusted \$	Adjustments \$	30 June 16 Adjusted \$
Retained earnings	(339,815)	-	(339,815)
Reduction in revenue	-	(5,447,951)	(5,447,951)
Reduction in income tax expense	-	1,634,385	1,634,385
Retained earnings	(339,815)	(3,813,566)	(4,153,381)
Reduction in trade and other receivables			
- Current	4,060,015	(2,377,596)	1,682,419
- Non-current	3,070,355	(3,070,355)	-
Increase in income tax receivable	-	1,468,713	1,468,713
Total assets	18,006,539	(3,979,238)	14,027,301
Reduction in income tax payable	165,672	(165,672)	-
Total liabilities	2,943,011	(165,672)	2,777,339
Net assets	15,063,528	(3,813,566)	11,249,962

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 1.c Current and Non-Current Classification

Assets and liabilities presented in the statement of financial position are based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; held primarily for the purpose of trading; is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

### 1.d Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### 1.e Adoption of New and Revised Accounting Standards

The Group has adopted all standards which became effective for the first time at 30 June 2018, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

#### AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 (updated from 1 January 2018) however as more fully set out in Note 1 b), above the Group chosen to early-adopt this standard from 1 July 2015.

#### *Accounting Standards and Interpretations issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### AASB 9 Financial Instruments – Recognition and Measurement

AASB 9 is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018.

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and comprise solely principal and interest.

All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

#### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Application date to Spring FG Limited is 1 July 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases typically.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### AASB 16 Leases (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The main changes resulting from the introduction of the new Standard will be:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets) in the Group's Consolidated Statement of Financial Position
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in Consolidated Statement of Profit or Loss and Other Comprehensive Income and unwinding of the liability in principal and interest; and
- additional disclosure requirements will be required.

The operating lease commitments disclosed in Note 17 indicate the impact on the balance sheet of the right of use asset and lease liability and the directors do not consider that there will be a material change to profit or loss by replacing rental expense with depreciation on the right of use asset and interest expense on the lease liability.

### 1.f Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

A summary of the key matters affected by management's estimates and judgements is set out below in this Note 1 (f).

#### Revenue

The Group recognises revenue in accordance with AASB 15. Estimates and judgements are used when considering each party's rights related to the services to be provided under contracts; the timing for delivery of same (if applicable); and the contract price and payment terms. In circumstances where the Group acts as an agent, judgement is involved in determining when the Group is entitled to revenue based on the nature and form of the contract. In circumstances where the group acts as a principal, judgment is involved when determining when the performance obligations are fulfilled. Further details are provided in Note 2.

#### Intangible assets

Intangible assets, other than goodwill generally have finite useful lives. 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, with finite life intangible assets subsequently measured at cost less amortisation and any impairment.

Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Similarly, goodwill has an indefinite life and is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Estimates, assumptions and judgements are used when considering amortisation charges for intangible assets, the method and useful lives of finite life intangible assets and impairment losses on goodwill.

The method and useful lives of finite life intangible assets are reviewed annually with changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Further details of estimates, judgements and assumptions related to intangible assets are included in Note 9, below.

#### Property, plant & equipment

Estimates and judgements are used when considering the depreciation method, useful life and residual value of each asset at the end of each annual reporting period. Further details are provided at Note 8, below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 2. Revenue and other income

In accordance with AASB 15, the Group recognises revenue from contracts that establish each party's rights related to the services to be provided; the timing for delivery of same (if applicable); and the contract price and payment terms.

In acting as principal in providing professional services directly to clients (as in the case of financial advice fees, estate planning fees, and accounting and tax advice and compliance work) the Group's contracts are generally based on a formal authority to proceed; an engagement letter; or in some cases written or verbal instructions.

In circumstances when the Group is acting as agent (for example for a financial product provider such as a lender or insurance company, or for the vendor of a property or other investment asset) it will generally do so under a formal written contract. In circumstances where the Group acts as an agent its contracts generally comprise a single distinct performance obligation such as introducing a buyer to the seller of a product, asset or service (for example).

In circumstances where the Group acts as principal its contracts may contain multiple performance obligations such as when it is engaged to provide financial advice on an ongoing basis and under the same engagement provide ongoing accounting, tax or equities brokerage services (for example).

Certain contracts the Group's bundle a group of services together for an agreed price; such as when it provides its clients ongoing SMSF administration, compliance, real-time accounting and advice services, bundled with year-end compliance and tax services.

In such circumstances the Group allocates a portion of the contract price to each separately identifiable performance obligation or group of obligations within the bundle and recognises revenue as those obligations are satisfied.

Performance obligations may be satisfied either at a specific point in time (such as the introduction of a buyer under an agency agreement, or execution of an equities trade on behalf of a client); or over time (such as in the case of providing ongoing advice services or monthly accounting or administration services).

Whether acting as principal or agent, the Group generally recognises revenue in arrears of completing its performance obligations and receives payment in arrears when it has satisfied its performance obligations.

In circumstances where the Group invoices, and/or receives payment, in advance of satisfying performance obligations, it recognises unearned revenue until such time as each of the performance obligations in the contract is satisfied.

As at June 2018 the Group has \$143,400 in unearned income (contract liabilities) related to year-end compliance and tax-service obligations associated with bundled SMSF administration, compliance, real-time accounting and advice services. The Group expects all performance obligations that were not satisfied as at 30 June 2018 to be satisfied within 12 months and to recognise 100% of the unearned revenue in FY2019.

The Group generally receives prompt payment when it satisfies performance obligations generally resulting in cash flow from a contract/s closely matching revenue from a contract/s during any given reporting period.

The exception to this being real property investment referral fees and commissions associated with residential property projects that the Group's clients have invested in that are yet to be completed.

