



McGrath Limited and Controlled Entities  
2019 Annual Year Report  
ACN 608 153 779

**McGrath**

# McGrath Limited and Controlled Entities

A.C.N. 608 153 779

## Corporate Information

McGrath Limited is a company limited by shares, incorporated and domiciled in Australia. McGrath Limited listed on the Australian Securities Exchange on 7 December 2015 (ASX: MEA).

Its registered office and principal place of business is:

McGrath Limited  
191 New South Head Road  
EDGECLIFF NSW 2027

All press releases and other company background information is available on our website:

[www.mcgrath.com.au](http://www.mcgrath.com.au).

In this report, McGrath Limited is referred to as the Company or McGrath, McGrath Limited and the subsidiaries that it controlled at the end of the period and from time to time throughout the period are together referred to as the Consolidated Entity.

## What we do

Founded in 1988 by John McGrath, McGrath has been established as one of the leading residential real estate service providers in Australia with a strong market presence in New South Wales and the Australian Capital Territory, a growing presence in Queensland and entered the Victorian market during financial year 2016.

McGrath is an integrated residential real estate services company providing a range of services including residential property sales, property management, mortgage broking, auction services and real estate training.

# McGrath Limited and Controlled Entities

A.C.N. 608 153 779

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## Joint letter from the Chair and CEO

Dear Shareholders,

The 2019 financial year (FY19) was a year heavily impacted by the continued contraction of the Australian real estate market, resulting in another difficult and challenging year for McGrath. Market conditions and an evolving real estate industry structure have demanded that we adapt our business, reduce our cost base and move swiftly to right size for the conditions we are currently facing. These conditions present an opportunity to improve our processes, quality of service and market share, while maintaining our unwavering commitment to excellent results for our clients. The outcomes of the extensive work being undertaken in our financial results is not yet evident, however assuming the markets in which we operate stabilise, we believe we are on the path to returning to sustainable growth. We are pleased to report continued evidence of excellent results for our clients and communities to whom we serve.

FY19 was a year during which we set out to stabilise our base of agents and improve the quality of our team. Focusing on a quality team has laid a foundation for future growth and the re-establishment of McGrath as the aspirational choice for both staff and clients.

The fundamentals of our brand remain strong, with one of Australia's leading sales agent teams, customer service and network reach. These are supplemented by a first-class Property Management business with over 32,000 properties managed for more than 28,000 landlord investors.

McGrath continues to dominate the annual Real Estate Business Online Ranking, with more than three times the number of agents in the top 100 than any other company. Despite the difficulties of the market, we have gained market share based on sales data published by the industry leading data provider. Substantial capital has been allocated and re-invested into our operations to create the best possible environment to list, sell and manage real estate, ensuring our team of professionals are best placed to efficiently deliver the best possible results to our clients.

Extensive work has been undertaken with more work to be done, and our progress to date includes:

- We have announced after 15 years at Edgecliff, our move to a new state of the art office in Sydney's technology hub of Pyrmont, placing us at the forefront of innovation. Our new office will offer industry leading training facilities available to everyone in our expanding network;
- We have now rolled out our new CRM platform to 45 of our 97 offices, expecting to be operational across the whole network by Christmas;
- Launching our new industry social media based marketing campaign with great success and we now have a new contemporary customer and data centric website in development, which will provide an enhanced digital experience for all stakeholders, expected to launch before the end of the calendar year;

- Substantial work has been done and progress made in revitalising our property management businesses, with an intense focus and success on improving the customer experience;
- We've opened new offices in Willoughby, Mosman, Neutral Bay, Greensborough, Ballarat, Avoca, Nambucca Heads and Wollongong; and
- We've carefully acquired premium businesses in key markets lead by high calibre people.

Real estate has been a particularly tough market over the past two years, however our strong capital position, partly through our partnership with Aqualand, has allowed us to invest in training, development, technology and our agents, at a time when others in the market are retracting.

We are committed to maintaining our industry-leading position in FY20. Central to this is retaining and attracting the best real estate talent in the market, and ensuring McGrath is a great place to work for all, with a welcoming and supportive culture. This underpins our commitment to delivering the best results for our customers.

Throughout FY20 we will continue our strategic initiatives that are designed to improve the business with learning and development programs, a hallmark of McGrath, our data driven technology improvements and the assessment of selected acquisitions.

McGrath is committed to reducing costs in our business, a fundamental necessity in a difficult market. We have a clear cost reduction strategy currently being implemented.

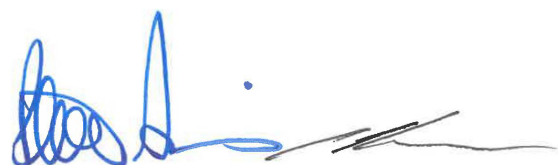
With an industry-leading team and unmatched knowledge of the market developed over 30 years, we believe that we are well placed for any market outcomes. The established board and management team are unified in their commitment to return the company to growth after a tumultuous period.

On behalf of the Board and the management team, we would like to thank shareholders for their support and loyalty during a difficult FY19. Our founder, John McGrath continues to provide much needed inspiration and stability during this time.

Finally, we would like to thank all our team members and franchise partners for their tireless work, commitment to our company and leadership shown in the industry.

We have a unique platform from which to reaffirm our leading market position and are dedicated to ensuring that rewarding times are ahead for all stakeholders in our business.

Yours sincerely,



**Peter Lewis**  
Chair

**Geoff Lucas**  
Chief Executive Officer



## Operating and financial review

### Business Overview

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 Company owned offices and agents. The segment generates earnings 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 earnings 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 ongoing franchise fee based on a fixed percentage of the total sales commission paid on the sale of a property (Gross Commission Income);
- 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 organise a number of Australian residential real estate conferences and receives revenue from fees paid by attendees, exhibitors and sponsors; and
- Auction service group generates earnings based on a fixed fee per auction.

### Agents and office locations

As at 30 June 2019 the network comprised 30 Company owned offices and 67 Franchise offices with 525 agents operating within those offices. The spread of offices is across the Eastern seaboard as seen in the graphic in figure 1 below. There was a net increase of 2 offices in the year with 8 openings, 6 closures and one transfer from Franchise services to Company owned sales.

Total agents decreased to 525 from June 2018 (558) with reductions in the Project Marketing and Franchise businesses offset by gains in the residential Company owned sales segment. McGrath is continuing to focus on recruiting and retaining high performing agents complemented by a focus on learning and development initiatives and data technology improvements to enhance the agent and vendor experience.



Figure 1: McGrath office Network

### Underlying Income Statement

To assist in the interpretation of the performance of the consolidated entity, the Underlying result excluding one-off items is presented below. Underlying performance is reconciled to statutory results on the following page.

	June 2019 \$'000	June 2018 \$'000
Revenue	82,699	99,603
Cost of sales	(34,530)	(38,084)
<b>Underlying Gross profit</b>	<b>48,169</b>	<b>61,519</b>
Employee benefits expenses	(30,212)	(31,766)
Other expenses	(24,388)	(24,720)
<b>Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>(6,431)</b>	<b>5,033</b>
Depreciation and amortisation	(4,525)	(7,157)
<b>Underlying earnings before interest and tax (EBIT)</b>	<b>(10,956)</b>	<b>(2,124)</b>
Net finance income	194	33
<b>Underlying loss before income tax</b>	<b>(10,762)</b>	<b>(2,091)</b>
Income tax benefit	1,055	609
<b>Underlying loss after income tax</b>	<b>(9,707)</b>	<b>(1,482)</b>

Note: Underlying income statement is a non-IFRS measure and was not subject to audit.

### Company Owned Sales and Project Marketing

Company owned sales was the major contributor to the overall decline in earnings for FY19 impacted by both a reduction in the number of properties sold and the value of the properties sold. There was \$3.7 billion in sales value from 2,655 sales in FY19 compared to \$4.6 billion and 3,002 sales in FY18. During the year there was a net increase of 4 offices, with the transfer of the Rouse Hill office from the Franchise network and the opening of Mosman, Neutral Bay and Willoughby offices.

Segment EBITDA loss of \$2.0 million was 153% down on FY18 driven lower market volumes and lower commissions received from a reduction in property sale prices.

### Company owned property management

Properties under management increased by 6% to 7,627 in FY19, generating \$5.4 million EBITDA, a 12% decrease on FY18. This was impacted by lower rental value per property.

