



McGrath Limited &
Controlled Entities

ACN 608 153 779

McGrath

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Appendix 4D - Half Year Report

Results for announcement to the market

Details of the reporting period and the previous corresponding reporting period

Reporting period: For the half year ended 31 December 2017

Previous period: For the half year ended 31 December 2016

Results for announcement to the market

In accordance with the ASX listing rule 4.2A, the board and management of McGrath Limited has enclosed an appendix 4D for the half year ended 31 December 2017.

		Change		Period ended 31 December 2017	Period ended 31 December 2016
		\$'000	%	\$'000	\$'000
Revenues from ordinary activities	Decreased	(15,690)	(23%)	51,561	67,251
(Loss)/Profit from ordinary activities after tax attributable to the owners of the Company	Decreased	(28,211)	(1,043%)	(25,506)	2,705
Net (Loss)/Profit after tax attributable to the Consolidated	Decreased	(28,211)	(1,043%)	(25,506)	2,705
EBITDA - Statutory	Decreased	(9,654)	(101%)	(52)	9,602
EBITDA – Pro-forma	Decreased	(6,090)	(66%)	3,191	9,281

Note: All of the above comparisons are on a statutory basis unless stated.

Refer to the attached Directors' Report and Operating and Financial Review for discussion of the results.

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final dividend for 2017 paid October 2017	1.0	1.0	30%

Interim dividends

There have been no interim dividends declared or proposed to be paid for the period.

	31 December 2017	30 June 2017
Net tangible assets per security (cents)	17.18	17.18
Net assets per security (cents)	52.15	70.97

Entities over which control has been gained or lost during the period

Nil.

Audit qualification or review

The Financial Statements were subject to review by the auditors and the review report is attached as part of the Interim Financial Report.

Attachments

The Interim Financial Report of McGrath Limited and its controlled entities for the half year ended 31 December 2017 is attached.



McGrath Limited & Controlled Entities

Financial Report

For the year ended 31 December 2017

ACN 608 153 779

McGrath

McGrath Limited and Controlled Entities

31 December 2017 Interim Financial Report

Interim Financial Report

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Directors' Report for the half year ended 31 December 2017

The Directors present their Financial Report for the half year ended 31 December 2017. The half year report comprises the results of McGrath Limited (the Company or McGrath) and the subsidiaries (the Consolidated Entity) that it controlled at the end of the period and from time to time throughout the period.

Principal activities and financial review

The principal activities of the Consolidated Entity during the financial year were the facilitation of real estate sales and property management services. Revenue is generated from franchise and company owned operations.

Consolidated Entity losses after providing for income tax for the half year ended 31 December 2017 amounted to \$25,505,581 (2016 profit: \$2,704,601).

Dividends

Dividends totalling \$1,547,933 were declared and paid during the half year. (2016: \$4,777,114).

Directors

The following persons were Directors of McGrath Limited during the half year ended 31 December 2017:

Ms. Cass O'Connor

Chair and Non-executive Director.

- Appointed Chair 25 August 2016

Mr. John McGrath

Executive Director.

Ms. Elizabeth Crouch

Independent Non-executive Director.

- Appointed 25 August 2016.

Mr. Nigel Dews

Independent Non-executive Director.

- Appointed 23 November 2016.
- Resigned 19 January 2018.

Ms. Cath Rogers

Independent Non-executive Director.

- Appointed 23 November 2016.

Subsequent events

On the 22 January 2018, the Consolidated Entity announced key organisational changes. As part of a structural review, McGrath CEO Mr Cameron Judson, and Head of Corporate Services and Company Secretary, Mr Morgan Sloper will leave the Company, with each serving appropriate notice periods.

Mr Nigel Dews has resigned from the Board of Directors 19 January 2018, and McGrath Limited Chair, Ms Cass O'Connor, and Non-Executive Directors Ms Elizabeth Crouch and Ms Cath Rogers have announced their intention to resign on 19 February 2018.

Other than the above there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the future financial years.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts in the Financial Statements and the Directors' report have been rounded to the nearest thousand dollars unless otherwise indicated.

Auditor's independence declaration

The Directors have received a declaration of independence from the Auditor. Refer to page 7.

Signed in accordance with a resolution of the Directors.



Cass O'Connor
Chair – 15 February 2018

Operating and Financial Review

Operations

The Consolidated Entity operates a diverse business model which provides a range of services that include residential property sales, property management, mortgage broking, auction services and real estate training.

The McGrath Network of real estate offices includes both sales offices operated by the Consolidated Entity (Company owned offices) and sales offices operated by franchisees of the Consolidated Entity (Franchise offices).

The operating segments are:

Company owned sales: This segment undertakes residential property sales on behalf of property vendors through the Company owned offices and agents. The segment generates revenue by charging a sales commission to a property vendor upon successful sale of a property. The commission is generally based on a percentage of the property's value.

Company owned property management: This segment directly manages residential properties on behalf of owner clients. The segment generates revenue through charging a commission to manage a property and leasing fees earned upon successful letting of a property.

Franchise services: This segment manages franchise offices that undertake both property sales and property management activities. The segment receives fees from its franchisees that include:

- An initial grant fee on the issue of a franchise or on a franchise renewal;
- An ongoing franchise fee based on a fixed percentage of the total sales commission paid on the sale of a property (Gross Commission Income) generated;
- An ongoing marketing fund contribution based on a fixed percentage of the gross commission income generated by the franchisee; and
- A fixed percentage of the Franchisees' property management fees.