The Group sold its risk ledger with an effective date of 21 December 2017 for a total consideration of \$1.8 M. The sale agreement includes deferred consideration over time from the buyer.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

	2018	2017
	\$	\$
<b>2. Revenue and other income – continued</b>		
Revenue		
– provision of services	7,381,246	11,133,167
Other Income		
– sale of internal risk/ SMSF administration business operations	1,827,387	1,361,217
– finance income (interest received)	8,238	6,694
– shared facilities income	36,000	35,000
– other income	102,057	–
– net gain on disposal of property, plant and equipment	–	1,103
Total Other Income	<u>1,973,682</u>	<u>1,404,014</u>
	<u><u>9,354,928</u></u>	<u><u>12,537,181</u></u>

**Finance income**

Finance income includes all interest-related income, other than that arising from financial assets at fair value through profit or loss.

**Shared facilities income**

Shared facilities income relates to a sub-lease arrangement at the Group’s Sydney offices.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**3. Expenses**

**(a) Details of total expenses**

	2018 \$	Restated 2017 \$
<b>Direct costs to generate revenue</b>		
Direct Financial Planning costs	1,958,003	641,197
Direct Accounting Services costs	1,187,506	351,714
Direct Real Property costs	80,537	90,439
Direct Finance costs	47,926	43,319
Direct Digital Services cost	-	56,766
	<u>3,273,972</u>	<u>1,183,435</u>
<b>Employee benefits expense</b>		
Amounts paid to staff	4,209,093	4,807,258
Superannuation	423,531	524,274
Consultants, contractors & directors' fees	99,831	143,721
Other employment expenses	362,661	93,985
	<u>5,095,116</u>	<u>5,569,238</u>
<b>Advertising &amp; marketing expenses</b>	795,749	890,712
<b>Consulting &amp; professional fees</b>		
Audit & taxation fees	200,264	164,220
Legal fees	77,673	46,805
Other professional fees	16,809	54,280
	<u>294,746</u>	<u>265,305</u>
<b>Rental expenses</b>	1,034,129	1,264,789
<b>Other operating expenses</b>		
Travel & accommodation	92,965	74,455
IT and telephone expenses	272,147	262,756
Insurance	212,975	168,734
Licences, memberships & subscriptions	169,867	196,138
Office equipment and other leases	125,185	193,543
Bad debts written-off	228,270	89,059
Printing, stationery, postage and couriers	101,806	136,064
Other expenses	92,331	146,030
	<u>1,295,546</u>	<u>1,266,779</u>
<b>Impairment &amp; disposal of intangible assets</b>		
Impairment of goodwill	1,250,000	-
Disposal of intangible assets	852,291	-
Loss on disposal of fixed asset	10,057	-
	<u>2,112,348</u>	<u>-</u>
<b>Depreciation &amp; amortisation expense</b>		
Fixed assets	219,717	204,718
Intangible assets	523,062	159,187
	<u>742,779</u>	<u>363,905</u>
<b>Finance costs</b>		
Interest paid	265,273	154,540
<b>Total Expenses</b>	<u>14,909,658</u>	<u>10,958,703</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 4. Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The consolidated entity is organised into two separate operating segments:

- Financial planning, investment advice and product sales. This segment includes the provision of a diverse range of financial services encompassing financial planning in self-managed superannuation funds (SMSFs) and direct and SMSF residential real estate investment.; and
- Accounting and taxation services. This segment includes the provision of a comprehensive range of accounting and taxation advice and solutions for investors and small to medium businesses such as tax planning and structuring, management and cash flow reporting, tax returns and ASIC compliance.

All other transactions are recorded as All other segments. Other income within All other segments includes the gain on the sale of the Group's internal SMSF administration business and risk business. Included in EBITDA of All other segments are Group overhead expenses.

These operating segments are based on the internal reports on at least a monthly basis that are reviewed and used by the Managing Director and Board. The Managing Director has been identified as the CODM, as they assess performance and determine the allocation of resources. There is no aggregation of operating segments.

The CODM reviews segment profits (Segment EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements of the consolidated entity.

All sales were made in Australia and all assets are within in Australia. No single customer represents more than 10% of group revenue.

The table below sets out the performance of each operating segment.

#### (a) Segment Performance

2018	Financial planning investment advice & product sales	Accounting & tax services	All other segments	Total
	\$	\$	\$	\$
<b>REVENUE</b>				
Sales to external customers	6,141,169	1,240,077	-	7,381,246
Other income	-	-	1,965,444	1,965,444
Interest revenue	109	3	8,126	8,238
Total segment revenue	<u>6,141,278</u>	<u>1,240,080</u>	<u>1,973,570</u>	<u>9,354,928</u>
<b>EBITDA</b>	<u>(3,394,540)</u>	<u>(197,944)</u>	<u>(954,194)</u>	<u>(4,546,678)</u>
Interest expenses	(257,108)	(1)	(8,164)	(265,273)
Depreciation & amortisation	(709,356)	(33,423)	-	(742,779)
<b>Net profit before tax</b>	<u>(4,361,004)</u>	<u>(231,368)</u>	<u>(962,358)</u>	<u>(5,554,730)</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### Operation Segments continued

#### (a) Segment Performance continued

2017 Restated	Financial planning investment advice & product sales	Accounting & tax services	All other segments	Total
	\$	\$	\$	\$
<b>REVENUE</b>				
Sales to external customers	9,652,113	1,189,191	291,863	11,133,167
Other income	-	-	1,397,320	1,397,320
Interest revenue	109	3	6,582	6,694
Total segment revenue	9,652,222	1,189,194	1,695,765	12,537,181
EBITDA	1,048,730	97,902	950,291	2,096,923
Interest expenses	(2,354)	-	(152,186)	(154,540)
Depreciation & amortisation	(318,774)	(20,335)	(24,796)	(363,905)
Net profit before tax	727,602	77,567	773,309	1,578,478

#### (b) Segment assets

2018	Financial planning investment advice & product sales	Accounting & tax services	All other segments	Total
	\$	\$	\$	\$
Segment assets	6,744,515	1,691,137	6,909,806	15,345,458
Segment liabilities	(4,657,473)	(424,544)	(745,483)	(5,827,500)
Net assets	2,087,042	1,266,593	6,164,323	9,517,958
2017 restated	\$	\$	\$	\$
Segment assets	8,931,584	1,870,546	6,857,193	17,659,323
Segment liabilities	(2,193,829)	(244,826)	(2,328,800)	(4,767,455)
Net assets	6,737,755	1,625,720	4,528,393	12,891,868

Assets included in All other segments comprise \$208,812 for the digital services CGU and \$6,700,994 for corporate.

