# ASX Release

## SPRING FG LIMITED (ASX: SFL)

ABN 87 169 037 058

28 February 2019

## Appendix 4D

*Preliminary financial statements for the half-year ended 31 December 2018 as required by ASX listing rule 4.2A*

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

| (All comparisons to half-year ended 31 December 2017) | $000's | up/down | Movement % |
|---|---|---|---|
| Revenue and other income | 4,960 | Up | 31.01% |
| Net profit / (loss) | (855) | down | 75.52% |
| Net profit / (loss) attributable to the owners of Spring FG Limited | (855) | down | 75.52% |

| NET TANGIBLE ASSETS | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|
| Net tangible asset per ordinary security | 1.1 cents | 1.6 cents |

### DIVIDENDS

No dividend is proposed to be paid (PCP: Nil).

### ADDITONAL INFORMATION

Additional information supporting the Appendix 4D disclosure requirements can be found in the Company's Interim Report for the half-year ended 31 December 2018 and Directors' Report and consolidated financial statements contained therein.

### AUDIT REVIEW

This report is based on the consolidated financial statements for the half-year ended 31 December 2018 which have been reviewed by Rothsays Audit & Assurance Pty Ltd.

INTERIM REPORT – 31 DECEMBER 2018

spring FG LIMITED

ABN 87 169 037 058

## Contents

## DIRECTORS' REPORT

## 31 December 2018

The directors present their report, together with the consolidated financial statements of Spring FG Limited (Spring FG or the Company) and its controlled entities (the Group) for the half-year ended 31 December 2018 (H1FY2018) and the auditor's review report thereon.

The Company is listed on the Australian Securities Exchange (ASX code: SFL).

The Company's Corporate Governance Statement is located at www.springfg.com.

### Directors

The following persons were directors of the Company during the whole of the 6 months period and to the date of this report unless noted.

| | |
|---|---|
| Guy Hedley | Non-executive Director & Chairman |
| Keith Cullen | Managing director & CEO |
| Chris Kelesis | Executive Director |
| Jeff Zulman | Non-executive Director (retired at AGM on 26 November 2018) |
| Ian Morgan | Company Secretary |

### Principal activities

The Group's principal activities during the period were the provision of *financial planning and investment advice and related product sales*; and the provision of *accounting & taxation services* (predominately to the Group's wealth management clients). The Group's advice and product offerings are delivered both directly to clients through its Spring FG Wealth Pty Ltd subsidiary and through a group of independent financial advisers through its Wealth Today Pty Ltd subsidiary.

The Group also operates a range of "fintech" services including its spring*247* and mymoney247 personal financial management platforms and offers financial education and market information services through regular seminar programs, the publication of its *Wealthadviser* library of more than 100 eBooks, and the operation of its content-rich website sharecafé.com.au.

The key companies in the group are Spring FG Wealth Pty Ltd (AFSL 391655), Wealth Today Pty Ltd (AFSL 340289), Spring FG Realty Pty Ltd, Spring FG Accounting Pty Ltd and Spring FG Finance Pty Ltd.

### Operating results and Review

### A. Operating results for the year

The consolidated loss of the Group after providing for income tax for H1FY2019 amounted to a loss of $855K (H1FY2018: loss $3.494M).

The key matters contributing to the results are as follows:

- Total revenue and other income increased 31.0% to $4.959M (H1FY2018: $3.786M) with revenue from ordinary activities increasing 150% to $4.917M (H1FY2018: $1.964M)
- Operating expenses were down 32% to $3.23M (H1FY2018: $4.775M) as the Group continued its restructuring efforts.
- Cost of goods sold increased 271% to $2.549M (H1FY2018: $687K) reflecting revenue share paid to non-salaried advisers in the Group's Wealth Today operations.
- The above resulted in an EBITDA loss of $820K (H1FY2018 loss $1.677M).
- Income tax benefit of $324K (H1FY2018: $961K).