Other services: The Consolidated Entity also has a number of other services which complement the service offerings of the segments above. These include:

- Mortgage broking services which earn revenue based on an up-front fee and an ongoing trailing commission
- Training services which organises a number of Australian residential real estate conferences and receives revenue from fees paid by attendees, exhibitors and sponsors
- Auction service group generates revenue based on a fixed fee per auction.

Agents and office locations

As at 31 December 2017 the network comprised 27 Company owned offices and 70 Franchise offices with 583 agents operating within those offices. The spread of offices is across the Eastern seaboard with a high concentration in New South Wales.

The company's performance has fallen short of expectations, and is influenced by several factors including lower volumes of listings, lower agent numbers and a significant slow-down in the traditionally volatile Project Marketing segment.

Total agents have decreased significantly over the period to 583. Agents in the Franchise offices decreased 3% to 393 and agents in the company owned offices decreased 21% to 190. McGrath continues to have a concerted focus on talent identification, to attract, develop and retain high performing agents and emerging sales agents.

McGrath Future was launched in December 2016 and provides a compelling remuneration and longer term wealth creation framework for high performing agents. The framework includes; high performance bonus commission, recruitment trail commission and a property management equity partnership structure. 22 qualifying agents received \$850k in additional bonus commissions during the half year.

Financial overview

The Directors consider that a pro forma presentation of results is a better indicator of underlying performance than the statutory presentation. To assist in the interpretation of the underlying performance of the consolidated entity a pro forma income statement is presented below. Underlying pro forma performance is reconciled to statutory results on the following page.

Pro forma income statement

	1H 2018 \$'000	1H 2017 \$'000
Revenue	51,561	66,930
Cost of sales	(18,384)	(25,059)
Pro forma Gross profit	33,177	41,871
Employee benefits expenses	(17,672)	(18,349)
Other expenses	(12,314)	(14,241)
Pro forma earnings before interest, tax, depreciation and amortisation (EBITDA)	3,191	9,281
Depreciation and Amortisation	(3,838)	(3,492)
Pro forma earnings before interest and tax (EBIT)	(647)	5,789
Net finance income	30	5
Pro forma (loss)/profit before tax	(617)	5,994
Income tax expense	(52)	(1,884)
Pro forma Net (loss)/profit after tax	(669)	3,910

Pro forma segment revenues and EBITDA

	1H 2018 \$'000	1H 2017 \$'000
Revenue		
Company owned sales	32,288	46,958
Company owned property management	9,446	10,042
Franchise services	5,815	5,775
Other operating segments	4,012	4,155
Total pro forma revenue	51,561	66,930
EBITDA		
Company owned sales	3,786	10,704
Company owned property management	3,073	3,359
Franchise services	3,652	3,436
Other operating segments	(985)	(1,159)
Corporate	(6,335)	(7,059)
Total EBITDA	3,191	9,281

Financial overview continued

- Company owned sales generated \$2.6 billion in sales value from 1,712 sales for 1H FY18 compared to \$3.5 billion and 2,544 sales in 1H FY17. 1 office, Avalon was transferred from company owned to franchise in October 2017.
- Company owned property management decreased the number of properties under management (leased) to 7,449 at 31 December 2017, from 7,498 at 31 December 2016.
- Franchise services exchanged 4,324 sales during 1H FY18 with a sales value of \$3.9 billion compared to 4,222 sales with a sales value of \$3.8 billion in 1H FY17. The Avalon office transferred to franchise from company owned to bring the total number of franchise offices to 70.
- Oxygen Home Loans settled \$422 million in mortgages during the period, slightly down on last year (5%). The book value of loans under management has increased 12% year on year to \$2.9bn. At 1H FY18, there were 33 brokers supporting the network, compared to 32 in 1H FY17.

Reconciliation of statutory to pro forma amounts

	1H 2018* \$'000	1H 2017* \$'000
Statutory revenues and other income	51,561	67,251
Fair value adjustment of deferred consideration ¹	-	(321)
Pro forma revenues and other income	51,561	66,930
Statutory Net(loss)/profit after tax	(25,506)	2,705
Fair value adjustment of deferred consideration ¹	-	(321)
McGrath future commission expenses ²	1,559	-
Restructuring costs ⁴	427	-
Bentleigh franchise debt write off ⁴	384	-
Fair value adjustment for held-for-sale assets (Seaforth office sale) ⁴	233	-
Dual Chief Financial Officers for December quarter ⁴	102	-
Sponsorship ⁴	45	-
Other miscellaneous expenses ⁴	293	-
Additional bad debt write offs ⁴	200	-
Total pro forma adjustments impacting EBITDA	3,243	(321)
Impairment charges of intangible assets ³	22,896	2,180
Tax effect of pro forma adjustments	(1,302)	(654)
Total pro forma adjustments impacting NPAT	24,837	1,205
Pro forma Net (loss)/profit after tax	(669)	3,910

* EBITDA is a non-IFRS measure and represents earnings before interest, tax, depreciation, and amortisation. The reconciliation between statutory revenues and NPAT and pro forma revenues and NPAT includes non-IFRS measures and was not subject to audit or review.

¹ Adjustment to remove the fair value gain of the deferred consideration related to the acquisition of the Smollen group that was recognised in the period.