### Franchise services

Our Franchise network exchanged 6,558 properties during FY19 (FY18: 8,065), generating an EBITDA of \$3.3 million, which was down 48% on the prior year. EBITDA was impacted by a reduction in GCI of 27% as a result of a lower number of agents and softer trading conditions.

During the year there has been a net reduction of 2 offices with 6 closures, 5 openings and one transfer to the Company owned sales network.

### Other Operating Segments

Other operating segments comprise Oxygen Home Loans, Auction Services, TRET, IT Network Services and the Marketing Fund. IT Networking Services and the Marketing Fund are for the benefit of both the Franchise and Company owned networks.

### Mortgage Broking

Oxygen Home Loans total settlements value of \$755 million was down 3% on FY18, impacted by tightening lending conditions. At the end of FY19, there were 30 brokers supporting the network, a decline from FY18 of 1.

### Total Real Estate Training (TRET)

TRET provides a range of events for principals, agents, property managers and real estate professionals to help them develop their skills and grow their careers. The major event of the year remains AREC attracting real estate talent Australia wide. Income from TRET has been impacted in line with the challenging market conditions.

### Auction Services

Auction Services provides auctioneers to the company owned and franchise segments. There were 4,835 auctions booked in FY19 (FY18: 5,894) representing 39% of all properties listed.

## Underlying segment revenue and EBITDA

	June 2019 \$'000	June 2018 <sup>1</sup> \$'000
<b>Revenue</b>		
Company owned sales	47,527	58,223
Company owned property management	19,403	19,236
Franchise services	8,136	10,978
Other operating segments	7,633	11,166
<b>Total Revenue</b>	<b>82,699</b>	<b>99,603</b>
<b>EBITDA</b>		
Company owned sales	(2,003)	3,793
Company owned property management	5,350	6,102
Franchise services	3,317	6,419
Other operating segments	(2,413)	(469)
Corporate	(10,682)	(10,812)
<b>Total EBITDA</b>	<b>(6,431)</b>	<b>5,033</b>

Note: Underlying segment revenue and EBITDA is a non-IFRS measure and was not subject to audit.

<sup>1</sup>The year ended 30 June 2018 comparative figure for unallocated corporate costs has been amended to be consistent with the 30 June 2019 presentation, with the change of dedicated support staff costs allocated across segments.

## Reconciliation of statutory to Underlying amounts

	June 2019 \$'000	June 2018 <sup>1</sup> \$'000
<b>Statutory revenue and other income</b>	<b>82,699</b>	<b>99,176</b>
Deferred revenue adjustment <sup>1</sup>	-	427
<b>Underlying revenue and other income</b>	<b>82,699</b>	<b>99,603</b>
<b>Statutory loss after income tax benefit</b>	<b>(15,573)</b>	<b>(63,103)</b>
Onerous contract – CRM tool <sup>2</sup>	3,022	-
Onerous contract – office closure <sup>2</sup>	672	-
Restructuring costs	-	1,478
Change in bad debt estimates and write off's	-	951
Change in other accounting estimates	-	809
Loss on sale of property, plant and equipment	-	247
Other non-recurring expenses	-	508
<b>Total Underlying adjustments impacting EBITDA</b>	<b>3,694</b>	<b>3,993</b>
Impairment charges <sup>3</sup>	3,365	59,389
Underlying tax adjustments	(1,193)	(1,761)
<b>Total Underlying adjustments impacting loss after tax</b>	<b>5,866</b>	<b>61,621</b>
<b>Underlying loss after tax</b>	<b>(9,707)</b>	<b>(1,482)</b>

Note: EBITDA is a non-IFRS measure and represents earnings before interest, tax, depreciation and amortisation. The reconciliation between statutory revenue and NPAT and Underlying revenue and NPAT includes non-IFRS measures and was not subject to audit.

<sup>1</sup> Deferred revenue recognition adjustment aligns the recognition of management fees with the provision of the service.

<sup>2</sup> Adjustments totalling \$3.694 million are one-off costs in FY19 that will not recur in future years.

<sup>3</sup> Adjustments to remove the impairment charges of intangible assets recognised in the period.

### Impairment and Onerous Contracts

As part of the normal reporting period balance sheet review an impairment of \$3.4m against other segments has been recorded in relation to an intangible IT asset. McGrath had been developing an integrated customer relationship management (CRM) tool and operations software since 2016. The CRM's functionality appears to be weaker than other mature CRM's already available in the market leading towards a strong preference to pursue alternative management software solutions that will better serve the McGrath business, clients and personnel.

In addition to the asset impairment, an onerous contract of \$3.0 million has also been recognised in relation to non-cancellable contracts associated with the CRM platform.

A decision to consolidate offices has resulted in onerous contracts of \$0.7 million being recognised in the Company sales segment.

### Key Business Risks

The Consolidated Entity is subject to various risk factors. Some of these are specific to its business activities while 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 corporations that may offer alternative services and products to that of the traditional real estate service offerings. These may impact 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 services to clients and promote the reputation of the Company through their dealings with clients. There is a risk that McGrath may lose agents to competitors and/or other industries. McGrath launched the McGrath Future Program in early 2017, a commission and incentive program designed to assist in attracting and retaining high performing residential sales 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.

McGrath has assessed the recommendations contained in the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Report released on 4 February 2019 in relation to its mortgage broking business, Oxygen Home Loans. There is no material impact to McGrath's earnings potential, with another Brokerage review to be held in three years' time.

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

## Corporate governance

### McGrath's corporate governance framework

The Board is committed to implementing the highest standards of corporate governance appropriate for McGrath, taking into account McGrath's size, structure and nature of operations.

### Delegation to Board Committees and Management

The Board has established two standing committees, the Audit and Risk Committee and the Remuneration and Nomination Committee, to support the Board in discharging its powers and responsibilities.

The Board Charter and Committee Charters set out the responsibilities of the Board and each of the Committees.

Day-to-day management and operations are delegated to Management who operate within the agreed framework and report to, and seek approvals from, the Board as required. The Chief Executive Officer is responsible for the overall operational and business management of McGrath.

### Board of Directors

The following persons were Directors of McGrath Limited during the year ended 30 June 2019:

#### Peter Lewis

Chair and Independent Non-executive Director.

- Appointed Chair 19 February 2018.

Peter is also a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Peter is currently a non-executive director of the Australian Broadcasting Corporation and Chair of the Audit and Risk Committee. Peter is a board member of Anacacia Capital and Gravity Media Group Ltd.

#### John McGrath

Executive Director.

- McGrath Operations Limited, appointed 2 March 2000.
- McGrath Limited, appointed 8 September 2015.

John founded McGrath in 1988 and is considered one of the most influential figures in the Australian property industry. John has grown McGrath Estate Agents to be one of Australia's most successful integrated real estate service groups.

In 2003, John was awarded a Centenary Medal for service to business. In 2008, he was honored by the Real Estate Institute of NSW with the Woodrow Weight OBE Award, a lifetime achievement award for his outstanding contribution to the real estate industry.

John is a best-selling author and was a director of REA Group for 19 years and previously a Board Director of South Sydney Rabbitohs.

#### Andrew Robinson

Independent Non-executive Director.

- Appointed 19 February 2018.

Andrew is also Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Andrew has had extensive involvement in the property sector over many years as both an advisor and a principal. Andrew has been a long-term supporter of various not for profit and charity groups, including Tour de Cure and The Mater/St Vincent's Hospitals.

Andrew established a legal practice in 1982 with specialisations in tax disputes, corporate re-constructions, franchising and commercial negotiation. Prior to that Andrew was involved in litigation and commercial law at Freehill Hollingdale and Page. Andrew holds a Bachelor of Economics and a Bachelor of Law (University of Sydney).

#### Wayne Mo

Non-executive Director.

- Appointed 27 June 2018.

Wayne is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Wayne was appointed to the McGrath Board as the nominee of Aqualand Group, one of Australia's premier residential property development and investment groups. Wayne is CEO of AL Capital and also a non-executive director of Sydney Children's Hospital Foundation. He has more than 24 years global experience in international banking, structured finance, and M&A. Prior to joining AL Capital, Wayne held senior executive roles with ANZ for 15 years, and was the Chief Investment Officer of Hong Kong listed Everchina International Holdings.

Wayne is a graduate member of Australia Institute of Company Directors, holds an MBA from Webster University (USA) and a Bachelor of Finance and Economics from Shanghai University. Wayne was a Board Director of Australia China Chamber of Commerce (Beijing) from 2006 to 2008 and was a non-executive director of Fiagril Ltd and Becagricola, two leading Brazilian Agriculture Companies.