More detailed information relating to the performance of the Group's two key segments, which are "*financial planning, investment advice and product sales revenue*"; and "*accounting & taxation services*", is included at Note 3 of the financial statements.

### Matters impacting the Results

The Group has successfully implemented significant management and operational restructuring and cost reductions; and strategic changes to its distribution model over the past 18 months, which has resulted in revenue increases and operating cost reductions that have brought the Group closer to a return to profitability.

Since completion of the Group's acquisition of financial services dealer group Wealth Today in January 2018, the Group has successfully increased authorised representative numbers from 42 to 70 with further growth in adviser numbers expected during the balance of FY2019 and beyond.

## B. Review of financial condition

### Financial position

The financial position of the Group as 31 December 2018 are summarised as follows:

Net assets were $8.662M (30 June 2018 $9.518M).

Net tangible assets (NTA) were $1.530M (30 June 2018 $2.270M).

NTA backing per ordinary share 1.1 cents (30 June 2018 1.6 cents).

The Group had drawn receivables financing facilities of $1.520M (30 June 2018 $1.940M).

NB: Backend commissions associated with yet-to-settle property transactions are recorded off balance sheet 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. Accordingly, such amounts are *not* reflected on the 31 December 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 flows from operating activities were $516K (H1FY2018 being cash outflow of $1.861M).

The Group paid down its debt facilitates by $420K (HY1FY2018: increased $380K).

Overall cash and cash equivalents decreased $35K during the 6 months to $1.209M compared to $1.243M at 30 June 2018.

### Capital management

As at 31 December 2018 the Company had a total of 142,590,870 ordinary shares on issue (142,590,870 at 30 June 2018); with no new shares issued.

### Dividends

No dividends were paid during the period.

### Significant changes in state of affairs

During the 6 months ended 31 December 2018 the following significant changes in the state of affairs of the Group occurred.

Evolution of real estate operations: as previously noted in the Annual Report to Shareholders the Group has moved to redefine the property aspects of its business moving to acting exclusively as a buyers' agent for our financial advice clients, rather than accepting appointments from vendors.

### Audit services

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

### Lead Auditor's Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2018 has been received and forms part of the Directors' Report. It can be found on page 6 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 February 2019 in accordance with a resolution of the Board of Directors of Spring FG Limited.

| | |
|---|---|
| Guy Hedley | Keith Cullen |
| **Chairman** | **Managing Director** |

ROTHSAY
Audit & Assurance Pty Ltd

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

To the directors of Spring FG Limited

As lead auditor for the review of Spring FG Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Spring FG Limited and the entities controlled during the period.

**Frank Vrachas**
Director

**Rothsay Audit & Assurance Pty Ltd**

Sydney, 27 February 2019

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

| | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 2 | 4,917,337 | 1,963,626 |
| Other income | 2 | 42,225 | 1,822,108 |
| | | 4,959,562 | 3,785,734 |
| Less: | | | |
| Direct cost of sales expenses | | (2,549,951) | (687,588) |
| Employee benefits expense | | (1,900,006) | (2,978,657) |
| Advertising & marketing expenses | | (184,100) | (334,140) |
| Consulting & professional fee expenses | | (161,504) | (184,318) |
| Rental expenses | | (457,592) | (537,970) |
| Other operating expenses | | (526,946) | (740,301) |
| Less: | | (820,537) | (1,677,240) |
| Finance costs | | (132,789) | (132,722) |
| Depreciation & amortisation expense | | (224,224) | (266,744) |
| Disposal of intangible assets | | - | (852,291) |
| Impairment of goodwill | | - | (1,250,000) |
| Write-down of intangible assets | | - | (265,934) |
| Loss on disposal of furniture & equipment | | (2,007) | (10,057) |
| Loss before income tax | | (1,179,557) | (4,454,988) |
| Income tax benefit | | 324,086 | 960,981 |
| Loss after income tax expenses for the half-year | | (855,471) | (3,494,007) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the half-year | | (855,471) | (3,494,007) |