² Adjustment to reflect McGrath future bonus commission expenses from its launch 1 January 2017, with additional expenses in 1H2018 not applicable to the previous year.

³ Adjustment to remove the impairment charges in relation to Software Asset impairment in 1H2017 and Property management rights and Company owned sales segment assets impairment in 1H2018.

⁴ Adjustments totalling \$1.684m are one-off expenditures for the 1st half 2018, that will not be repeated in future financial years.

Key Business Risks

The Consolidated Entity is subject to various risk factors. Some of these are specific to its business activities. Others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Consolidated Entity.

- Australian residential real estate market** – McGrath generates the majority of its income from the Australian residential real estate market through commission revenue generated by agents on the sale of properties, property management commissions and commissions on the arranging of mortgages.
 The risk of a reduction in sales transaction volumes or prices is a material risk for McGrath and could be impacted by general economic conditions and factors beyond the Company's control such as housing affordability, employment, interest rates, domestic investor growth and demand, foreign investment and consumer confidence.
- Increased competition and disintermediation** – McGrath operates in a highly competitive environment and constantly monitors the market and the competitive environment. McGrath is also potentially exposed to disintermediation whereby buyers and sellers are able to transact directly in private sale without using the services of an agent. McGrath prides itself on delivering exceptional client service and providing a market-leading experience.
- Digital disruption** – McGrath focuses on five key service offerings including residential property sales, property management, mortgage broking, auction services and career training. As technological advancements occur there is a risk that new entrants into the market or larger established corporates that may offer alternative services and products to that of the traditional real estate service offerings. These may impact on McGrath's market share. McGrath continues to monitor the emergence of these disruptor technologies, and as part of its longer-term strategy is placing additional emphasis on innovation and technology throughout the Group to add value to its existing service offerings.
- Loss of key agents** – McGrath relies significantly on its agents to deliver its services to its clients and promote the reputation of the Company through their dealings with clients and there is a risk that McGrath may lose agents to competitors and/or other industries. McGrath recently launched the McGrath Future Program, a commission and incentive program designed to assist in attracting and retaining high performing residential sales agents. McGrath currently has in place an Equity Incentive Plan that provides McGrath with the ability to offer equity, subject to specific performance and vesting criteria, in the Company as an incentive and retention tool to continue to attract and retain professional, experienced and highly qualified agents.
- Regulatory risks** – McGrath currently has business operations in four states within Australia, with regulations and legislation varying in each state. McGrath relies on licences and approvals issued by various regulatory bodies to carry out its services. Non-compliance may result in penalties and a negative impact to McGrath's operations and reputation. Additionally, changes and developments in legislation and/or regulation and policy in different jurisdictions may impact McGrath's operations. McGrath mitigates regulatory risks through monitoring the regulatory and legislative environment, providing appropriate staff training, and maintaining relationships with regulatory bodies or industry organisations. McGrath also participates in various industry events.

The Consolidated Entity's strategy takes into account these risks, however predicting future conditions is inherently uncertain.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of McGrath Limited

I declare that, to the best of my knowledge and belief, in relation to the review of McGrath Limited for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stuart Marshall

Partner

Sydney

15 February 2018

Financial statements

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
Revenues and other income		51,561	67,251
Cost of sales		(19,943)	(25,059)
Employee benefits expense		(18,201)	(18,349)
Directors' fees		(235)	(202)
Professional fees		(1,031)	(958)
Fair value adjustment for held-for-sale assets	5	(233)	-
Doubtful debts		(689)	-
Occupancy		(3,845)	(3,861)
Communications		(1,027)	(1,479)
Advertising and promotions		(925)	(1,939)
Other expenses		(5,487)	(5,802)
Gain on disposal of assets		3	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)		(52)	9,602
Depreciation and amortisation expenses	5,6	(3,838)	(3,492)
Impairment of software asset	6	-	(2,180)
Impairment of property management rights assets	6	(1,096)	-
Impairment of company owned sales segment	6	(21,800)	-
Finance income		40	55
Finance costs		(10)	(50)
Net finance income/(costs)		30	5
(Loss)/Profit before income tax expense		(26,756)	3,935
Income tax benefit/(expense)		1,250	(1,230)
(Loss)/Profit after income tax expense		(25,506)	2,705
Other comprehensive income		-	-
Total (loss)/profit and other comprehensive income for the period		(25,506)	2,705
Net (Loss)/Profit after income tax expense attributable to:			
Owners of the Company		(25,506)	2,705
Non-controlling interest		-	-
(Loss)/Profit after income tax expense		(25,506)	2,705
(Loss)/Basic earnings per share (cents)	4 (a)	(18.07)	2.00
(Loss)/Diluted earnings per share (cents)	4 (b)	(18.07)	1.88

Condensed consolidated statement of financial position as at 31 December 2017

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents	3	3,410	7,999
Trade and other receivables		24,708	28,298
Held-for-sale assets		1,025	-
Other		2,828	2,782
Current tax assets		245	102
TOTAL CURRENT ASSETS		32,216	39,181
NON CURRENT ASSETS			
Receivables		4,168	4,551
Property, plant and equipment	5	6,569	9,035
Intangible assets	6	49,916	74,806
TOTAL NON CURRENT ASSETS		60,653	88,392
TOTAL ASSETS		92,869	127,573
CURRENT LIABILITIES			
Trade and other payables		12,288	14,118
Financial liabilities	7	-	6,125
Provisions		1,061	1,554
TOTAL CURRENT LIABILITIES		13,349	21,797
NON CURRENT LIABILITIES			
Trade and other payables		1,402	1,523
Financial liabilities	7	-	-
Provisions		1,398	1,402
Deferred tax liabilities		2,274	4,160
TOTAL NON CURRENT LIABILITIES		5,074	7,085
TOTAL LIABILITIES		18,423	28,882
NET ASSETS		74,446	98,691
EQUITY			
Contributed equity	10	97,939	95,194
Share-based payment reserve	10 (b)	736	672
(Accumulated losses)/retained profits		(24,229)	2,825
Total Equity attributable to equity holders		74,446	98,691
Non-controlling interests		-	-
TOTAL EQUITY		74,446	98,691