### Movement in Directors

The above directors held office for the full financial year and continue to do so at the date of this report



### Attendance at meetings

The number of meetings of the Board of Directors and of each standing Board committee, of which the relevant Director was a member, held during the year ended 30 June 2019 and the number of meetings attended by each Director are detailed below:

	Board Meeting		Audit & Risk Committee Meeting		Remuneration & Nomination Committee Meeting	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
P. Lewis	17	17	4	4	4	4
A. Robinson	17	15	4	4	4	4
W. Mo	17	17	4	4	4	4
J. McGrath	17	16	4	4	4	4

### Role and responsibilities of the Board

- Represent and serve the interests of Shareholders by considering and approving McGrath's strategies, policies and performance.
- Ensure that an appropriate corporate governance framework is established and operating.
- Provide guidance and oversight in critical areas including:
  - strategic direction
  - financial oversight
  - risk management and internal controls
  - managerial oversight
  - delegations
  - corporate governance

The responsibilities of the Board are detailed in the Board Charter on McGrath's website. The Board's conduct is also governed by McGrath's constitution. Both the Board Charter

and McGrath's constitution are available on McGrath's website under About Us / Investor Centre ([www.mcgrath.com.au/about/investorcentre](http://www.mcgrath.com.au/about/investorcentre)).

### Board composition and independence

The Board currently consists of two independent non-executive directors.

### Further information

Further details are provided in McGrath's Corporate Governance Statement available on McGrath's website under About Us / Investor Centre ([www.mcgrath.com.au/about/investorcentre](http://www.mcgrath.com.au/about/investorcentre)).

## Remuneration report

### Key management personnel

*Non-executive and executive directors (see earlier pages for details about each director)*

Name	Position
Peter Lewis	Chair, Independent Non-executive Director
John McGrath	Executive Director
Andrew Robinson	Independent Non-executive Director
Wayne Mo	Non-executive Director

*Other key management personnel*

Name	Position
Geoff Lucas	Chief Executive Officer
Howard Herman (appointed 24 June 2019)	Chief Financial Officer
Glynn Wright (resigned 7 June 2019)	Chief Financial Officer
Kon Stathopoulos <sup>1</sup>	Head of Company Sales
Christopher Mourd	Head of Franchise Network
Rob Fearnley	Head of Company Owned Property Management

<sup>1</sup> K. Stathopoulos provided notice of resignation on 4 June 2019. In the interim, John McGrath and Adrian Bo are fulfilling the duties of this role.

### 1. Remuneration policy and link to performance

The overall objective of the Remuneration and Nomination Committee is to assist the Board of Directors of McGrath Limited (the Company) and its subsidiaries to:

- align the Company's remuneration approach with shareholder interests to allow the organisation to attract, motivate and retain its staff to enhance the Company's performance in a manner that supports the long-term financial soundness of the Company; and
- provide appropriate corporate governance by identifying the mix of skills and individuals required in Directors to allow the Board to contribute to the successful oversight and stewardship of the Company and discharge their duties under the law diligently and efficiently.

#### *Balancing short-term and long-term performance*

Short-term incentives for the Company's executives are set at a maximum of 40% of fixed annual remuneration with potential for "stretch" performance up to 125% of target. The targets are set to drive performance without encouraging undue risk-taking. Targets are set against financial and non-financial strategic objectives. The targets act to incentivise growth, achieve strategy and corporate objectives in line with expectations of shareholders. The minimum value of incentive is nil if targets are not met.

The long-term incentive plan (LTI) is designed to align the interests of executives and senior management with the interests of shareholders by providing an opportunity for the participants to receive an equity interest in McGrath, which is also set at a maximum of 40% of fixed annual remuneration.

A summary of McGrath's remuneration mix including fixed annual remuneration, short-term incentive and long-term incentive is set out in figure 1.

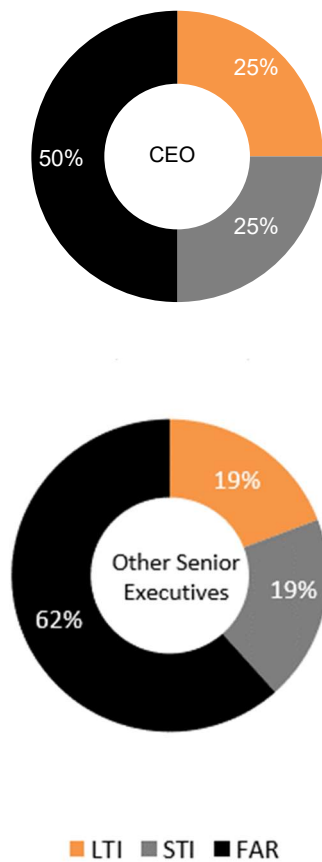
Figure 1: Remuneration framework

COMPONENT	PERFORMANCE MEASURE	WEIGHTING	STRATEGIC OBJECTIVE/ PERFORMANCE LINK
<b>FIXED ANNUAL REMUNERATION (FAR)</b> Salary and other non-cash benefits +	<b>FAR</b> consists of base salary and superannuation and non-monetary benefits. Remuneration is structured to ensure executives are accountable for driving group strategy and corporate objectives in line with expectations of shareholders.  Executives are targeted to achieve specific outcomes in these areas as part of their annual salary. STIs and LTIs are used to incentivise executives to achieve targets beyond fixed annual remuneration expectations.		Remuneration is set to ensure the attraction and retention of industry leading talent. Consideration is given to background and skillsets, seniority of role, level of responsibility, industry benchmarks, core values and cultural alignment.
<b>SHORT-TERM INCENTIVES (STI)</b> Percentage of fixed annual remuneration +	<ul style="list-style-type: none"> <li> <b>Group Financial Measure (GFM)</b>                Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).                 Additional specific financial objectives may also apply to certain executives.             </li> <li> <b>Divisional Financial Measures (DM)</b>                Divisional Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) Contribution which is EBITDA excluding corporate costs.             </li> <li> <b>Non-financial Measures (NFM)</b>                Specified strategic objective targets.             </li> </ul>	Maximum of 40% of total fixed remuneration, CEO 50%, with potential for “stretch” performance up to 125% of target.	<b>GFM</b> rewards performance at group level. EBITDA (FY18: NPAT) was chosen to ensure alignment with Consolidated Entity and shareholder objectives.  <b>DM</b> – rewards performance at a divisional level under the direct control of the specific executive.  <b>NFM</b> recognises differing drivers of performance across different Business Units.
<b>LONG-TERM INCENTIVES (LTI)</b> <b>Performance rights</b> +	<ul style="list-style-type: none"> <li> <b>EPS Target</b>                Achievement of Consolidated Entity’s Earnings Per Share (EPS) target.                 Measured per year over a three-year period.                 Weighted at 100% of LTI.             </li> </ul>	Maximum of 40% of total fixed remuneration, CEO 50%.	Yearly <b>EPS</b> targets have been chosen to encourage desired business turnaround outcomes.
<b>CEO Share options</b>	Achievement of a statutory earnings per share (EPS) target for the financial year ending 30 June 2021.	Unweighted	A specific <b>EPS</b> target was chosen to encourage desired business turnaround outcomes.
<b>= TOTAL REMUNERATION</b>  The remuneration mix is designed to reflect the different components of the McGrath business and is structured to reward executives for performance at a Consolidated Entity level, for divisional executives at a divisional level, and to align executives and stakeholder interests through share ownership.			
<b>Assessing performance</b>  The Remuneration and Nomination Committee is responsible for assessing performance against KPI’s, determining the STI and LTI to be paid to Key Management Personnel and making recommendations to the Board. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures, market share and data from independently run surveys.			

### Target remuneration mix

Our executive remuneration framework for the year FY19 is shown in figure 2 below. The framework comprises fixed annual remuneration, an annual or short-term incentive and a long-term incentive. The graph shows each of the components as a percentage of total target remuneration on the basis that the performance conditions for the STI and LTI are fully satisfied.

Figure 2: Target remuneration mix for the year



The actual remuneration mix achieved by KMP is shown in figure 12.

### Elements of remuneration

#### (i) Fixed annual remuneration (FAR)

Executives may receive their FAR as cash, or salary sacrificed benefits. FAR is reviewed annually, or on promotion. It is benchmarked against data for comparable roles within companies in similar industries and with similar market capitalisation. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

Superannuation is included in FAR for all executives.