Earnings per share for loss for the half-year attributable to the owners of Spring FG Limited

| | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| | | cents | cents |
| Basic earnings per share (cents) | 16 | (0.600) | (2.570) |
| Diluted earnings per share (cents) | 16 | (0.600) | (2.570) |

*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

for the half-year ended 31 December 2018

| | Note | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 1,208,519 | 1,243,072 |
| Trade and other receivables | 5 | 1,843,060 | 1,680,098 |
| Other assets | 7 | 481,316 | 482,212 |
| Current tax assets | | - | 1,354,004 |
| TOTAL CURRENT ASSETS | | 3,532,895 | 4,759,386 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 5 | 623,437 | 910,505 |
| Plant and equipment | 8 | 584,587 | 677,842 |
| Deferred tax assets | | 1,669,816 | 1,399,965 |
| Investments | 6 | 325,036 | 350,000 |
| Intangible assets | 9 | 7,131,832 | 7,247,760 |
| TOTAL NON-CURRENT ASSETS | | 10,334,708 | 10,586,072 |
| TOTAL ASSETS | | 13,867,603 | 15,345,458 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 2,038,558 | 2,228,665 |
| Employee entitlements | 13 | 111,406 | 181,960 |
| Borrowings | 11 | 1,310,000 | 1,080,000 |
| Current tax liabilities | | 28,174 | - |
| Other liabilities | 12 | 196,500 | 143,400 |
| TOTAL CURRENT LIABILITIES | | 3,684,638 | 3,634,025 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 247,356 | 269,791 |
| Employee entitlements | 13 | 119,408 | 65,819 |
| Borrowings unsecured | 11 | 513,595 | 513,595 |
| Borrowings secured | 11 | 210,000 | 860,000 |
| Deferred tax liabilities | | 430,119 | 484,270 |
| TOTAL NON-CURRENT LIABILITIES | | 1,520,478 | 2,193,475 |
| TOTAL LIABILITIES | | 5,205,116 | 5,827,500 |
| NET ASSETS | | 8,662,487 | 9,517,958 |
| EQUITY | | | |
| Issued capital | 15 | 18,895,112 | 18,895,112 |
| Reserves | | 26,659 | 26,659 |
| Accumulated dividends | | (6,827,069) | (6,827,069) |
| Accumulated losses | | (3,432,215) | (2,576,744) |
| Retained earnings | | (10,259,284) | (9,403,813) |
| TOTAL EQUITY | | 8,662,487 | 9,517,958 |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2018

| 31 December 2018 | Issued Capital $ | Retained Earnings $ | Option Reserve $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 18,895,112 | (9,403,813) | 26,659 | 9,517,958 |
| Loss attributable to members of the parent entity | - | (855,471) | - | (855,471) |
| *Transactions with owners in their capacity as owners* | - | - | - | - |
| Balance 31 December 2018 | 18,895,112 | (10,259,284) | 26,659 | 8,662,487 |

| 31 December 2017 | Issued Capital $ | Retained Earnings $ | Option Reserve $ | Restated Total $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | 17,939,217 | (1,528,718) | 26,659 | 16,437,158 |
| Loss attributable to members of the parent entity | - | (3,494,007) | - | (3,494,007) |
| *Transactions with owners in their capacity as owners* | - | - | - | - |
| Balance 31 December 2017 | 17,939,217 | (5,022,725) | 26,659 | 12,943,151 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2018