Condensed consolidated statement of changes in equity for the half year ended 31 December 2017

	Notes	Contributed equity	Retained profits/ (accumulated losses)	Share Based Payment Reserve	Total attributable to owners of the company	Non- controlling interest	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017		95,194	2,825	672	98,691	-	98,691
(Loss) after income tax expense		-	(25,506)	-	(25,506)	-	(25,506)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the period		-	(25,506)	-	(25,506)	-	(25,506)
Issue of equity		3,063	-	-	3,063	-	3,063
Return of equity from share buy-back		(318)	-	-	(318)	-	(318)
Share based payment transactions		-	-	64	64	-	64
Dividends to equity holders	10(c)	-	(1,548)	-	(1,548)	-	(1,548)
Transactions with owners, recorded directly in equity		2,745	(1,548)	64	1,261	-	1,261
Balance at 31 December 2017		97,939	(24,229)	736	74,446	-	74,446
Balance at 1 July 2016		92,132	4,096	74	96,302	-	96,302
Profit after income tax expense		-	2,705	-	2,705	-	2,705
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	2,705	-	2,705	-	2,705
Share based payment transactions		-	-	197	197	-	197
Dividends to equity holders	10(c)	-	(4,777)	-	(4,777)	-	(4,777)
Transactions with owners, recorded directly in equity		-	(4,777)	197	(4,580)	-	(4,580)
Balance at 31 December 2016		92,132	2,024	271	94,427	-	94,427

Condensed consolidated statement of cash flows for the half year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		60,109	72,692
Payments to suppliers and employees		(58,455)	(65,147)
Interest paid		(10)	(50)
Interest received		40	55
Income tax paid		(779)	(1,285)
NET CASH INFLOW FROM OPERATING ACTIVITIES		905	6,265
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of controlled entities, net of cash acquired		-	(185)
Purchase of property, plant and equipment	5	(276)	(3,241)
Purchase of intangibles	6	(358)	(1,912)
Loans granted		-	(350)
Loan repayments received		68	27
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(566)	(5,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for purchase of shares and options	10(a)	(318)	-
Repayment of borrowing	7	(3,062)	(3,063)
Dividends paid	10(c)	(1,548)	(4,777)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		(4,928)	(7,840)
Net (decrease)/increase in cash and cash equivalents		(4,589)	(7,236)
Cash and cash equivalents at the beginning of the period		7,999	12,493
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,410	5,257

Notes to the Condensed Consolidated Interim Financial Statements

1 Reporting entity

McGrath Limited (the "Company"), is a for-profit company limited by shares incorporated and domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the half year ended 31 December 2017 comprise the Company and its subsidiaries ("the Consolidated Entity").

The interim financial statements represents the results, for the Consolidated Entity, for the period 1 July 2017 to 31 December 2017. The comparative information presented in the Half Year report represents the financial position of the Consolidated Entity as at 30 June 2017 and the Consolidated Entity's performance for the period 1 July 2016 to 31 December 2016.

Accounting policies of the Consolidated Entity are set out in Note 12 or in the note to which they relate.

2 Operating segments

Description of segments

The Consolidated Entity has identified reportable segments based on the internal reports that are regularly reviewed and used by the Chief Executive Officer (the chief operating decision maker) in order to assess segment performance and in determining the allocation of resources to the segment. These segments offer different services and are managed separately. The following describes the operations of each segment:

Company owned sales

This represents the Company owned sales offices for which McGrath earns sales commissions revenue. It includes property marketing fees paid by vendor clients of the company owned sales segment.

Company owned property management

This represents the Company owned property management business for which McGrath earns property management fee revenue.

Franchise services

This includes franchise sales offices and franchise property management for which McGrath earns franchise fees.

Other

This represents non-reportable segments including mortgage broking, auction services, training and events and other network services.

Head office and corporate costs are not allocated to segments.

Inter-segment transactions are conducted on normal commercial terms and conditions. The majority of inter-segment transactions relate to levies charged by network services to other business units for marketing, training and IT.

The accounting policies of each operating segment are the same as those described for the Consolidated Entity.

2 Operating segments (continued)

The Consolidated Entity's operations are from Australian sources and therefore no geographical segments are disclosed.

Assets and liabilities have not been reported on a segmented basis as the CODM is provided with consolidated information.