Liabilities included in All other segments comprise \$0 for the digital CGU and \$745,483 for corporate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 5. Income Tax Expense

Income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Spring FG Limited (the 'parent entity' and 'head entity') and its wholly owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

#### (a) The major components of tax expense (income) comprise

	2018 \$	2017 \$
Current tax payable	-	523,274
(Increase)/decrease in movement in deferred tax asset	(1,051,214)	42,077
Increase/(decrease) in movement in deferred tax liability	(16,199)	44,364
Overprovision of tax in prior years	(157,512)	-
Income tax expense for continuing operations	(1,224,925)	609,715

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### (b) Reconciliation of income tax to accounting profit

	2018	2017
	\$	\$
<b>Profit</b>	(5,554,730)	1,578,478
<b>Tax</b>	27.5%	30%
	<u>(1,527,551)</u>	<u>473,543</u>
<b>Add:</b>		
Tax effect of:		
- amortisation of intangibles	487,592	47,756
- gains on sale of internal SMSF business	-	100,135
- other non-assessable income or deductible expense	373	50,765
	<u>(1,039,586)</u>	<u>672,199</u>
<b>Less:</b>		
Tax effect of:		
- Other non-deductible expenses	185,339	62,484
<b>Income tax expense</b>	<u>(1,224,925)</u>	<u>609,715</u>

### 6. Cash & cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Short-term deposits are for set periods of no more than 3 months.

The Group's approach to managing risk exposure associated with cash and cash equivalents is set out in Note 16 below.

Cash & Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

	2018	2017
	\$	\$
Cash at hand and in bank	797,507	2,152,239
Short-term deposits	445,565	445,565
<b>Balance as per statement of cash flows</b>	<u>1,243,072</u>	<u>2,597,804</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 7. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Trade receivables for professional service fees and accounting & tax services are generally received within 30 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any allowance for impairment.

#### (a) Current & non-current trade receivables

	2018	Restated 2017
	\$	\$
<b>CURRENT</b>		
Trade receivables	582,170	2,462,550
Allowance for impairment	(67,138)	(25,581)
	<u>515,032</u>	<u>2,436,969</u>
Loan to related parties	457,872	322,355
Other receivables	707,194	667,772
	<u>1,165,066</u>	<u>990,127</u>
<b>Total current trade and other receivables</b>	<u><u>1,680,098</u></u>	<u><u>3,427,096</u></u>
<b>NON-CURRENT</b>		
Trade receivables	910,505	278,707
	<u>910,505</u>	<u>278,707</u>
<b>Total non-current trade and other receivables</b>	<u><u>2,590,603</u></u>	<u><u>3,705,803</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### (b) Property transaction related receivables

All upfront trade receivables are categorised as current receivables and settlements commissions are recognised only when the project is successfully completed.

	2018 \$	Restated 2017 \$
<b>Current property transaction-related receivables</b>		
Upfront	77,753	1,240,990
Settlement	94,847	-
	<u>172,600</u>	<u>1,240,990</u>
<b>Non-current property transaction-related receivables</b>		
Upfront	-	-
Settlement	-	-
	<u>-</u>	<u>-</u>
<b>Total property transaction-related receivables</b>	<u>172,600</u>	<u>1,240,990</u>

### (c) Advances to executives

Movements in advances to executives are shown in table below:

	2018 \$	2017 \$
Balance at beginning of the year	322,355	435,638
Advances	135,517	714,339
Repayments	-	(827,622)
<b>Balance at end of the year</b>	<u>457,872</u>	<u>322,355</u>

### (d) Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Group.

The table in 7 (e) below details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

### (e) Impairment of trade & other receivables

An allowance for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**7 (e) – continued**

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

	Gross amount \$	Past due & impaired \$	Within initial trade terms \$
<b>2018</b>			
Trade & other receivables	1,492,675	(67,138)	1,425,537
Other receivables	1,165,066	-	1,165,066
<b>Total</b>	<b>2,657,741</b>	<b>(67,138)</b>	<b>2,590,603</b>
<b>2017 Restated</b>			
Trade & other receivables	2,741,257	(25,581)	2,715,676
Other receivables	990,127	-	990,127
<b>Total</b>	<b>3,731,384</b>	<b>(25,581)</b>	<b>3,705,803</b>

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired. The Group does not hold any collateral over any receivables balances. The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 8. Plant & equipment

Classes of plant and equipment are measured using the cost model as specified below. Assets are carried at its cost less any accumulated depreciation and any impairment.

The Group has recognised a make good clause provision at its head office of \$144,000 amortised over the period of lease, of 72 months, the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### Depreciation

Plant and equipment is depreciated on a reducing balance basis over the assets useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Plant and Equipment	10% - 20%
Leasehold improvements	16.66%
Low Value Asset Pool	25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