| | Note | 31-Dec-18 $ | 31-Dec-17 $ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | | 5,589,046 | 4,369,028 |
| Payments to suppliers and employees | | (6,395,602) | (6,060,827) |
| Net interest received / (paid) | | (59,145) | (183,088) |
| Income taxes paid | | 1,382,177 | 13,464 |
| Net cash provided by / (used in) operating activities | | 516,476 | (1,861,423) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of furniture, equipment & intangible assets | | (15,040) | (141,032) |
| Proceeds from sale of furniture, equipment & intangible assets | | - | 1,800,510 |
| Loans (to) / from related parties - payments made | | (115,989) | (18,256) |
| Net cash provided by / (used in) investing activities | | (131,029) | 1,641,222 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds/ (Repayment) of borrowings | | (420,000) | 380,055 |
| Dividends paid by parent entity | | - | (1,270) |
| Net cash provided by / (used in) financing activities | | (420,000) | 378,785 |
| Net increase/(decrease) in cash and cash equivalents held | | (34,553) | 158,584 |
| Cash and cash equivalents at beginning of year | | 1,243,072 | 2,597,804 |
| Cash and cash equivalents at end of financial year | 5 | 1,208,519 | 2,756,388 |

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

Notes to the Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

The financial report of Spring FG Limited for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 28 February 2019. 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 periods presented.

### (a) Basis of Preparation

#### Significant accounting policies Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2018 annual financial report for the financial year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### (b) Revenue recognition principles

As previously noted in the annual report to shareholders, the Group derecognised historical backend commissions (and future backend commissions arising). These are now recorded off balance sheet as future settlement revenue book with the Group's future entitlements to the amounts prevailing pending settlement of the underlying transactions. They will be recognised as revenue as and when settlement of the underlying transactions occur.

### (c) Going-concern

The Group derived a net loss of $855,471 for the half-year ended 31 December 2018 (2017: $3,494,007). The Group's current liabilities exceed its current assets by $151,743 (30 June 2018: surplus of $1,125,361). Off-balance sheet are commissions expected to be received by the realty division on settlement of properties within the next 12 months of $872,393. Commissions expected in the following 12 months are $645,788. Also, off-balance sheet and as disclosed in the 30 June 2018 financial report the Group is required to pay franking deficits tax of $1,519,410 which will result in a deferred tax asset of the same amount.

Management have also implemented strategies to return the Group to profitability and to generate positive operating cash flows. This includes continuing to recruit financial advisers in its Wealth Today dealer group; the realty division transitioning from a seller's agent to a buyer's agent model; the negotiation of asset and funds management mandates in property funds management; and the continuation of cost cutting measures.

Should Management's strategies not be successful in returning the Group to profitability, and/or should it be unable to raise additional capital, there is a material uncertainty whether the Group can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial report.

## (d) Adoption of New and Revised Accounting Standards

The Group has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of ASSB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows –

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.
- AASB 7 Financial Instruments: Disclosures require amended disclosures due to changes arising from AASB 9.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively.

### *Classification of financial assets*

The financial assets of the Group have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL).

### *Impairment of financial assets*

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost and contract assets. This has resulted in the earlier recognition of credit losses (bad debt impairment).
There has not been any material impact to the financial report on the adoption of this standard.

### AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2018 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 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.

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 to 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 Profit or Loss and unwinding of the liability in principal and interest; and
- additional disclosure requirements will be required.

The operating lease commitments in Note 14 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 expenses with depreciation on the right of use asset and interest expense on the lease liability.

## 2. Revenue and other income

| | 31-Dec-18<br>$ | 31-Dec-17<br>$ |
|---|---|---|
| Revenue | | |
| - provision of services | 4,854,369 | 1,958,985 |
| - interest received | 62,968 | 4,641 |
| | 4,917,337 | 1,963,626 |
| Other Income | | |
| - sale of risk business | - | 1,802,000 |
| - rental income | - | 18,000 |
| - other income | 42,225 | 2,108 |
| | 42,225 | 1,822,108 |
| | 4,959,562 | 3,785,734 |