#### (ii) Short-term incentives (STI)

Certain employees are entitled to participate in McGrath's STI Plan. The amount of the award under the STI Plan to which each participant may become entitled (if any) will be determined by the Remuneration and Nomination Committee and the senior management team (as appropriate) based on achievement against set performance targets. Further detail is shown in figure 6 below.

#### (iii) Long-term incentives (LTI)

The Board has discretion to make offers to employees of McGrath or its related bodies corporate that the Board determines to be eligible to receive a grant under the LTI Plan. Under the LTI Plan, performance rights and share options are subject to vesting or performance conditions determined by the Board and specified in the offer document. Any performance rights or share options, will either not be offered, lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.

## 2. Statutory performance indicators

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. Figure 3 shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs, see figure 7. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Figure 3: key performance indicators of the group over the last five years

	2019	2018	2017	2016	2015
(Loss)/Profit for the year attributable to owners of McGrath Limited (\$'000)	(15,573)	(63,103)	4,871	8,358	6,727
Underlying EBITDA <sup>1</sup> (\$'000)	(6,431)	5,033	15,254	26,244	27,160
Underlying NPAT <sup>1</sup> (\$'000)	(9,707)	(1,482)	4,550	14,594	15,662
Basic (losses)/earnings per share (cents)	(9.33)	(44.34)	3.58	8.58	14.84
Dividend payments (\$'000)	-	1,548	6,142	11,000	6,428
Dividend payout ratio (%) <sup>2</sup>	0%	(2)%	126%	132%	96%
Closing share price (\$ as at 30 June)	0.225	0.375	0.56	0.92	n/a

<sup>1</sup> Underlying EBITDA and Underlying NPAT are non-IFRS (non-statutory) measures and have not been subject to audit or review.

<sup>2</sup> The dividend pay-out ratio is calculated based on dividends paid and statutory net profit after tax for the year.



### 3. Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Figure 4: Executive remuneration

Name	Year	Fixed annual remuneration				Variable remuneration		Total
		Short-term		Long-term	Post-employment benefits <sup>2</sup>	Short-term	Long-term	
		Salary	Termination benefits	Annual and long service leave <sup>1</sup>		STI	LTI	
Chief Executive Officer								
G. Lucas <sup>3</sup>	2019	440,743	-	54,058	20,531	-	73,307	588,639
	2018	161,830	-	18,479	6,837	-	10,079	197,225
C. Judson <sup>4</sup>	2019	-	-	-	-	-	-	-
	2018	384,264	682,920	39,936	32,798	-	-	1,139,918
Executive Director								
J. McGrath	2019	485,648	-	46,714	20,531	-	-	552,893
	2018	484,304	-	46,114	20,049	-	-	550,467
Other Key Management Personnel								
H. Herman <sup>5</sup>	2019	6,731	-	630	395	-	-	7,756
	2018	-	-	-	-	-	-	-
G. Wright <sup>6</sup>	2019	342,008	-	33,241	23,311	-	-	398,560
	2018	240,149	-	24,119	18,750	-	19,597	302,615
K. Stathopoulos <sup>7</sup>	2019	460,840	-	46,750	20,531	-	-	528,121
	2018	442,977	-	47,339	20,049	-	24,878	535,243
C. Mourd	2019	363,726	-	36,638	20,531	6,255	14,636	441,786
	2018	364,679	-	38,828	20,049	-	14,636	438,192
R. Fearnley <sup>8</sup>	2019	220,352	-	21,305	22,197	5,700	6,701	276,255
	2018	172,880	-	17,603	16,117	57,000	6,701	270,301
P. Hauenschild <sup>9</sup>	2019	-	-	-	-	-	-	-
	2018	104,077	47,548	10,869	9,804	-	-	172,298
Total KMPs	2019	2,320,048	-	239,336	128,027	11,955	94,644	2,794,010
	2018	2,355,160	730,468	243,287	144,453	57,000	75,891	3,606,259

<sup>1</sup> Reflects the net cost of annual and long service leave accrued and taken in the period.

<sup>2</sup> Reflects the cost of superannuation.

<sup>3</sup> G. Lucas appointed as Chief Executive Officer 27 February 2018.

<sup>4</sup> C. Judson resigned 16 February 2018.

<sup>5</sup> H. Herman appointed 24 June 2019.

<sup>6</sup> G. Wright appointed 23 October 2017 and resigned on 7 June 2019.

<sup>7</sup> K. Stathopoulos provided notice of resignation on 4 June 2019.

<sup>8</sup> R. Fearnley appointed 11 September 2017.

<sup>9</sup> P. Hauenschild resigned on 25 December 2017.

## Remuneration expenses for executive KMP

The remuneration table below has been provided as additional non-statutory information to assist in understanding the total value of remuneration received by executive KMP in the current and prior financial years. Figure 4 has been prepared in accordance with accounting standards as required by the *Corporations Act 2001*. The accounting standards only require the disclosure of the expense or cost to the company in the financial years presented, which may result in only a portion of cash remuneration being disclosed where payments are deferred to future financial years.

Figure 5: Executive remuneration received in the financial year\*

Name	Year	Cash salary <sup>1</sup>	STI <sup>2</sup>	Superannuation	Total
G. Lucas	2019	478,811	-	20,531	499,342
	2018	163,676	-	6,837	170,513
J. McGrath	2019	499,084	-	20,531	519,615
	2018	492,672	-	20,049	512,721
H. Herman	2019	6,731	-	395	7,126
	2018	-	-	-	-
G. Wright	2019	371,854	-	23,311	395,165
	2018	257,685	-	18,750	276,435
K. Stathopoulos	2019	499,469	-	20,531	520,000
	2018	505,761	100,000	20,049	625,810
C. Mourd	2019	391,434	-	20,531	411,965
	2018	393,541	-	20,049	413,590
R. Fearnley	2019	227,622	28,500	22,197	278,319
	2018	188,068	-	16,117	204,185
C. Judson	2019	-	-	-	-
	2018	1,109,587	72,800	32,798	1,215,185
P. Hauenschild	2019	-	-	-	-
	2018	163,668	14,900	9,804	188,372

\* The above table includes non-IFRS measures and has not been subject to audit.

<sup>1</sup> Cash salary includes leave entitlements paid.

<sup>2</sup> Relates to cash payment of STIs awarded in the preceding financial year.

## Contractual arrangements with executive KMP

## Contractual arrangement with CEO

Component	CEO description
Fixed annual remuneration	\$500,000 (inclusive of statutory superannuation)
Contract duration	Ongoing contract
Notice by the individual/company	6 months
Termination of employment (without cause)	<p>STI Participant will need to be employed and not under notice of resignation or termination until at least 30 June of the relevant year to be eligible for an STI award.</p> <p>LTI Participant will need to be employed until the end of the year ending 30 June 2021 to be eligible to receive any share options that have vested.</p>
Termination of employment (with cause) or by the individual	<p>STI For good leaver cases including retirement or bona fide redundancy, some or all of the payment may be made at the discretion of the Board and senior management team (where appropriate).</p> <p>LTI If the participant ceases employment for cause, resigns, or their employment is terminated by mutual agreement with McGrath, unless the Board determines otherwise, the share options cannot be exercised.</p>

## Contractual arrangement with members of the senior management team

Component	Other executive KMP
Fixed annual remuneration	Range between \$250,000 to \$520,000
Contract duration	Ongoing contract
Notice by the individual/company	Up to 6 months
Termination of employment (without cause)	<p>STI Participants will need to be employed and not under notice of resignation or termination until at least 30 June of the relevant year to be eligible for an STI award.</p> <p>LTI Participants will need to be employed until the end of the three-year performance period to be eligible to receive the performance rights that have vested during the performance period.</p>
Termination of employment (with cause) or by the individual	<p>STI For good leaver cases including retirement or bona fide redundancy, some or all of the payment may be made at the discretion of the Board and senior management team (where appropriate).</p> <p>LTI If the participant ceases employment for cause, resigns, or their employment is terminated by mutual agreement with McGrath, unless the Board determines otherwise, the performance rights will automatically lapse.</p>