	2018	2017
	\$	\$
<b>PLANT AND EQUIPMENT</b>		
Furniture, fixtures and fittings		
At cost	480,065	548,244
Accumulated depreciation	(294,720)	(275,158)
Total furniture, fixtures and fittings	<u>185,345</u>	<u>273,086</u>
Office equipment		
At cost	105,265	87,662
Accumulated depreciation	(52,852)	(25,676)
Total office equipment	<u>52,413</u>	<u>61,986</u>
Leasehold improvements		
At cost	659,912	653,077
Accumulated depreciation	(219,828)	(110,644)
Total improvements	<u>440,084</u>	<u>542,433</u>
Total plant and equipment	<u>677,842</u>	<u>877,505</u>
At cost	1,245,242	1,288,983
Accumulated depreciation	(567,400)	(411,478)
Total plant and equipment	<u>677,842</u>	<u>877,505</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### (a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Furniture, fixtures and fittings	Office equipment	Leasehold improvements	Total
<b>Year ended 30 June 2018</b>				
Balance beginning of year	273,086	61,986	542,433	877,505
Additions	4,308	9,277	32,784	46,369
Disposals	-	-	(26,315)	(26,315)
Depreciation expense	(92,049)	(18,850)	(108,818)	(219,717)
<b>Balance at the end of the year</b>	<b>185,345</b>	<b>52,413</b>	<b>440,084</b>	<b>677,842</b>
<b>Year ended 30 June 2017</b>				
Balance beginning of year	284,445	65,494	352,396	702,335
Additions	86,081	44,687	275,240	406,008
Disposals	(11,807)	(14,313)	-	(26,120)
Depreciation expense	(85,633)	(33,882)	(85,203)	(204,718)
<b>Balance at the end of the year</b>	<b>273,086</b>	<b>61,986</b>	<b>542,433</b>	<b>877,505</b>

### 9. Intangible assets

Intangible assets, other than goodwill generally have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in profit or loss.

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. The gains or losses recognised in profit or loss arising from 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.

Goodwill has an indefinite life and is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### Estimation of useful life of assets

##### Finance revenue books

Finance revenue books acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit. The expected benefit of acquired finance revenue books, based on the typical duration of investor loans with assumptions made about patterns of repayment and refinancing, is 7.5 years.

##### eBook library

The eBook library acquired in a business combination is amortised on a straight-line basis over the period of their expected benefit, considered to be 10 years. Any costs associated with adding to the eBook library or significantly updating existing eBooks are capitalised and considered to be a 'new' eBook which is then amortised over its useful life. The useful life of an eBook is considered to be 10 years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### Goodwill impairment disclosure

For the purpose of impairment testing, goodwill and indefinite life intangibles are allocated to cash-generating units which form part of or are based on the Group's operating divisions.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

The aggregate carrying amount of goodwill allocated to each CGU is:

Description of the cash-generating unit (CGU)	2018 \$	2017 \$
Financial planning, investment advice & product sales	4,666,284	4,278,334
Accounting & taxation services	1,480,000	1,480,000
Digital services	-	458,396
<b>Total</b>	<b>6,146,284</b>	<b>6,216,730</b>

The recoverable amount of each cash-generating unit above is determined based on fair value less cost of disposal. There is sufficient information available in the market to determine fair value of each CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 30 June 2018

(a) Intangible Assets

	2018 \$	2017 \$
<b>Goodwill</b>		
Financial advice business – at cost	4,666,284	4,278,334
Accounting & tax business – at cost	1,480,000	1,480,000
Digital services – at cost	–	458,396
<b>Total Goodwill</b>	<b>6,146,284</b>	<b>6,216,730</b>
Website development		
Cost	674,528	627,427
Accumulated amortisation	(321,076)	(74,663)
<b>Net carrying value</b>	<b>353,452</b>	<b>552,764</b>
Finance Income book		
Cost	198,000	198,000
Accumulated amortisation	(102,687)	(76,467)
<b>Net carrying value</b>	<b>95,313</b>	<b>121,533</b>
eBook library		
Cost	311,904	268,671
Accumulated amortisation	(60,629)	(31,121)
<b>Net carrying value</b>	<b>251,275</b>	<b>237,550</b>
Lead Database		
Cost	84,773	84,773
Accumulated amortisation	(25,470)	(16,993)
<b>Net carrying value</b>	<b>59,303</b>	<b>67,780</b>
Insurance income book		
Cost	117,313	1,173,125
Accumulated amortisation	(26,524)	(187,035)
<b>Net carrying value</b>	<b>90,789</b>	<b>986,090</b>
Other intangible assets		
Cost	300,673	411,330
Accumulated amortisation	(49,329)	(46,045)
<b>Net carrying value</b>	<b>251,344</b>	<b>365,285</b>
<b>Total Intangibles net carrying value</b>	<b>7,247,760</b>	<b>8,547,732</b>
<b>Summary</b>		
Cost	7,833,475	8,980,056
Accumulated amortisation	(585,715)	(432,324)
<b>Net carrying value</b>	<b>7,247,760</b>	<b>8,547,732</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

(b) Movements in carrying amounts of intangible assets

	Website development	Insurance book	Finance income book	Lead database
<b>Year ended 30 June 2018</b>				
Balance beginning of year	552,764	986,090	121,533	67,780
Additions	47,102	-	-	-
Disposals	-	(852,291)	-	-
Depreciation and impairment	(246,414)	(43,010)	(26,220)	(8,477)
<b>Balance at the end of year</b>	<b>353,452</b>	<b>90,789</b>	<b>95,313</b>	<b>59,303</b>
	eBook library	Other intangibles	Goodwill	Total
<b>Year ended 30 June 2018</b>				
Balance beginning of year	237,550	365,285	6,216,730	8,547,732
Additions	43,233	66,026	1,637,950	1,794,311
Disposals	-	(10,534)	(458,396)	(1,321,221)
Depreciation and impairment	(29,508)	(169,433)	(1,250,000)	(1,773,062)
<b>Balance at the end of year</b>	<b>251,275</b>	<b>251,344</b>	<b>6,146,284</b>	<b>7,247,760</b>
	Website development	Insurance book	Finance income book	Lead database
<b>Year ended 30 June 2017</b>				
Balance beginning of year	398,914	1,025,194	147,933	44,357
Additions	234,193	-	-	31,073
Disposals	(36,189)	-	-	-
Depreciation and impairment	(44,154)	(39,104)	(26,400)	(7,650)
<b>Balance at the end of year</b>	<b>552,764</b>	<b>986,090</b>	<b>121,533</b>	<b>67,780</b>
	eBook library	Other intangibles	Goodwill	Total
<b>Year ended 30 June 2017</b>				
Balance beginning of year	87,899	196,073	6,216,730	8,117,100
Additions	163,774	196,968	-	626,008
Disposals	-	-	-	(36,189)
Depreciation and impairment	(14,123)	(27,756)	-	(159,187)
<b>Balance at the end of year</b>	<b>237,550</b>	<b>365,285</b>	<b>6,216,730</b>	<b>8,547,732</b>

### 10. Other Assets

	2018	2017
	\$	\$
<b>CURRENT</b>		
Prepaid expenses and deposits	246,696	246,200
Accrued income	210,516	185,944
Other assets & receivables	25,000	25,000
	<b>482,212</b>	<b>457,144</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 11. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid.