Half year ended 31 December 2017	Company owned Sales \$'000	Company owned property management \$'000	Franchise services \$'000	Total reportable segments \$'000	Other segments \$'000	Consolidated total \$'000
External revenues	32,288	9,446	5,815	47,549	3,975	51,524
Inter-segment revenues	-	-	-	-	2,823	2,823
Segment Revenue	32,288	9,446	5,815	47,549	6,798	54,347
Unallocated revenue						37
Eliminations						(2,823)
Consolidated Revenue						51,561
Segment profit before interest, tax, depreciation and amortisation	1,944	3,073	3,268	8,285	(1,050)	7,235
Unallocated corporate costs						(7,301)
Eliminations						14
EBITDA						(52)
Depreciation and amortisation	(883)	(1,647)	(1)	(2,531)	(996)	(3,527)
Impairment of property management rights	-	(1,096)	-	(1,096)	-	(1,096)
Impairment of company owned sales segment	(21,800)	-	-	(21,800)	-	(21,800)
Unallocated corporate depreciation and amortisation						(311)
Net finance costs						44
Eliminations						(14)
Profit before income tax expense						(26,756)
Half year ended 31 December 2016	Company owned Sales \$'000	Company owned property management \$'000	Franchise services \$'000	Total reportable segments \$'000	Other segments \$'000	Consolidated total \$'000
External revenues	46,958	10,042	5,775	62,775	4,112	66,887
Inter-segment revenues	-	-	-	-	3,160	3,160
Segment Revenue	46,958	10,042	5,775	62,775	7,272	70,047
Unallocated revenue						364
Eliminations						(3,160)
Consolidated Revenue						67,251
Segment profit before interest, tax, depreciation and amortisation	10,704	3,359	3,436	17,499	(1,159)	16,340
Unallocated corporate costs						(6,738)
EBITDA						9,602
Depreciation and amortisation	(915)	(1,382)	(2)	(2,298)	(857)	(3,155)
Impairment of software asset					(2,180)	(2,180)
Unallocated corporate depreciation and amortisation						(337)
Net finance costs						5
Profit before income tax expense						3,935

3 Cash and cash flow related information

	2017 \$'000	2016 \$'000
Cash at bank	2,895	3,242
Short term deposits	515	2,016
Cash and cash equivalents	3,410	5,258

Recognition and Measurement

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Consolidated Entity and earn interest at the respective short term deposit rates.

Reconciliation of net cash flow from operations to (loss)/profit from ordinary activities after income tax

	2017 \$'000	2016 \$'000
(Loss)/Profit after income tax expense	(25,506)	2,705
Adjustments for:		
Depreciation and amortisation expense	3,838	3,492
Impairment of software asset	-	2,180
Impairment of property management rights assets	1,096	-
Impairment of company owned sales segment	21,800	-
Doubtful debts expense	689	-
Share-based payments	64	197
(Profit)/loss on sale of property, plant and equipment	(3)	-
Fair value adjustment for held-for-sale assets	233	-
Fair value adjustment of deferred consideration	-	(346)
Net cash inflow from ordinary activities before changes in assets and liabilities	2,211	8,228
(Decrease) in payables and other liabilities	(1,952)	(731)
(Decrease)/increase in other provisions	(497)	159
(Decrease) in deferred tax items	(1,886)	(460)
(Increase) in prepayments	(261)	(409)
Decrease/(increase) in receivables	3,638	(7)
Decrease in inventory	40	12
(Increase) in other assets	(245)	(931)
(Increase)/decrease in current tax asset	(143)	404
	(1,706)	(1,963)
Net cash inflow from operating activities	905	6,265

4 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share has been based on the following net profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(i) (Loss)/Profit attributable to ordinary shareholders (basic)

	31 December 2017 \$'000	31 December 2016 \$'000
(Loss)/Profit attributable to owners of the company	(25,506)	2,705

(ii) Weighted-average number of ordinary shares

In thousands of shares

	2017	2016
Shares on issue at 1 July	139,062	134,153
Issue of shares – C Judson	223	-
Issue of shares – High Performing agent plan	-	2,336
Smollen Script Milestone 2	3,977	-
Share buyback	(519)	-
Shares on issue at 31 December	142,743	136,489
Weighted-average number of ordinary shares at 31 December	141,166	135,544

(b) Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the dilutive potential ordinary shares.

	31 December 2017 \$'000	31 December 2016 \$'000
(Loss)/Profit attributable to owners of the company	(25,506)	2,705

(ii) Weighted-average number of ordinary shares

In thousands of shares

	2017	2016
Weighted-average number of ordinary shares (basic)	141,166	135,544
Convertible redeemable preference shares (CRPS) ¹	-	6,698
High performing agent share plan ²	-	1,312
Performance rights ³	-	-
Weighted-average number of ordinary shares (diluted) at 31 December	141,166	143,554

The Consolidated Entity presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of McGrath by the weighted average number of ordinary shares outstanding. The diluted earnings per share is determined by adjusting the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. McGrath uses the treasury stock method for calculating diluted earnings per share. The diluted earnings per share calculation considers the impact of potentially dilutive instruments, if any.

¹The CRPS converted to shares in two tranches. The calculation considers the dilutive effect of the CRPS tranche one converted at a share price of \$1.19, if they were to be converted at the share price as at 31 December 2016 as per the share purchase agreement for the Smollen Group. The CRPS are anti-dilutive in the period to 31 December 2017 as their conversion to ordinary shares have decreased the loss per share.

² High performing agents who achieved specified commission thresholds in FY16 were invited to purchase shares. The amount of shares that each agent was eligible to purchase was determined by the commission threshold they achieved. The Company provided agents with a limited recourse loan to acquire shares. The dilutionary effect of these shares was calculated on the basis that all agents accepted the invitation to purchase the shares in full. The calculation considered the potential dilutive effect of the shares if they were to be purchased at the share price at 31 December 2016.