## 3. 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 Makers (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 is the gain on the sale of the Group's internal SMSF administration 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 is assessing performance and determining 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

| 31-December-2018 | Financial planning investment advice & product sales | Accounting & tax services | All other segments | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| REVENUE | | | | |
| Sales to external customers | 4,302,559 | 551,810 | - | 4,854,369 |
| Other income | - | 26,474 | 15,751 | 42,225 |
| Interest revenue | 65 | 2 | 62,901 | 62,968 |
| Total segment revenue | 4,302,624 | 578,286 | 78,652 | 4,959,562 |
| EBITDA | 736,505 | 55,629 | (1,612,671) | (820,537) |
| Interest expenses | (124,725) | - | (8,064) | (132,789) |
| Loss on disposal of furniture & equipment | (2,007) | - | - | (2,007) |
| Depreciation, amortisation & impairment | (21,749) | - | (202,475) | (224,224) |
| Net profit before tax | 588,024 | 55,629 | (1,823,210) | (1,179,557) |

| 31-December-2017 | Financial planning investment advice & product sales | Accounting & tax services | All other segments | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| REVENUE | | | | |
| Sales to external customers | 1,232,123 | 621,129 | 105,733 | 1,958,985 |
| Other income | 1,802,000 | - | 20,108 | 1,822,108 |
| | 95 | 2 | 4,544 | 4,641 |
| Total segment revenue | 3,034,218 | 621,131 | 130,385 | 3,785,734 |
| EBITDA | (1,012,081) | (152,014) | (513,145) | (1,677,240) |
| Interest expenses | (127,868) | (1) | (4,853) | (132,722) |
| Loss on disposal of furniture & equipment | (9,554) | (503) | - | (10,057) |
| Depreciation & amortisation | (2,610,949) | (24,020) | - | (2,634,969) |
| Net profit before tax | (3,760,452) | (176,538) | (517,998) | (4,454,988) |

## (b) Segment assets

| 31-December-2018 | Financial planning investment advice & product sales | Accounting & tax services | All other segments | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Segment assets | 5,224,588 | 1,623,972 | 7,019,043 | 13,867,603 |
| Segment liabilities | (2,450,821) | (818,612) | (1,935,683) | (5,205,116) |
| Net assets | 2,773,767 | 805,360 | 5,083,360 | 8,662,487 |

## Operation Segments performance continued

| 30-June-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 |

## 4. Cash & cash equivalents

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| Cash at hand and in bank | 751,159 | 797,507 |
| Short-term deposits | 457,360 | 445,565 |
| Balance as per statement of cash flows | 1,208,519 | 1,243,072 |

## 5. Trade and other receivables

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| CURRENT | | |
| Trade receivables | 349,215 | 582,170 |
| Allowance for impairment | (90,583) | (67,138) |
| | 258,632 | 515,032 |
| Loan to related parties | 573,861 | 457,872 |
| Other receivables | 1,010,567 | 707,194 |
| | 1,584,428 | 1,165,066 |
| Total current trade and other receivables | 1,843,060 | 1,680,098 |
| NON-CURRENT | | |
| Trade receivables | 623,437 | 910,505 |
| Total non-current trade and other receivables | 623,437 | 910,505 |
| Total trade and other receivables | 2,466,497 | 2,590,603 |

### (a) Advances to executives

Movements in advances to executives are shown in table below:

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| Balance at beginning of the period | 457,872 | 322,355 |
| Advances | 318,982 | 135,517 |
| Repayments | (202,993) | - |
| Balance at end of the period | 573,861 | 457,872 |

## 6. Investments

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| Movements during the period, in equity accounted investment in JV | | |
| Balance at beginning of period | 350,000 | - |
| Add: Disposal of subsidiary Spring FG Digital resulting in JV arrangement | - | 350,000 |
| Add: Share of JV company's profit after income tax | (24,964) | - |
| Balance at end of period | 325,036 | 350,000 |

## 7. Other Assets

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| CURRENT | | |
| Prepaid expenses & deposits | 162,801 | 246,696 |
| Accrued income | 293,515 | 210,516 |
| Other assets & receivables | 25,000 | 25,000 |
| | 481,316 | 482,212 |