All amounts in trade and other payables due to be paid in the short term are classified as current liabilities. These amounts are unsecured and are usually paid within 30 days of recognition. Those amounts due to be paid after 12 months are classified as non-current liabilities. Carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

	2018	2017
Note	<u>\$</u>	<u>\$</u>
<b>CURRENT</b>		
<i>Unsecured liabilities</i>		
Trade payables	812,991	592,399
GST payable	212,358	137,355
Superannuation payable	98,113	128,801
Payroll tax payable	31,639	25,708
Accrued wages and sales commissions	531,700	253,947
Accrued professional services	287,425	125,308
Accrued occupancy costs	37,488	61,158
Interest accrued	24,367	97,500
Other accruals	192,584	115,480
	<u>2,228,665</u>	<u>1,537,656</u>
<i>Secured liabilities</i>		
Borrowings - Receivables facility	11 (a) 1,080,000	800,000
<b>NON-CURRENT</b>		
<i>Unsecured liabilities</i>		
Trade payables	25,003	42,008
Accrued occupancy costs	244,788	276,029
	<u>269,791</u>	<u>318,037</u>
Convertible note	513,595	-
	<u>783,386</u>	<u>318,037</u>
<i>Secured liabilities</i>		
Borrowings - Receivables facility	11 (a) 860,000	1,149,945

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### (a) Borrowings – Receivables facility

During financial year 2017, the Group established a \$2.00M loan facility secured by these property related receivables of its Spring FG Realty subsidiary and the Group's future settlement receivable book (see note 1[b]) (and guaranteed by the Company) to enable it to leverage these receivables to access working and expansion capital.

Under the facility, as at 30 June 2018 the Group had a balance of \$1.94M outstanding, principal and interest payments are made in accordance with an agreed schedule over a 30-month period from 1 February 2017. Principal payments are scheduled to correlate with the Group's expected receipt of settlement commissions.

The Group may make principal payments in excess of the schedule, and/or repay the facility in full at any time during the term without penalty. The facility agreement has an interest rate of 12%.

### 12. Other Liabilities

In circumstances where the Group invoices, and/or receives payment, in advance of satisfying performance obligations, it recognises unearned revenue until such time as each of the performance obligations in the contract is satisfied.

As at June 2018 the Group has \$143,400 in unearned income (contract liabilities) related to year-end compliance and tax-service obligations associated with bundled SMSF administration, compliance, real-time accounting and advice services.

The Group expects all performance obligations that were not satisfied as at 30 June 2018 to be satisfied within 12 months and to recognise 100% of the unearned revenue in FY2019.

	2018 \$	2017 \$
<b>CURRENT</b>		
Unearned income	143,400	104,750
	<u>143,400</u>	<u>104,750</u>

### Employee Entitlements

Employee entitlements are recognised when the Group has a present (legal or constructive) obligation as a result of past events, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, the liability is discounted using a current pre-tax rate specific to the liability. The increase in the liability resulting from the passage of time is recognised as a finance cost.

### Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and leave entitlements are expected to be settled within 12 months of the reporting date and recognised in current liabilities in respect of employees' services up to the reporting date; measured at the amounts expected to be paid when the liabilities are settled.

	2018 \$	2017 \$
<b>CURRENT</b>		
Leave liabilities		
- Present value obligations	181,960	325,840
	<u>181,960</u>	<u>325,840</u>
<b>NON-CURRENT</b>		
Leave liabilities		
- Present value obligations	65,819	30,758
	<u>65,819</u>	<u>30,758</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 13. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividends payable to shareholders are recognised when declared during the financial year and no longer at the discretion of the Company.

#### Movements in issued capital

	2018 \$	2017 \$
Balance at beginning of reporting period	17,939,217	15,376,684
Issued 31 October 2016 – repayment of share loan	-	446,685
Issued 29 November 2016 – DRP	-	323,015
Issued 19 December 2016 – repayment of share loan	-	42,396
Issued 10 April 2017 – DRP	-	102,982
Issued 26 June 2017 – share placement	-	1,736,000
Share issue costs		(88,545)
Issued 2 January 2018 – acquisition of Wealth Today	955,895	-
	<b>18,895,112</b>	<b>17,939,217</b>

#### (a) Ordinary shares

	2018 No.	2017 No.
At the beginning of the reporting period	136,218,237	125,420,811
Shares issued during the year		
Issued 29 November 2016 – DRP	-	1,615,076
Issued 10 April 2017 – DRP	-	502,350
Issued 26 June 2017 – share placement	-	8,680,000
Issued 2 January 2018 – acquisition of Wealth Today	6,372,631	-
At the end of the reporting period	<b>142,590,868</b>	<b>136,218,237</b>

#### (b) Voting rights

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Group does not have authorised capital or par value in respect of its shares. There are no options or rights outstanding.

#### (c) Capital Management

Capital of the Group is managed in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital comprises share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements, except base level financial requirements prescribed in the Australian Financial Services Licence held by the Company's subsidiary Spring FG Wealth Pty Ltd.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the consolidated statement of financial position plus net debt.

#### (d) Share issue costs

The table below details the capitalised transaction costs associated with the capital raisings and the issuance of shares during the period and comparative period.