³ Performance rights were issued to certain senior executives under a Long-term Incentive Plan as part of their employment agreements. The performance rights convert to ordinary shares upon the achievement of EBITDA, TSR and continuity of service obligations. The performance rights are anti-dilutive in the period to December 2017 as their potential conversion to ordinary shares would have decreased the loss per share.

5 Property, plant and equipment

	Plant and Equipment \$'000	Leasehold Improvement \$'000	¹ Land and Buildings \$'000	Total \$'000
Half Year ended 31 December 2017				
Carrying amount				
At 1 July 2017	3,349	4,514	1,172	9,035
Additions	266	10	-	276
Transfers	(10)	(67)	-	(77)
Disposals/Reclassification	(28)	(56)	(1,172)	(1,256)
Depreciation charge for the period	(727)	(682)	-	(1,409)
At 31 December 2017	2,850	3,719	-	6,569

¹The land and buildings asset is the McGrath office at Sydney Road, Seaforth which is wholly owned by the Consolidated Entity. The Consolidated Entity entered into a contract for the sale of this asset to an external party, in which the transaction is due to be finalised in February 2018. The net proceeds of the sale were below the carrying value held for this asset, which incurred an impairment of held-for-sale assets of \$233k. The asset has been reclassified as current assets held-for-sale.

6 Intangible assets

	Goodwill \$'000	Property Management Rights \$'000	Software \$'000	Total \$'000
Half Year ended 31 December 2017				
Carrying amount				
At 1 July 2017	53,328	15,392	6,086	74,806
Additions	-	9	349	358
Transfers	-	-	77	77
Amortisation charge for the period	-	(1,629)	(800)	(2,429)
Impairment of property management rights assets ¹	-	(1,096)	-	(1,096)
Impairment of company owned sales segment ²	(21,800)	-	-	(21,800)
At 31 December 2017	31,528	12,676	5,712	49,916

¹The impairment charge relates to property management rights acquired through historical sale transactions with outside parties. These property management rights have been amortised by a diminishing value method at a rate of 15%. At balance date, an assessment by management was made of the property management rights still maintained by the Consolidated Entity comparing the reported carrying amount against the recoverable amount of these rights.

²Recognition and Measurement – Goodwill

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses. Goodwill is tested at each balance date for impairment.

	\$'000
Half Year Ended 31 December 2017	
Consolidated Entity	
Carrying amount at beginning of financial year	53,328
Impairment Losses recognised	(21,800)
Carrying amount at 31 December 2017	31,528

Significant accounting judgements, estimates and assumptions utilised in impairment testing

Goodwill recognised in the acquisition of businesses has been allocated to the Company Owned sales operating segment on the basis that the businesses will benefit the Company Owned sales operating segment as a whole. The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use methodology has been used to determine the recoverable amount. The key assumptions used in assessing value in use are set out below. The values assigned to the key assumptions represent management's assessment of future trends in real estate considering predicted property values, sales agent numbers, commission rates achieved and costs that have been based on historical data from internal and external sources. Estimated cash flows relating to a restructuring that has been carried out in the 2017/18 were also reflected in the forecasted EBITDA.

<i>In percent</i>	2017
Discount rate (pre-tax)	16.3
Nominal average revenue growth	3.8
Terminal value in growth rate	2.5

The discount rate of 16.3% (2016: 13.9%) was a pre-tax measure estimated based on the Consolidated Entity's weighted-average cost of capital adjusted for a risk premium. The cash flow projections included an estimate for five years excluding the effect of acquisition or expansion and a terminal growth rate thereafter. Expected future profits for the first year were based on internal financial forecasts and reflect management's expectations of current year performance. The terminal growth rate was determined on management's estimate of the long-term growth in EBITDA.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. An impairment loss in respect of goodwill is not reversed.

The recoverable amount of the cash generating unit (CGU) was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The Company Owned Sales segment's financial performance (including the acquired businesses) have not been performing to expectation and this has affected management's assessment.

The Company Owned Sales segment, in more recent financial years, have been affected by significant departures of agents (including high-performing agents), and lower productivity (the number of sales per agent), as new hires take some time to meet their potential. Management's approach to determining the value(s) assigned to the key assumptions differs from the most recent history, reliant on the strong experience of the Board, to indicate a return to modest positive recruitment of agent numbers, with a moderate increase on the average sales made per year by agent. The key assumptions are still within the range of the results achieved by the Company Owned sales segment in previous financial years.

The carrying amount of the CGU was determined to be higher than its recoverable amount of \$42.1m and an impairment loss of \$21.8m during the Half Year Ended 31 December 2017 was recognised. Following the impairment loss recognised in the Company Owned Sales segment CGU, the recoverable amount was equal to the carrying amount.

The value in use calculations are sensitive to any adverse movement in a key assumption which would lead to further impairment. Please refer to the table below on example movement in a key assumption and its likely impact on further impairment.

	Forecast 5 year average	Change In Key Assumption (Per Annum)	Further Impairment Loss \$'000
Key Assumption			
Sales Agents	217	(5)	(5,137)
Number of Sales per Agent ³	Not Disclosed	(1)	(13,404)
Price growth on average sale per property	4-5%	(1%)	(8,799)
Average commission of sales price (%) ³	Not Disclosed	(0.05%)	(7,146)
Growth in operating costs	2%	1%	(5,982)
WACC (Pre-tax)	16.3%	1%	(4,797)

³Some key measures, because of the commercial-in-confidence nature of these measures have not been disclosed for competitive reasons.