## 8. Plant & equipment

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| PLANT AND EQUIPMENT | | |
| Furniture, fixtures and fittings | | |
| At cost | 478,712 | 480,065 |
| Accumulated depreciation | (325,643) | (294,720) |
| | 153,069 | 185,345 |
| Office equipment | | |
| At cost | 89,325 | 105,265 |
| Accumulated depreciation | (50,715) | (52,852) |
| | 38,610 | 52,413 |
| Leasehold improvements | | |
| At cost | 666,747 | 659,912 |
| Accumulated depreciation | (273,839) | (219,828) |
| | 392,908 | 440,084 |
| Total plant and equipment | 584,587 | 677,842 |
| Summary | | |
| At cost | 1,234,784 | 1,245,242 |
| Accumulated depreciation | (650,197) | (567,400) |
| | 584,587 | 677,842 |

## 9. Intangible assets

### 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 and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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) | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| Financial planning, investment advice & product sales | 4,666,284 | 4,666,284 |
| Accounting & taxation services | 1,480,000 | 1,480,000 |
| Total | 6,146,284 | 6,146,284 |

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.

### Intangible Assets

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| **Goodwill** | | |
| Financial advice business - at cost | 4,666,284 | 4,666,284 |
| Accounting & tax business - at cost | 1,480,000 | 1,480,000 |
| **Total Goodwill** | 6,146,284 | 6,146,284 |
| **Website development** | | |
| Cost | 474,163 | 674,528 |
| Accumulated amortisation | (176,794) | (321,076) |
| **Net carrying value** | 297,369 | 353,452 |
| **Finance Income book** | | |
| Cost | 198,000 | 198,000 |
| Accumulated amortisation | (115,887) | (102,687) |
| **Net carrying value** | 82,113 | 95,313 |
| **eBook library** | | |
| Cost | 308,387 | 311,904 |
| Accumulated amortisation | (75,488) | (60,629) |
| **Net carrying value** | 232,899 | 251,275 |
| **Lead Database** | | |
| Cost | 84,773 | 84,773 |
| Accumulated amortisation | (29,709) | (25,470) |
| **Net carrying value** | 55,064 | 59,303 |

## Intangible Assets continued

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| **Insurance income book** | | |
| Cost | 117,313 | 117,313 |
| Accumulated amortisation | (30,435) | (26,524) |
| Net carrying value | 86,878 | 90,789 |
| **Other intangible assets** | | |
| Cost | 300,957 | 300,673 |
| Accumulated amortisation | (69,732) | (49,329) |
| Net carrying value | 231,225 | 251,344 |
| Total Intangibles net carrying value | 7,131,832 | 7,247,760 |
| **Summary** | | |
| Cost | 7,629,877 | 7,833,475 |
| Accumulated amortisation | (498,045) | (585,715) |
| Net carrying value | 7,131,832 | 7,247,760 |

## 10. Trade and other payables

| | 31-Dec-18 $ | 30-Jun-18 $ |
|---|---|---|
| CURRENT | | |
| *Unsecured liabilities* | | |
| Trade payables | 1,067,450 | 812,991 |
| GST payable | 160,549 | 212,358 |
| Superannuation payable | 70,244 | 98,113 |
| Payroll tax payable | 18,169 | 31,639 |
| Accrued wages and sales commissions | 522,029 | 531,700 |
| Accrued professional services | 135,793 | 287,425 |
| Accrued occupancy costs | 31,240 | 37,488 |
| Interest accrued | 29,170 | 24,367 |
| Other accruals | 3,914 | 192,584 |
| | 2,038,558 | 2,228,665 |
| NON-CURRENT | | |
| *Unsecured liabilities* | | |
| Trade payables | 11,941 | 25,003 |
| Accrued occupancy costs | 235,415 | 244,788 |
| | 247,356 | 269,791 |