	2018 \$	2017 \$
Underwriting fee & management fees	-	88,545
<b>Total</b>		<b>88,545</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 14. Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

#### Diluted earnings per share

Diluted earnings per share adjusts the basic earnings per share to take into account the after-income tax effect of financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2018 \$	2017 \$
Profit (loss) after income tax	<u>(4,329,805)</u>	<u>968,763</u>
	2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>139,387,566</u>	<u>126,599,493</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>139,387,566</u>	<u>126,599,493</u>
	2018	2017
Earnings per share for profit from continuing operations attributable to the owners of Spring FG Limited		
Basic earnings per share (cents)	<u>(3.106)</u>	<u>0.765</u>
Diluted earnings per share (cents)	<u>(3.106)</u>	<u>0.765</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 15. Dividends

The Company has not paid any dividends during the year and to the date of this report.

	2018 \$	2017 \$
<b>The following dividends were declared and paid</b>		
Final franked ordinary dividend	-	1,889,388
<b>Total</b>	-	1,889,388

#### (a) Dividend Re-investment Plan (DRP)

The Company operates a Dividend Reinvestment Plan (DRP) that offers shareholders the opportunity to purchase additional shares in the Company by reinvesting part or all of their periodic dividends.

Under the terms of the DRP the Directors have the ability to limit the amount of dividend which may be invested in subscription for shares under the DRP; determine the issue price for each issue of shares under the DRP and (for so long as the Company is listed on the ASX) determine the discount to the weighted average market price that will be used to calculate the issue price for each issue of shares under the DRP; and suspend, amend or terminate the DRP.

#### (b) Franking credits

	2018 \$	2017 \$
Opening franking account balance	(136,231)	339,893
Company tax paid/ (refund)	(145,072)	333,614
Franked dividends paid	-	(809,738)
	(281,303)	(136,231)

### 16. Financial Risk Management

Financial risk management summary

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks to which the Group is exposed to are described below:

#### Specific risks

- Liquidity risk
- Credit risk

#### Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables

#### Objectives, policies and processes

Risk management is carried out by the Directors. The Audit & Risk Committee has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group. These policies and procedures are then approved by the Directors.

Reports are presented to the Directors regarding the implementation and management of these policies by the Audit and Risk Committee under the delegated power from the Board of Directors.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period is identified monthly.

At the reporting date, these reports indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The Group's liabilities have contractual maturities which are summarised below:

	Less than 12 months		1 year – 5 years	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade & other payables	2,228,665	1,537,656	269,791	318,037
Borrowings	1,080,000	800,000	1,373,595	1,149,945
Total	3,308,665	2,337,656	1,643,386	1,467,982

### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The allowance for impairment of receivables assessment requires a degree of estimation and judgement. The level of allowance is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### Interest rate risk

Interest Rate Risk does not arise within the Group, as there is no exposure to variable interest rates. The secured financing facility set out in Note 11 (a) has a fixed interest rate and is recorded at fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 17. Capital & Leasing Commitments

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	855,157	842,487
- between one year and five years	1,415,831	2,432,276
	<u>2,270,988</u>	<u>3,274,763</u>

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

The total operating lease commitments of \$2,270,988 above include:

- A total of \$1,540,682 relates to the Group's Sydney office premises which at the reporting date had a lease expiry date of 1 November 2021.
- A total of \$630,871 relates to the Group's Melbourne office premises which at the reporting date had a lease expiry date of 30 November 2022.
- A total of \$99,435 associated with IT and office equipment and operating systems within the Sydney, Melbourne and Brisbane offices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 30 June 2018

18. Tax assets and liabilities

(a) Current Tax Assets

	2018 \$	2017 \$
Current tax payable for the period	-	523,262
Income tax payable carried forward	(1,196,492)	388,233
Tax on prior period error adjustment	(157,512)	(2,036,079)
Income tax payable (receivable)	<u>(1,354,004)</u>	<u>(1,124,584)</u>

(b) Recognised deferred tax assets and liabilities

	2018 \$	2017 \$
Deferred tax assets	1,399,965	348,751
Deferred tax liabilities	484,270	500,469

(c) Movement in recognised deferred tax assets & liabilities

	Opening Balance \$	Charged to Income \$	Closing Balance \$
<b>Deferred tax assets</b>			
Provisions	58,439	24,950	83,389
Tax losses	-	1,164,332	1,164,332
Employee entitlements	141,120	(72,981)	68,139
Accruals	15,072	7,670	22,742
Black hole expenses	134,120	(72,757)	61,363
<b>Balance at 30 June 2018</b>	<u>348,751</u>	<u>1,051,214</u>	<u>1,399,965</u>
<b>Deferred tax assets</b>			
Provisions	4	58,435	58,439
Employee entitlements	117,207	23,913	141,120
Accruals	15,000	72	15,072
Black hole expenses	258,617	(124,497)	134,120
<b>Balance at 30 June 2017</b>	<u>390,828</u>	<u>(42,077)</u>	<u>348,751</u>
<b>Deferred tax liabilities</b>			
Amortisation - intangible assets	452,199	-	452,199
Prepayments	48,270	(16,199)	32,071
<b>Balance at 30 June 2018</b>	<u>500,469</u>	<u>(16,199)</u>	<u>484,270</u>
<b>Deferred tax liabilities</b>			
Amortisation - intangible assets	452,199	-	452,199
Prepayments	3,905	44,365	48,270
<b>Balance at 30 June 2017</b>	<u>456,104</u>	<u>44,365</u>	<u>500,469</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 19. Auditors' Remuneration

#### Audit services

The table below shows the amounts paid to Rothsay Audit & Assurance Pty Ltd (the current auditor of the parent entity) from 1 July 2017 and BDO East Coast Partnership (BDO), the previous auditor of the parent entity.

	2018	2017
	\$	\$
Auditing or reviewing the financial reports:		
- Remuneration to Rothsay	30,000	-
- Remuneration to BDO	96,565	126,332
<b>Total</b>	<b>126,565</b>	<b>126,332</b>

BDO was the lead auditor of the Group up to financial year ended 30 June 2017.

#### Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2018:

	2018	2017
	\$	\$
- Taxation compliance services to Rothsay Chartered Accountants	35,240	-
<b>Total</b>	<b>35,240</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**20. Interests in Subsidiaries**

**(a) Principles of consolidation**

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a 30 June financial year end.

**Parent entity**

The Company was incorporated on 10 April 2014 and is listed on the Australian Stock Exchange (ASX: SFL).

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

**(b) Composition of the Group**

Name of entities	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2018	Percentage Owned (%)* 2017
Spring Wealth Pty Ltd	Australia	100	100
Spring FG Realty Pty Ltd	Australia	100	100
Spring FG Finance Pty Ltd	Australia	100	100
Spring FG Accounting Pty Ltd	Australia	100	100
Spring FG Services Pty Ltd	Australia	100	100
Spring FG Digital Pty Ltd	Australia	50	100
Spring FG Funds Management Pty Ltd ( <i>formerly</i> : Spring IP Pty Ltd)	Australia	100	100
SRPT Holdings Pty Ltd ( <i>formerly</i> : Spring FG Branch Network Pty Ltd)	Australia	100	100
mysuper247 Pty Ltd	Australia	100	100
mytax247 Pty Ltd ( <i>established</i> 8 August 2016)	Australia	100	-
Wealth Today Pty Ltd ( <i>acquired</i> 1 January 2018)	Australia	100	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 21. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017: None).

### 22. Transactions with related parties

#### (a) Summary of related parties

##### (i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

##### (ii) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members. During the year, there were no transactions undertaken with any Director related entities other than those disclosed below and in Notes 22 (c) and (d).

#### (b) Remuneration of key management personnel

	2018 \$	2017 \$
Short-term employee benefits	1,016,145	631,101
Long-term employee benefits	-	9,413
Post-employment benefits	74,492	116,501
Share-based payments	-	-
Total	1,090,637	757,015

#### (c) Loans to key management personnel

The Group provided loans to certain key management personnel during the year. The table below sets out the details of the balances of those loans in the aggregate at the beginning and end of the period. Loans outstanding at the end of the current year are unsecured and repayable on demand. There is no interest payable on the loans.

	Balance at 1 July 2017	Interest paid and payable on loan	Interest not charged	Write- downs and allowances for doubtful debts	Highest balance during period	Balance at 30 June 2018	Number in group at end of year
Total	322,355	-	24,267	-	457,872	457,872	2

#### (d) Other transactions with key management personnel

##### *Shared facilities agreement*

Atlas Advisors Australia Pty Ltd, a company of which Guy Hedley is the chairman and a shareholder, maintains an office space within the Group's Sydney headquarters and contributes \$35,000 per annum to shared facilities. The shared facilities agreement terms and rate are considered as being on an arm's length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 30 June 2018

23. Cash Flow Information

(a) Reconciliation of net income to net cash provided by operating activities:

	2018	Restated 2017
	\$	\$
Net profit (loss)	(4,329,805)	968,763
Income items excluded from operating activities cash flows		
Non-cash flows in profit or loss		
- Depreciation and amortisation	219,717	204,719
- Amortisation of intangibles	523,062	159,186
- Write-off of goodwill	1,250,000	-
- gain on sale of internal Risk/ SMSF administration business operations (deferred consideration)	-	(1,361,217)
- profit on disposal of plant & equipment and intangible assets	(920,722)	(1,103)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	1,873,469	(392,198)
- (increase)/decrease in deferred tax receivable	(1,051,214)	42,077
- (increase)/decrease in other assets	(25,068)	(169,102)
- increase/(decrease) in trade and other payables	343,073	164,050
- increase/(decrease) in income taxes payable	(229,420)	(39,117)
- increase/(decrease) in deferred taxes payable	(16,199)	44,367
- increase/(decrease) in employee entitlements	(108,819)	106,943
- increase/(decrease) in other payables	-	(284,629)
Cashflow from operations	(2,471,926)	(557,261)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 24. Parent entity information

Set out below is the supplementary financial information about the parent entity of the Group (Spring FG Limited) presented on a stand-alone basis – that is, excluding the consolidation of the financial statements of its subsidiaries and controlled entities.

The parent entity is a non-operating entity.

		2018	2017
		\$	\$
<b>ASSETS</b>			
Current assets		2,078,624	1,871,803
Non-current assets		17,474,333	13,022,425
<b>TOTAL ASSETS</b>		<b>19,552,957</b>	<b>14,894,228</b>
<b>LIABILITIES</b>			
Current liabilities		6,819,748	1,167,549
Non-current liabilities		1,023,837	4,769,774
<b>TOTAL LIABILITIES</b>		<b>7,843,585</b>	<b>5,937,323</b>
<b>NET ASSETS</b>		<b>11,709,372</b>	<b>8,956,905</b>
<b>EQUITY</b>			
Issued capital	12	18,895,112	17,939,217
Options Reserve		26,659	26,659
Retained earnings		(7,212,399)	(9,008,971)
<b>TOTAL EQUITY</b>		<b>11,709,372</b>	<b>8,956,905</b>
Current year earnings		(863,009)	(622,080)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 25. Business Combination

On 1 January 2018 the parent entity acquired 100% of the issued share capital of Wealth Today Pty Ltd, a financial services dealer group. The acquisition compliments the Group's plans to expand in financial services.