7 Financial Liabilities

	31 December 2017	30 June 2017
	\$'000	\$'000
Current		
Deferred consideration	-	6,125
	-	6,125
Non current		
Deferred consideration	-	-
	-	-

The movement in financial liabilities relates to the acquisition of the Smollen Group.

On 7 September 2017, a payment of \$3,062,500 was made to the Smollen Group in settlement of the cash component of the first tranche of deferred consideration. On 21 September 2017, the equity component of the first tranche of deferred consideration was settled by the issue of 3,977,260 ordinary shares in McGrath Limited. There are no further liabilities in relation to the acquisition of the Smollen Group.

The consolidated entity has no bank loans at 31 December 2017 (31 December 2016 – nil).

8 Business combinations

8 (a) The Consolidated Entity did not enter into a transaction or event that would constitute a business combination during the reporting period.

8 (b) On 1 July 2016, McGrath acquired CP Frenchs Forest Sales Proprietary Limited.

Details of the fair value of the assets and liabilities acquired are as follows:

	\$'000
Fair value of consideration transferred	
Amount settled in cash	186
Amount of deferred consideration	100
Total consideration pre adjustment	286
Working capital adjustment	(1)
Adjusted consideration	285
Recognised amounts of identifiable net assets	
Property, plant and equipment	261
Total non-current assets	261
Payroll liabilities	(15)
Total current liabilities	(15)
Identifiable net assets	246
Goodwill on acquisition	39

The fair values of the identifiable net assets have been measured on a provisional basis. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Deferred consideration of \$100,000 was initially recognised as a liability based upon the fair value of earn outs payable in accordance with the purchase agreement. The deferred consideration is payable in cash on the achievement of gross commission income hurdles within 12 months from the date of sale.

As at 31 December 2016, the deferred consideration was revalued based on management's updated assessment of the probability of the office meeting the gross commission income hurdles resulting in a reduction of the liability and a gain of \$25,000 being recognised in the profit and loss for the period.

As at 30 June 2017, the deferred consideration was revalued based on management's updated assessment of the probability of the office meeting the gross commission income hurdles resulting in a reduction of the liability and a gain of \$25,000 being recognised in the profit and loss for the period. There is no further liability for the acquisition of CP Frenchs Forest Sales Property Limited.

9 Related parties

(a) Details of key management personnel

Non-executive Directors

C. O'Connor	Chair and Non-executive Director	Appointed Chair 25 August 2016
E. Crouch	Non-executive Director	Appointed 25 August 2016
N. Dews	Non-executive Director	Appointed 23 November 2016
C. Rogers	Non-executive Director	Appointed 23 November 2016

Executive Director

J. McGrath	Interim Executive Chairman
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Executives

C. Judson	Chief Executive Officer	Appointed 14 July 2016
G.Wright	Chief Financial Officer	Appointed 23 October 2017
K. Stathopoulos	Director of Sales	Appointed 10 October 2016
C.Mourd	Head of Franchise Services	Appointed 13 June 2017
R.Fearnley	Head of Property Management	Appointed 11 September 2017
P.Hauenschild	Chief Financial Officer	Resigned 25 December 2017

Please refer to Note 11 for organisational changes in key management personnel since balance date.

Equity holdings of key management personnel

(b)

	Financial year	Shares held at beginning of financial year	Shares acquired during the year	Shares disposed during the year	Shares held at 31 December
		Shares	Shares	Shares	Shares
C. O'Connor	2017	125,238	-	-	125,238
	2016	109,238	16,000	-	125,238
J. McGrath	2017	37,127,378	-	-	37,127,378
	2016	37,127,378	-	-	37,127,378
E. Crouch	2017	21,052	-	-	21,052
	2016	-	21,052	-	21,052
C. Rogers	2017	30,000	-	-	30,000
	2016	-	30,000	-	30,000
C. Judson	2017	-	222,750	-	222,750
	2016	-	-	-	-
P. Hauenschild	2017	69,277	-	-	69,277
	2016	69,277	-	-	69,277
K. Stathopoulos	2017	48,077	-	-	48,077
	2016	48,077	-	-	48,077
R.Fearnley	2017	39,333	40,590	-	79,923
	2016	39,333	-	-	39,333
Grand Total	2017	37,460,355	263,340	-	37,723,695
	2016	37,393,303	67,052	-	37,460,355

N.Dews, C.Mourd & G.Wright do not hold shares in the company.

10 Capital and reserves

	31 December 2017 \$'000	30 June 2017 \$'000
(a) Capital		
142,742,653 fully paid ordinary shares (30 June 2017: 139,062,433).	97,939	95,194

Issue of ordinary shares

On 25 August 2017, 222,750 shares were issued to C.Judson as per his employment agreement with the Consolidated Entity.

On 21 September 2017, 3,977,260 shares were issued in consideration for the Milestone Two scrip payment for the Smollen acquisition.

Buy-back/cancellation of shares

Between 6 & 13 October 2017, the Consolidated Entity engaged in a share buy-back of 519,790 ordinary shares. These shares were advised as cancelled to ASX on 31 October 2017.