#### 4. Short-term incentive overview

Figure 6: Structure of the short-term incentive plan

Feature	Description													
Maximum opportunity	The CEO and certain members of the senior management team will be entitled to an STI award up to a maximum percentage of their FAR (the maximum on track earning potential is typically 30% but up to 40% of total FAR (CEO 50%), with the potential for stretch performance of up to 125% on the on-track amount).													
Performance period	Financial year.													
Performance metrics	<div>The STI metrics align with our strategic priorities of market competitiveness, operational excellence, shareholder value and fostering talented and engaged people.</div> <table><tr><th>Category</th><th>Measure</th><th>Reason for selection</th></tr><tr><td rowspan="3">Financial</td><td>Group Financial Measure: EBITDA (prior year NPAT). 50% weighting.</td><td>Rewards performance at group level. EBITDA was chosen to ensure alignment with Consolidated Entity and shareholder objectives. Prior year NPAT was used.</td></tr><tr><td>Divisional Measure: EBITDA Contribution, other specific financial measures.</td><td>Encourages and rewards performance at a divisional level or specific financial measure that is under direct control of the executive or manager.</td></tr><tr><td>Typically, 20 to 25% weighting.</td><td></td></tr><tr><td>Non-financial measures – specific strategic objective targets.</td><td>Typically, 25 to 30% weighting but may be up to 50% for executives not responsible for revenue generating business units.</td><td>Recognises and rewards leadership behaviour, internal culture, greater customer satisfaction and service development consistent with shareholder objectives.</td></tr></table>	Category	Measure	Reason for selection	Financial	Group Financial Measure: EBITDA (prior year NPAT). 50% weighting.	Rewards performance at group level. EBITDA was chosen to ensure alignment with Consolidated Entity and shareholder objectives. Prior year NPAT was used.	Divisional Measure: EBITDA Contribution, other specific financial measures.	Encourages and rewards performance at a divisional level or specific financial measure that is under direct control of the executive or manager.	Typically, 20 to 25% weighting.		Non-financial measures – specific strategic objective targets.	Typically, 25 to 30% weighting but may be up to 50% for executives not responsible for revenue generating business units.	Recognises and rewards leadership behaviour, internal culture, greater customer satisfaction and service development consistent with shareholder objectives.
Category	Measure	Reason for selection												
Financial	Group Financial Measure: EBITDA (prior year NPAT). 50% weighting.	Rewards performance at group level. EBITDA was chosen to ensure alignment with Consolidated Entity and shareholder objectives. Prior year NPAT was used.												
	Divisional Measure: EBITDA Contribution, other specific financial measures.	Encourages and rewards performance at a divisional level or specific financial measure that is under direct control of the executive or manager.												
	Typically, 20 to 25% weighting.													
Non-financial measures – specific strategic objective targets.	Typically, 25 to 30% weighting but may be up to 50% for executives not responsible for revenue generating business units.	Recognises and rewards leadership behaviour, internal culture, greater customer satisfaction and service development consistent with shareholder objectives.												
Delivery of STI	Each year performance will be measured for the twelve-month period ended 30 June. Participants will need to be employed after the lodgement of the Consolidated Entity’s accounts when the payment falls due to be eligible for an STI award, except in good leaver cases including retirement or bona fide redundancy, where some or all of the payment may be made at the discretion of the Board and senior management team (as appropriate).													
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including deferral of part of the STI award.													

#### FY19 short-term incentive outcome

The table below sets out specific information relating to the actual short-term incentives awarded for the year. In light of the current year's performance McGrath has elected to withhold certain performance based remuneration.

Figure 7: Performance based remuneration award

Name	Total STI Opportunity <sup>1</sup>	Awarded	Awarded	Forfeited
	\$	\$	%	%
G. Lucas	250,000	-	-	100
H. Herman	111,159	-	-	100
G. Wright <sup>2</sup>	120,000	-	-	100
K. Stathopoulos <sup>2</sup>	200,000	-	-	100
C. Mourd	124,500	6,255	5	95
R. Fearnley	57,000	5,700	10	90

<sup>1</sup> Amounts include superannuation.

<sup>2</sup> G. Wright and K. Stathopoulos forfeited any FY19 short-term incentive opportunity on resignation/notice provided.

## 5. Long-term incentive overview

Figure 8: Structure of the long-term incentive plan

### CEO LTI Plan

Feature	Description						
Maximum opportunity	The CEO will be entitled to be awarded share options to a value up to a maximum 50% of FAR.						
Performance period	Three years.						
Performance metrics	<div>The LTI metrics align with our strategic objectives and the creation of shareholder value.</div> <table><tr><th>Category</th><th>Weighting</th><th>Conditions and vesting</th></tr><tr><td>Earnings Per Share (EPS)</td><td>100%</td><td><div>The Company’s statutory Earnings Per Share (EPS) as set out in the Company’s audited financial statements measures the earnings generated by the Company attributable to each share on issue.</div><div>The number of options that are capable of vesting is dependent on the Company’s EPS performance for the year ending 30 June 2021.</div></td></tr></table>	Category	Weighting	Conditions and vesting	Earnings Per Share (EPS)	100%	<div>The Company’s statutory Earnings Per Share (EPS) as set out in the Company’s audited financial statements measures the earnings generated by the Company attributable to each share on issue.</div> <div>The number of options that are capable of vesting is dependent on the Company’s EPS performance for the year ending 30 June 2021.</div>
Category	Weighting	Conditions and vesting					
Earnings Per Share (EPS)	100%	<div>The Company’s statutory Earnings Per Share (EPS) as set out in the Company’s audited financial statements measures the earnings generated by the Company attributable to each share on issue.</div> <div>The number of options that are capable of vesting is dependent on the Company’s EPS performance for the year ending 30 June 2021.</div>					
Delivery of LTI	<div>The performance will be measured at the end of the performance period. The Board determines the number of options that vest based on the extent to which the performance hurdle is satisfied, and options can be exercised.</div> <div>Unless the Board determines otherwise, if the employee ceases employment with McGrath for any reason prior to the options vesting, all options will automatically lapse.</div>						



## Members of the senior management LTI Plan

Feature	Description															
Maximum opportunity	Certain members of the senior management team will be entitled to be awarded performance rights to a value up to a maximum percentage of their FAR (the maximum is typically 30% but will not exceed 40% of total FAR).															
Performance period	Three years.															
Performance metrics	The LTI metrics align with our strategic objectives and the creation of shareholder value.															
	Year	Category	Weighting	Conditions and vesting												
	2019	Earnings Per Share (EPS)	100%	<p>The Company's statutory Earnings Per Share (EPS) as set out in the Company's audited financial statements measures the earnings generated by the Company attributable to each share on issue.</p> <p>Performance rights will vest in three tranches depending upon the EPS of the Company over one, two and three years respectively. The following vesting schedule applies to the EPS performance hurdle:</p> <table><tr><th>Performance achieved</th><th>Percentage of awards vesting</th></tr><tr><td>Below threshold EPS</td><td>Nil</td></tr><tr><td>Equal to the threshold EPS</td><td>95%</td></tr><tr><td>Between threshold and target basis</td><td>96%-100% on a straight-line basis</td></tr><tr><td>Between target and stretch EPS</td><td>101% - 124%</td></tr><tr><td>Above stretched EPS</td><td>125%</td></tr></table>	Performance achieved	Percentage of awards vesting	Below threshold EPS	Nil	Equal to the threshold EPS	95%	Between threshold and target basis	96%-100% on a straight-line basis	Between target and stretch EPS	101% - 124%	Above stretched EPS	125%
	Performance achieved	Percentage of awards vesting														
	Below threshold EPS	Nil														
	Equal to the threshold EPS	95%														
Between threshold and target basis	96%-100% on a straight-line basis															
Between target and stretch EPS	101% - 124%															
Above stretched EPS	125%															
2018 and before	EBITDA	50%	<p>The board, at its discretion, sets the EBITDA targets for the financial year of the grant, with compound targets for the two following years.</p> <p>Performance rights will vest in three tranches depending upon the EBITDA performance of the Consolidated Entity at the end of each financial year.</p>													
	Total shareholder return (TSR)	50%	<p>Performance of the Company is measured against the performance of twelve comparator entities chosen based on similarity of industry structure, operating model and market capitalization (see figure 9).</p> <p>Performance rights will vest in three tranches depending upon the TSR of the Company over one, two and three years respectively. The following vesting schedule applies to the TSR performance hurdle:</p> <table><tr><th>Percentile ranking</th><th>Percentage of awards vesting</th></tr><tr><td>Below 50<sup>th</sup> percentile</td><td>Nil</td></tr><tr><td>Equal to the 50<sup>th</sup> percentile</td><td>50%</td></tr><tr><td>Between the 50<sup>th</sup> and the 85<sup>th</sup> percentile</td><td>50%-100% on a straight-line basis</td></tr><tr><td>Above the 85<sup>th</sup> percentile</td><td>100%</td></tr></table>	Percentile ranking	Percentage of awards vesting	Below 50 <sup>th</sup> percentile	Nil	Equal to the 50 <sup>th</sup> percentile	50%	Between the 50 <sup>th</sup> and the 85 <sup>th</sup> percentile	50%-100% on a straight-line basis	Above the 85 <sup>th</sup> percentile	100%			
Percentile ranking	Percentage of awards vesting															
Below 50 <sup>th</sup> percentile	Nil															
Equal to the 50 <sup>th</sup> percentile	50%															
Between the 50 <sup>th</sup> and the 85 <sup>th</sup> percentile	50%-100% on a straight-line basis															
Above the 85 <sup>th</sup> percentile	100%															
Delivery of LTI	<p>Each year performance will be measured for the twelve-month period ended 30 June. If the performance hurdle for the period is met in relation to the specific hurdle, one third of the performance rights will vest. Following assessment, any performance rights that do not vest will lapse.</p> <p>Any shares that vest during the performance period are subject to forfeiture in the event the KMP does not remain employed by the Consolidated Entity for the full period over which the performance right grant is measured.</p>															