Purchase Consideration	
Cash Paid	109,017
Ordinary Shares Issued	955,895
Convertible Notes	513,595
<b>Total Consideration</b>	<b><u>1,578,507</u></b>

The assets and liabilities recognised as a result of the acquisition are as follows

31 Dec 2017

<b>Assets</b>	
Cash and Cash Equivalents	767
Other Current Assets	262,351
Total Current Assets	<u>263,118</u>
Fixed Assets	15,775
Total Non-Current Assets	<u>15,775</u>
<b>Total Assets</b>	<b><u>278,893</u></b>
<b>Liabilities</b>	
Total Current Liabilities	338,026
Total Non-Current Liabilities	310
<b>Total Liabilities</b>	<b><u>338,336</u></b>
<b>Net Assets</b>	<b><u>(59,443)</u></b>

Consideration	1,578,507
Goodwill	1,637,950

Cash and cash equivalents used to acquire business	109,017
Cash and cash equivalents acquired	(767)
<b>Total cash and cash equivalents used to acquire business</b>	<b><u>108,250</u></b>

An Additional contingent sum is payable to Julory Pty Ltd which is determined as below –

1. If the EBITDA is equal to or greater than \$426,700 – Additional Sum is \$453,242
2. If the EBITDA is less than or equal to \$311,000 –Additional sum is nil; and
3. If the EBITDA is between \$311,000 & \$426,700 – Additional sum is the amount determined to be \$4.25 for every \$1.00 the EBITDA is greater than \$311,000.

The Directors consider the likelihood of any additional consideration being paid as remote. Accordingly, this is not being recognised as consideration as part of the acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 26. Events Occurring After the Reporting Date

Correction of the prior period AASB15 error (see Note [1b]) resulted in a tax refundable of \$1,519,410. Accordingly, the Company submitted amended income tax returns for the periods FY2014–FY2017 resulting in income tax credits/refunds of this amount. The impact of which creates a franking account deficit/liability of corresponding amount \$1,519,410, the payment of which will result in a deferred tax asset of the same amount.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The financial report was authorised for issue on 28 September 2018 by the board of directors.

This declaration is made in accordance with a resolution of the board of directors.

(1) In the opinion of the Directors:

- (a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ending 30 June 2018.

Signed in accordance with a resolution of the Directors.



Guy Hedley  
**Chairman**



Keith Cullen  
**Managing Director**

**SPRING FG LIMITED**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Spring FG Limited:

**Opinion**

We have audited the financial report of Spring FG Limited (the "Company") and its controlled entities (the "Group"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (b) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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



SPRING FG LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter - Prior period Error on Revenue Recognition	How our Audit Addressed the Key Audit Matter
<p>As stated in Note 1 the Group identified an error in relation to recording of revenue, and the related receivable, on realty sales commissions where the Group acted as agent.</p> <p>Previously the Group recognised revenue, and the related receivable, on exchange of contract. The Group has changed their policy and will now recognise the commission, which is due at settlement, as revenue when the property transaction has settled.</p> <p>The effect of this error was to restate comparative information by reducing trade receivables by \$5,064,700, recording an income tax receivable of \$1,519,410 and reducing retained earnings by \$3,545,290.</p> <p>This was considered a key audit matter as the amount is material and the complexity surrounding these transactions</p>	<p>We reviewed Management's assessment and calculations of the prior period error.</p> <p>We assessed whether the disclosures included in the financial report met the requirements of Australian Accounting Standards.</p>
Key Audit Matter - Impairment Assessment of Intangible Assets	How our Audit Addressed the Key Audit Matter
<p>At 30 June 2018 the Group has recorded intangible assets of \$7,247,760.</p> <p>The recorded value of intangible assets is assessed for recoverability by the directors at least annually or more frequently if events or changes in circumstances indicate that the asset may have suffered an impairment.</p> <p>Recoverability is assessed by firstly determining the assets fair value less costs to sell. The value derived is then compared with the recorded value of the intangible assets and if lower, an impairment charge will be recorded.</p> <p>This was considered a key audit matter given the significant judgement involved in assessing the recoverable amount of these assets.</p>	<p>We checked the calculations and assessed the reasonableness of inputs into the directors' analysis.</p> <p>We also performed sensitivity checks of the discounted cash flow analysis.</p> <p>We considered the appropriateness of the recoverability assessment and considered whether it was in line with Australian Accounting Standards and generally accepted accounting principles.</p> <p>We assessed whether the disclosures included in the financial report met the requirements of Australian Accounting Standards.</p>



SPRING FG LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter - Going Concern	How our Audit Addressed the Key Audit Matter
<p>We note that the Group has a cash balance of \$1.24 million, current assets of \$4.76 million, current liabilities of \$3.63 million and net current assets of \$1.13 million.</p> <p>We also note that the company incurred a loss for the year of \$4.33 million and had cash outflows from operations of \$2.47 million.</p> <p>Going concern was considered a key audit matter given the deterioration in profitability and the financial position in the current year.</p>	<p>We considered the current financial position of the Group, Management's forecasts, including plans to return the Group to profitability and results subsequent to year end.</p>
Key Audit Matter - Income Taxes	How our Audit Addressed the Key Audit Matter
<p>As a result of the change in revenue recognition Management amended prior periods tax returns resulting in a tax refund due of \$1,519,410.</p> <p>This refund creates a franking account deficit/liability of a corresponding amount, \$1,519,410, the payment of which will result in a deferred tax asset of the same amount.</p> <p>We also note that the Group incurred significant taxable losses in the current year. These have been recognised as a deferred tax asset.</p> <p>This was considered a key audit matter given the significant judgement in determining the appropriateness of recording these carry forward losses as a deferred tax asset.</p>	<p>We considered the Group's historical profitability, Management's plans to return the Group to profitability and results subsequent to year end to determine if it is probable that the deferred taxes will be utilised.</p>

**Other Information**

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 2018, 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.



## SPRING FG LIMITED

### INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related 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 Responsibility 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 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.



SPRING FG LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- 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. 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.

We communicate with the directors regarding, amongst 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 12 of the Directors' Report for the year ended 30 June 2018. 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.

*Opinion on the Remuneration Report*

In our opinion, the Remuneration Report of Spring FG Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

**Rothsay Audit & Audit Pty Ltd**

**Frank Vrachas**  
Director

Sydney, 28 September 2018



A fresh approach.

spring'FG LIMITED

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