## 11. Borrowings

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| CURRENT | | |
| *Secured liabilities* | | |
| Borrowings – Receivables facility | 1,310,000 | 1,080,000 |
| NON-CURRENT | | |
| *Unsecured liabilities* | | |
| Convertible note | 513,595 | 513,595 |
| *Secured liabilities* | | |
| Borrowings – Receivables facility | 210,000 | 860,000 |

## 12. Other Liabilities

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| CURRENT | | |
| Unearned income | 196,500 | 143,400 |
| | 196,500 | 143,400 |

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 31 December 2018 the Group has $196,500 (30 June 2018: $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 31 December 2018 to be satisfied within 12 months and to recognise 100% of the unearned revenue in FY2019.

## 13. Employee entitlements

| | 31 Dec 18<br>$ | 30 June 18<br>$ |
|---|---|---|
| CURRENT | | |
| Employee entitlements | 111,406 | 181,960 |
| | 111,406 | 181,960 |
| NON-CURRENT | | |
| Employee entitlements | 119,408 | 65,819 |
| | 119,408 | 65,819 |

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.

## 14. Leasing commitment

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | **871,239** | 855,157 |
| - between one year and five years | **1,831,311** | 1,415,831 |
| | **2,702,550** | 2,270,988 |

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 $2,702,550 above include:

- A total of $1,907,477 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 $724,048 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 $56,820 associated with IT and office equipment and operating systems within the Sydney office.
- A total of $14,205 associated with IT and office equipment and operating systems within the Melbourne office.

## 15. Issued Capital

### Movements in issued capital

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| Balance at beginning of reporting period | **18,895,112** | 17,939,217 |
| Issued 2 January 2018 – acquisition of Wealth Today | - | 955,895 |
| Total | **18,895,112** | 18,895,112 |

### (a) Ordinary shares

| | 31-Dec-18<br>No. | 30-Jun-18<br>No. |
|---|---|---|
| At the beginning of the reporting period | **142,590,868** | 136,218,237 |
| Issued 2 January 2018 – acquisition of Wealth Today | - | 6,372,631 |
| At the end of the reporting period | **142,590,868** | 142,590,868 |

## 16. 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.

| | 31-Dec-18<br>$ | 30-Jun-18<br>$ |
|---|---|---|
| Loss after income tax | (855,471) | (4,329,805) |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 142,590,868 | 139,387,566 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 142,590,868 | 139,387,566 |

| Earnings per share for profit from continuing operations attributable to the owners of Spring FG Limited | 31-Dec-18 | 30-Jun-18 |
|---|---|---|
| Basic earnings per share (cents) | (0.600) | (3.106) |
| Diluted earnings per share (cents) | (0.600) | (3.106) |

## 17. Events Occurring After the Reporting Date

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 February 2019 by the board of directors.

## DIRECTORS' DECLARATION

This financial report was authorised for issue on 28 February 2019 by the board of directors.

In the opinion of the Directors:

1. The financial statements, notes of the Group are in accordance with the Corporations Act 2001, including:

    a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of their performance for the year ended on that date; and

    b) complying with Accounting Standards AASB 134 Interim financial Reporting and the Corporations Regulations 2001

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.

Guy Hedley
Chairman

Keith Cullen
Managing Director

ROTHSAY
Audit & Assurance Pty Ltd

**SPRING FG LIMITED AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Spring FG Limited.

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Spring FG Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration. The consolidated entity comprises Spring FG Limited ("the Company") and the entities it controlled during that half-year.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spring FG Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Spring FG Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 c) in the financial report, which indicates that the Group incurred a net loss of $855,471 during the half-year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $151,743. As stated in Note 1 c), these events or conditions, along with other matters as set forth in Note 1 c), indicate that should management's strategies to return the Group to profitability not be successful and/or should the Group be unable to raise additional capital a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

**Rothsay Audit & Assurance Pty Ltd**

**Frank Vrachas**
Director

Sydney, 28 February 2019