Figure 9: Comparator group

Company	ASX code	Sector	Industry group
HFA Holdings Ltd	HFA	Financials	Diversified Financials
Silver Chef Ltd	SIV	Industrials	Capital Goods
iSelect Limited	ISU	Consumer Discretionary	Consumer Services
Wellcom Group Ltd	WLL	Industrials	Commercial & Professional Services
CVC Limited	CVC	Financials	Diversified Financials
Money3 Corporation Limited	MNY	Financials	Diversified Financials
GR Engineering Services Limited	GNG	Industrials	Capital Goods
Shine Corporate Ltd	SHJ	Consumer Discretionary	Consumer Services
Collection House Limited	CLH	Industrials	Commercial & Professional Services
Pacific Current Group Ltd	PAC	Financials	Diversified Financials
Mortgage Choice Limited	MOC	Financials	Banks
Villa World Limited	VLW	Financials	Real Estate

**LTI awarded**

The long-term incentive is issued as performance rights granted under a long-term incentive plan each year.

**CEO LTI Plan**

On May 14 2018, the Board granted 2,500,000 share options to Mr. Lucas as part of the CEO LTI Program. The options have a grant date fair value of \$0.092 per option.

Figure 10: Options movement schedule

Share Options	Grant date	Outstanding at 1 July 2018	Granted	Fair value at grant date <sup>1</sup>	Forfeited	Exercised	Expired	Outstanding at 30 June 2019
CEO 2018 Plan	May 2018	2,500,000	-	230,000	-	-	-	2,500,000

<sup>1</sup> For accounting purposes, the fair value at grant is shown above, in accordance with AASB 2: Share-Based Payment. The fair value of an option of \$0.092 has been independently valued using a binomial tree methodology.

**Members of the senior management LTI Plans****FY17 LTI Plan and FY18 LTI Plan**

The allocation of performance rights in accordance to the FY17 LTI and FY18 LTI plans were made in May 2017 and September 2017 and are subject to a three-year performance period. The performance rights were respectively issued at \$1.17 and \$0.7467.

**FY19 LTI Plan**

The allocation of performance rights in accordance to the FY19 LTI plans were made in December 2018 and are subject to a three year performance period as set out in figure 8. The performance rights were issued at \$0.29, the volume weighted average share price of the Company for the 10 days prior to grant.

Figure 11: Performance Rights movement schedule

Performance Rights		EBITDA / TSR / EPS <sup>2</sup>					
		Held at 1 July 2018	Granted	Fair value at grant date <sup>1</sup>	Lapsed	Vested	Held at 30 June 2019
		Number	Number	\$	Number	Number	Number
K. Stathopoulos <sup>3</sup>	2017 Grant	51,282	-	-	(51,282)	-	-
	2018 Grant	178,564	-	-	(178,564)	-	-
	2019 Grant	-	691,945	200,664	(691,945)	-	-
G. Wright <sup>3</sup>	2018 Grant	148,838	-	-	(148,838)	-	-
	2019 Grant	-	415,167	120,398	(415,167)	-	-
C. Mourd	2018 Grant	111,156	-	-	(55,578)	-	55,578
	2019 Grant	-	430,736	124,913	(143,579)	-	287,157
R. Fearnley	2018 Grant	50,890	-	-	(25,445)	-	25,445
	2019 Grant	-	197,204	57,189	(65,735)	-	131,469

<sup>1</sup> For accounting purposes, the fair value at grant is shown above, in accordance with AASB 2: Share-Based Payment.

<sup>2</sup> The performance metrics in FY17 and FY18 is 50% weighting on EBITDA and 50% weighting on TSR. In FY19 the weighting is based on 100% EPS.

<sup>3</sup> G. Wright and K. Stathopoulos forfeited any FY19 long-term incentive opportunity on resignation/notice provided. The share-based payment previously recognised under AASB 2 has been reversed.

### Relative proportions of fixed vs variable remuneration expense

Figure 12 reflects the relative proportions of FAR and STI of remuneration received based on the actual performance based on the amount awarded. Where the performance conditions for the STI were not met 100% of the remuneration will be FAR. The proportions are based on the amounts disclosed as statutory remuneration expense in figure 4.

Figure 12: Relative proportion of fixed vs variable remuneration expense

	2019				2018			
	Fixed annual remuneration <sup>1</sup>		STI and LTI		Fixed annual remuneration <sup>1</sup>		STI and LTI	
	\$	%	\$	%	\$	%	\$	%
<b>Chief Executive Officer</b>								
G. Lucas	515,332	88	73,307	12	187,146	95	10,079	5
C. Judson	-	-	-	-	456,998	100	-	-
<b>Executive Director</b>								
J. McGrath	552,893	100	-	-	550,467	100	-	-
<b>Other Key Management Personnel</b>								
H. Herman	7,756	100	-	-	-	-	-	-
G. Wright	398,561	100	-	-	283,018	94	19,597	6
K. Stathopoulos	528,122	100	-	-	510,365	95	24,878	5
C. Mourd	420,896	95	20,891	5	423,556	97	14,636	3
R. Fearnley	263,854	96	12,401	4	206,600	76	63,701	24
P. Hauenschild	-	-	-	-	124,750	100	-	-

<sup>1</sup> Fixed Annual Remuneration excludes termination pay.

## 5. Non-executive director arrangements

Total amount paid to all Non-executive directors for their services, in any financial year, must not exceed in aggregate \$600,000 as set by McGrath's general meeting. The fees shown in the table on the right are inclusive of superannuation.

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

The fees paid to the non-executive directors in relation to the relevant financial year are set out below.

	2019
<b>Board fees</b>	
Chair*	\$140,000
Other non-executive directors	\$100,000

\*Fees do not include reimbursement of travel costs up to \$10,000.

Figure 13: Non-executive director remuneration

Name	Year	Fees	Superannuation	Total
P. Lewis <sup>1</sup>	2019	127,856	12,144	140,000
	2018	46,560	4,423	50,983
A. Robinson <sup>1</sup>	2019	91,324	8,676	100,000
	2018	41,213	3,915	45,128
C. O'Connor <sup>2</sup>	2019	-	-	-
	2018	106,545	10,122	116,667
E. Crouch <sup>2</sup>	2019	-	-	-
	2018	76,104	7,230	83,334
N. Dews <sup>3</sup>	2019	-	-	-
	2018	50,463	4,794	55,257
C. Rogers <sup>2</sup>	2019	-	-	-
	2018	70,015	6,651	76,666
Total non-executive director remuneration	2019	219,180	20,820	240,000
	2018	390,900	37,135	428,035

<sup>1</sup> P. Lewis and A. Robinson appointed 19 February 2018.

<sup>2</sup> C. O'Connor, E. Crouch and C. Rogers resigned from the board on 19 February 2018.

<sup>3</sup> N. Dews resigned from the board on 19 January 2018.

W. Mo was appointed as a non-executive director on 27 June 2018. W. Mo received no remuneration for the year and prior year.

## 6. Shareholdings of Directors and KMP

The table below summarises the movements in holdings of ordinary shares in McGrath Limited held directly, indirectly or beneficially, by each Director and KMP and their personally related entities.

