



ASX Release

Spring FG Limited (ASX: SFL)

31 August 2018

Spring FG Limited – FY2018 Preliminary Results

Financial services company Spring FG Limited (Spring FG or the Company or Group, ASX: SFL) provides the following information and commentary in supplement to the Company's Appendix 4E for FY2018 as lodged with the ASX today.

Important note: *This information and commentary (and the Appendix 4E lodged with it) should be read in the context of the note below regarding the Company's early-adoption of AASB15 - Revenue from Contracts with Customers.*

Subject to final audit, the Company said it had recorded a full year operating loss of \$2.47M (before interest, tax, depreciation, amortisation and one-off write downs).

Summary of results

In line with its statements at the time of its Half Year results (announced in February 2018) the Group said 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.

The Company said that revenue and other income declined to \$9.26M (FY2017 restated: \$12.54M) resulting in an operating loss of \$(2.47)M (FY2017 restated: operating profit \$2.09M). NPAT was \$(4.34)M (FY2017 restated: \$1.00M) 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 \$969K)

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.

Annualised cost reductions of more than \$2.2M pa have been successfully implemented over the past six-to-nine months (primarily employment expenses). 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 from 42 to more than 65 (as at today) with further growth in adviser numbers expected during FY2019.

Note Regarding Early Adoption of AASB 15 and prior period error in adoption

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 \$2.7M which, in accordance with the above, *is not* reflected on the 30 June 2018 balance sheet.



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.

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

Financial Statements

As set out in Section 14 of its Appendix 4E lodged with the ASX today the Company's financial report is in the process of being audited. The Company expects to lodge its audited financial statements by 30 September 2018.

About Spring FG Limited - springFG.com - ASX: SFL

Spring Financial Group (Spring FG) is a diversified financial services group offering financial planning and investment advice; wealth management; insurance and superannuation; finance; and tax & accounting services. Its advice and product offerings are broad and include a specialisation in self-managed superannuation funds (SMSFs); and residential real estate investment.

The Group has offices in Sydney, Melbourne, Brisbane, Canberra, Newcastle and Wollongong and provides a diverse range of dealer group services for the financial advice industry, through its recently acquired Wealth Today operations, with more than 65 independently-owned financial advisers operating under the group.

The Group also operates a range of leading "fintech" services including its spring247 personal financial management and mymoney247 platforms.

The Group's Spring FG Digital division (now a 50% joint venture with Informed Investor Pty Ltd) offers financial education and market information services free-of-charge through the operation of content-rich websites, including industry-leading sharecafé.com.au and sharescene.com. The Group publishes a library of more than 100 eBooks on a broad range of subjects under its Wealth Adviser brand. Through these initiatives the Group has developed an online community of more than 160,000 subscribers.

Further information:

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