	\$'000	Shares
On issue at 1 July 2017	95,194	139,062,433
Issue of shares – C Judson	-	222,750
Smollen Scrip Milestone 2	3,063	3,977,260
Share buy-back	(318)	(519,790)
Balance at 31 December 2017	97,939	142,742,653

(b) Share-based payment reserve

	2017 \$'000	2016 \$'000
Balance at 1 July	672	74
Provisions made during the period	64	197
Balance at 31 December	736	271

(c) Dividends paid and proposed

	31 December 2017 \$'000	31 December 2016 \$'000
Declared and paid during the period:		
Dividends on ordinary shares:		
Final franked dividend for 2017: 1¢ (2016: 3.5¢) paid October 2017	1,433	4,777
Final franked dividend for 2016: CPRS paid November 2017 ¹	90	-
Interim franked dividend for 2017: CPRS paid November 2017 ¹	25	-
	1,548	4,777

The tax rate at which dividends paid have been franked is 30% (2016: 30%).

¹Under the sale purchase agreement for the Smollen Group, CPRS shareholders were entitled to receive dividends from the period of the calculation of the Milestone One scrip payment on 7 September 2016, until the issue of ordinary shares on 30 June 2017.

11 Events subsequent to reporting date

On the 22 January 2018, the Consolidated Entity announced key organisational changes. As part of a structural review, McGrath CEO Mr Cameron Judson, and Head of Corporate Services and Company Secretary, Mr Morgan Sloper will leave the Company, with each serving appropriate notice periods.

Mr Nigel Dews has resigned from the Board of Directors, and McGrath Limited Chair, Ms Cass O'Connor, and Non-Executive Directors Ms Elizabeth Crouch and Ms Cath Rogers have announced their intention to resign following a transition period. Mr John McGrath will be appointed Interim Executive Chairman.

Other than the above there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the future financial years.

12 General accounting policies

Basis of preparation

These interim financial statements are general purpose financial statements that have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Consolidated Entity's financial position and performance since the last consolidated annual financial statements as at and for the year ended 30 June 2017.

Accounting policies are consistent with the 30 June 2017 Annual Financial Report.

These interim financial statements were authorised for issue by the Company's Board of Directors on 15 February 2018.

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts in the Financial Statements and the Directors' report have been rounded to the nearest thousand dollars unless otherwise indicated.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2015 with the exception of the following:

Equity

The determination as to whether costs are directly attributable to the issue of shares is a significant judgement. This determination is based on the nature of the costs incurred and allocated on a reasonable basis. Costs that are determined to be attributable are recognised as a deduction from equity.

Internal restructure

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. Pre-existing accounting values of assets and liabilities in McGrath Operations Limited, previously McGrath Limited's, financial statements have been used.

12 General accounting policies (continued)

Business combinations

The fair value of identifiable assets and liabilities are assessed by applying judgement in their identification, classification and measurement in accordance with McGrath's accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in either profit or loss or in other comprehensive income.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Goodwill

Goodwill is required to be allocated to cash generating units and tested for impairment on an annual basis. Management apply judgement in determining cash generating units and allocating the goodwill arising from business combinations to these cash generating units. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the recoverable amount. These include the assumptions used in forecasting cash flows, discount and terminal growth rates.

Standards issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption. Following the changes approved by the AASB in December 2014, the Consolidated Entity no longer expects any impact from the new classification, measurement and derecognition rules on the Consolidated Entity's financial assets and financial liabilities.

ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

At this stage, the Consolidated Entity has not estimated the impact of the new rules on the Consolidated Entity's financial statements. The Consolidated Entity will make more detailed assessments of the impact over the next six months. The Consolidated Entity does not expect to adopt the new standard before 1 July 2018.

iii) AASB 16 Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The Consolidated Entity has begun to assess in detail how its business would be affected by the new model. The standard must be applied for financial years commencing on or after 1 January 2019.

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration For the Half Year Ended 31 December 2017

In the opinion of the directors of McGrath Limited:

(a) the condensed consolidated financial statements and notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the six month period ended on that date, and

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

Signed in accordance with a resolution of the Directors.

Cass O'Connor

Chair

15 February 2018

Independent Auditor's Review Report

To the shareholders of McGrath Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of McGrath Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of McGrath Limited 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 2017 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Consolidated Entity** comprises McGrath Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim period.

The **Interim Period** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

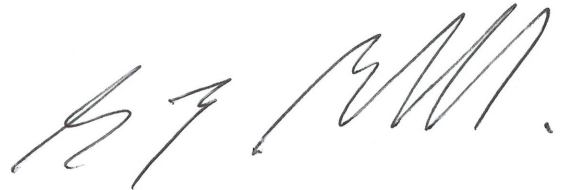
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim 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 2017 and its performance for the Interim Period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of McGrath Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim 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.

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



KPMG



S J Marshall
Partner

Sydney
15 February 2018

Corporate Directory

STOCK EXCHANGE LISTING

The shares of McGrath Limited are listed on the Australian Securities Exchange trading under the ASX Listing Code "MEA".

ACN: 608 153 779

DIRECTORS

John McGrath

Chair and Executive Director

Cass O'Connor

Non-executive Director

Elizabeth Crouch

Independent Non-executive Director

Nigel Dews

Independent Non-executive Director, resigned 19 January 2018

Cath Rogers

Independent Non-executive Director

CHIEF EXECUTIVE OFFICER

Cameron Judson

COMPANY SECRETARY

Morgan Sloper

REGISTERED OFFICE

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KPMG

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Australia