Figure 14: Shareholdings

2019 Name	Held at 1 July 2018	Changes during the year	Held at 30 June 2019 <sup>1</sup>
<b>Ordinary shares</b>			
P. Lewis	-	136,662	136,662
A. Robinson	-	52,631	52,631
J. McGrath	37,127,378	-	37,127,378
K. Stathopoulos	476	-	476
R. Fearnley	42,726	-	42,726

W.Mo did not hold any shares during the year.

As at 30 June 2019 C. Judson's 222,750 shares remained in escrow and were released on 14 July 2019.

## 7. Loans given to KMP

No loans or cash advance have been granted to directors or key management personnel during the year and prior year.

## Directors' Report for the Year Ended 30 June 2019

The Directors present their report, together with the financial statements of McGrath Limited (the Company or McGrath) and the subsidiaries that it controlled at the end of the period and from time to time throughout the period (together referred to as the Consolidated Entity), for the year ended 30 June 2019 and the auditor's report thereon. The financial statements have been reviewed and approved by the directors on the recommendation of the McGrath Audit and Risk Committee.

The Consolidated Entity loss after providing for income tax amounted to \$15,572,697 (2018: loss of \$63,103,772).

### Principal activities and review of operations

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.

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 3-6 of this Annual Report.

### Directors

The following persons were Directors of McGrath Limited during the year ended 30 June 2019:

#### Mr. Peter Lewis

Chairman and Independent Non-executive Director.  
• Appointed 19 February 2018.

#### Mr. John McGrath

Executive Director.

#### Mr. Andrew Robinson

Independent Non-executive Director.  
• Appointed 19 February 2018.

#### Mr. Wayne Mo

Non-executive Director.  
• Appointed 27 June 2018.

### Company Secretary

#### Melissa Jones

• Appointed 15 February 2018.

Melissa has over 15 years' experience as a lawyer, company secretary and governance professional. Melissa is admitted as a Solicitor of the Supreme Court of New South Wales and holds a Bachelor of Laws (Honours).

### Dividends

No dividends were declared and paid during the year (2018: \$1,548,000). No final dividends for the year ending 30 June 2019 were declared.

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity.

### Subsequent events

As part of the growth corporate strategy the Consolidated Entity has entered into an agreement to acquire the business, assets and rent roll of Sydney Sotheby's International Realty Sydney CBD and Millers Point, with the agreement settled on 1 July 2019.

There are no other significant events that have occurred in the interval between the end of the financial year and the date of this report; no 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.

### Likely developments

The Consolidated Entity has a clear growth strategy of expanding its market share via improving agent productivity, agent attraction, franchise office roll-outs and entering new operating territories.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report as the Directors' believe inclusion of such information is likely to result in unreasonable speculation concerning the Consolidated Entity.

### Environmental issues

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The Consolidated Entity is not subject to the reporting requirements of the *National Green House and Energy Act 2007*.

### Indemnification and insurance of officers

#### Indemnification

The Company has agreed to indemnify the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

#### Insurance

During the financial year, the Consolidated Entity has paid an insurance premium of \$110,527 in respect of Directors' and Officers' liability, for current and former Directors and senior executives of the Company and directors and senior executives of its controlled entities.

The insurance premium relates to:

- costs and expenses incurred by the relevant Directors' or Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policy outlined above does not contain details of any premium paid in respect of individual officers of the Consolidated Entity.

### Directors' interests

The relevant interest of each director in the shares issued by the Company at the date of this report is as follows:

Director	Ordinary Shares
Peter Lewis	136,662
Andrew Robinson	52,631
Wayne Mo	-
John McGrath	37,127,378

No options over issued shares or interests in the Company or a controlled entity were granted to directors during or since the end of the financial year.

### Remuneration report – audited

Information on McGrath's remuneration framework and the outcomes for FY19 for the McGrath Limited Board and key management personnel, is included in the remuneration report on pages 9-22 of this Annual Financial Report.

### Corporate governance

Consolidated Entity governance matters are discussed on pages 7-8 of this Annual Financial Report and are also available on the Consolidated Entity's website:  
<https://www.mcgrath.com.au/about/investorCentre>

### Non-audit services

McGrath may decide to employ the auditor on assignment additional to their statutory audit duties where the auditor's expertise and experience with the Company are relevant. Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year ended 30 June 2019 are set out in Note E7 to the financial statements.

The Board has considered its position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not affect the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in Accounting Professional & Ethical Standards 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 25.

### 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.

Signed in accordance with a resolution of the Directors.



Peter Lewis  
Chair  
26 August 2019



# 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 audit of McGrath Limited for the financial year ended 30 June 2019 there have been:

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

KPMG

KPMG

Stuart Marshall

Partner

Sydney

26 August 2019





# McGrath Limited and Controlled Entities

*ACN. 608 153 779*

*Financial Statements For The Year Ended 30 June 2019*

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## Financial Statements

### Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	A1	82,699	99,176
Cost of sales		(34,530)	(38,084)
Employee benefits expenses	A4	(30,212)	(33,804)
Directors' fees		(219)	(391)
Professional fees		(1,224)	(2,095)
Doubtful debts		(2,250)	(1,321)
Occupancy		(6,942)	(7,399)
IT expenses <sup>1</sup>		(4,956)	(6,492)
Communications		(2,141)	(2,055)
Advertising and promotions		(1,854)	(1,879)
Other expenses <sup>1</sup>		(4,796)	(4,369)
Loss on sale of assets	B2, B3	(6)	(247)
Onerous contract expenses		(3,694)	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>(10,125)</b>	<b>1,040</b>
Depreciation and amortisation expenses	B2, B3	(4,525)	(7,157)
Impairments	B1, B2, B3	(3,365)	(59,389)
Finance income		221	52
Finance costs		(27)	(19)
Net finance income		194	33
<b>Loss before income tax</b>		<b>(17,821)</b>	<b>(65,473)</b>
Income tax benefit	E1	2,248	2,370
<b>Loss after income tax benefit</b>		<b>(15,573)</b>	<b>(63,103)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(15,573)</b>	<b>(63,103)</b>
Basic losses per share (cents)	A5	(9.33)	(44.34)
Diluted losses per share (cents)	A5	(9.33)	(44.34)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

<sup>1</sup>\$6.5 million of IT expenses in the comparative period have been reclassified from Other expenses to IT expenses to conform to the current period presentation.

## Consolidated statement of financial position as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	A3	10,289	10,928
Trade and other receivables	B1	19,209	23,594
Other assets	E2	2,812	2,884
Current tax assets		-	3,135
<b>TOTAL CURRENT ASSETS</b>		<b>32,310</b>	<b>40,541</b>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables	B1	1,999	3,427
Property, plant and equipment	B2	1,961	1,503
Intangible assets	B3	12,341	16,156
Deferred tax assets	E1	974	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>17,275</b>	<b>21,086</b>
<b>TOTAL ASSETS</b>		<b>49,585</b>	<b>61,627</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	B4	13,036	11,999
Provisions	E3	2,673	1,141
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,709</b>	<b>13,140</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	B4	507	1,167
Provisions	E3	2,521	1,172
Deferred tax liabilities	E1	-	3,755
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>3,028</b>	<b>6,094</b>
<b>TOTAL LIABILITIES</b>		<b>18,737</b>	<b>19,234</b>
<b>NET ASSETS</b>		<b>30,848</b>	<b>42,393</b>
<b>EQUITY</b>			
Contributed equity	E4	108,416	103,549
Share-based payment reserve	E4	819	670
Accumulated losses		(78,387)	(61,826)
<b>TOTAL EQUITY</b>		<b>30,848</b>	<b>42,393</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity as at 30 June 2019

	Notes	Contributed equity	Accumulated losses	Share based payment reserve	Total equity, attributable to owners of the Company
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2018		103,549	(61,826)	670	42,393
Adjustment on initial application of AASB 9 (net of tax)	E9(c)	-	(988)	-	(988)
Adjusted balance at 1 July 2018		103,549	(62,814)	670	41,405
Loss after income tax benefit		-	(15,573)	-	(15,573)
<b>Total comprehensive loss for the period</b>		-	(15,573)	-	(15,573)
Issue of Equity	E4	4,916	-	-	4,916
Aqualand placement costs	E4	(49)	-	-	(49)
Share based payment transactions	A4	-	-	149	149
<b>Transactions with owners, recorded directly in equity</b>		4,867	-	149	5,016
Balance at 30 June 2019		108,416	(78,387)	819	30,848
Balance at 30 June 2017		95,194	2,825	672	98,691
Loss after income tax benefit		-	(63,103)	-	(63,103)
<b>Total comprehensive loss for the period</b>		-	(63,103)	-	(63,103)
Issue of Equity	E4	8,852	-	-	8,852
Aqualand placement costs	E4	(179)	-	-	(179)
Share buy-back	E4	(318)	-	-	(318)
Share based payment transactions	A4	-	-	(2)	(2)
Dividends	C3	-	(1,548)	-	(1,548)
<b>Transactions with owners, recorded directly in equity</b>		8,355	(1,548)	(2)	6,805
Balance at 30 June 2018		103,549	(61,826)	670	42,393

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		92,967	112,041
Payments to suppliers and employees		(95,448)	(109,222)
Interest paid		(27)	(19)
Interest received		221	52
Income taxes received/(paid)		1,320	(1,320)
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	A3	<b>(967)</b>	<b>1,532</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		-	1,017
Purchase of property, plant and equipment	B2	(1,390)	(348)
Purchase of intangibles	B3	(3,149)	(499)
Loan repayments received		-	545
<b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>		<b>(4,539)</b>	<b>715</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	E4	4,867	5,610
Payment for purchase of shares and options	E4	-	(318)
Repayment of borrowings	B5	-	(3,062)
Dividends paid	C3	-	(1,548)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>4,867</b>	<b>682</b>
Net (decrease)/increase in cash and cash equivalents		(639)	2,929
Cash and cash equivalents at the beginning of the financial year		10,928	7,999
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	A3	<b>10,289</b>	<b>10,928</b>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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## Notes to the Financial Statements

The consolidated financial statements of McGrath Limited (the Company) as at and for the year ending 30 June 2019 comprise the Company and its controlled entities, together referred to as the Consolidated Entity.

McGrath Limited is a for-profit company limited by shares incorporated and domiciled in Australia.

The financial report is presented in Australian dollars which is the Company's functional currency.

The financial statements were approved by the Board of Directors on 26 August 2019.

**The notes are set out in the following sections:**

### **A Financial performance and cash flows**

This section explains the drivers of the Consolidated Entity's performance, operating segment disclosures and provides information necessary to access the Consolidated Entity's cash flows.

### **B Financial position**

This section provides a breakdown and further information about those balance sheet items that the Directors consider most relevant in assessing the financial position of the Consolidated Entity.

### **C Risk, capital management and related parties**

This section explains the Consolidated Entity's risk and capital management, including dividend payments and transactions with related parties, particularly directors and executives.

### **D Unrecognised items**

Provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Consolidated Entity's financial position and performance.

### **E Other information**

Sets out information that the Directors do not consider significant in the context of the Consolidated Entity's operations and covers statutory information that must be disclosed to satisfy the requirements of the Corporations Act 2001.



## A Financial performance and cash flows

*This section explains the drivers of McGrath's performance, operating segments and provides information necessary to assess our cash flows.*

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# Notes to the Financial Statements for the year ended 30 June 2019

## A Financial performance and cash flows

### A1 Revenue

	2019 \$'000	2018 <sup>1</sup> \$'000
Company owned sales commission and fees	47,527	58,223
Company owned property management fees	19,403	18,809
Franchise service fees	8,136	10,978
Other revenue	7,633	11,166
Total revenue	82,699	99,176

<sup>1</sup>The year ended 30 June 2018 categorisation of Commission and Fees has been expanded due to the adoption of AASB 15 (see Note E9(c)A).

#### Recognition and Measurement

Company owned sales commission is generated from undertaking residential and project property sales on behalf of property vendors. Sales commission is generally based on a percentage of the property's value and is recognised as revenue on completion of the performance obligation to sell the property which is at the point-in-time of the unconditional exchange of the sales contracts between vendor and buyer. Receipt of residential sales commission earned is on settlement. Receipt of project sales commission is generally 50% on exchange and 50% on settlement. Company owned sales commission includes marketing fees which represents the revenue generated from marketing campaigns. Marketing fees are recognised when the agency agreement has been executed and are primarily paid upfront.

Company owned property management fees are generated from the management of residential properties on behalf of owner clients. The revenue stream generates earnings through leasing fees earned upon successful letting of a property and charging a commission to manage a let property. Leasing fees are based on a fixed fee and is billed on the completion of the performance obligation at a point-in-time of the tenant and landlord executing the tenancy agreement and the tenant having access to the property. Management rental fees are based on a percentage of rental income and are recognised over the period the performance obligation for managing the property is performed. Management fees are therefore invoiced and collected monthly.

Franchise fees are fees in consideration for the ongoing right to use the systems, marks, images and other intellectual property of McGrath in connection with the operation of the sale real estate and property management. Franchise fees are calculated as a percentage of the franchises sales commissions and property management fees earned and are recognised on the same basis as the Consolidated Entity recognises Company owned sales and Company owned property management fees detailed above.

Other revenues include mortgage brokerage commissions, auction services, training and events and other network services. Mortgage brokerage commissions are recognised at the point-in-time of loan settlement, revenue from auctions are recognised at the point-in-time the auction is conducted, and training and event fees are recognised as revenue at the point-in-time when the performance obligation of providing the training or event is complete.

The Consolidated Entity analysed its revenue streams and concluded these revenue streams have the same timing and pattern of revenue recognition under AASB 118 and under the new guidance of AASB 15, and therefore the Consolidated Entity has no change in revenue recognition with the adoption of the new standard, please refer to Note E9(c)A for more detail.

## A2 Operating segments

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### 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 – CODM) in order to assess segment performance and in determining the allocation of resources to the segment. These divisions 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 commission 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. The accounting policies of each operating segment are the same as those described for the Consolidated Entity.

## A2 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.

	Company owned Sales <sup>1</sup>	Company owned property management	Franchise services	Total reportable segments	Other segments	Consolidated total
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	47,527	19,403	8,136	75,066	7,633	82,699
Segment profit/(loss) before interest, tax, depreciation and amortisation	(2,675)	5,350	3,317	5,992	(5,435)	557
Unallocated corporate costs						(10,682)
EBITDA						(10,125)
Depreciation and amortisation	(36)	(2,067)	-	(2,103)	(2,018)	(4,121)
Impairments	-	-	-	-	(3,365)	(3,365)
Unallocated corporate depreciation and amortisation						(404)
Net finance income						194
Loss before income tax						(17,821)

	Company owned Sales <sup>1</sup>	Company owned property management	Franchise services	Total reportable segments	Other segments	Consolidated total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	58,223	18,809	10,978	88,010	11,166	99,176
Segment profit/(loss) before interest, tax, depreciation and amortisation <sup>2</sup>	3,431	5,675	5,727	14,833	(547)	14,286
Unallocated corporate costs <sup>2</sup>						(13,246)
EBITDA						1,040
Depreciation and amortisation	(1,709)	(3,054)	(1)	(4,764)	(1,783)	(6,547)
Impairments	(57,251)	(1,096)	(415)	(58,762)	(627)	(59,389)
Unallocated corporate depreciation and amortisation						(610)
Net finance income						33
Loss before income tax						(65,473)

<sup>1</sup>The Company owned Sales revenue from external customers includes sales and project commissions of \$29.1 million (2018: \$38.7 million) and \$18.1 million in marketing revenue (2018: \$19.5 million).

<sup>2</sup>The year ended 30 June 2018 comparative figure for unallocated corporate costs has been amended to be consistent with the 30 June 2019 presentation, with the change of dedicated support staff costs allocated across segments.

**A3 Cash and cash flow related information**

	2019 \$'000	2018 \$'000
Cash at bank	4,090	3,119
Short-term deposits	6,199	7,809
Cash and cash equivalents	10,289	10,928

**Recognition and Measurement**

Cash and cash equivalents comprise cash at bank 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, net of any outstanding bank overdrafts.

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 before income tax**

	2019 \$'000	2018 \$'000
Loss before income tax	(17,821)	(65,473)
Adjustments for:		
Depreciation and amortisation expense	4,525	7,157
Impairments	3,365	59,389
Doubtful debts	2,250	1,321
Share-based payment transactions	149	(2)
Loss on sale of property, plant and equipment	6	247
Onerous contract expenses	3,694	-
Income tax received/(paid)	1,320	(1,320)
Net cash (outflow)/inflow from ordinary activities before changes in working capital	(2,512)	1,319
Payables and other liabilities	(428)	(3,118)
Trade receivables and other assets	1,973	3,331
Net cash (outflow)/inflow from operating activities	(967)	1,532

## A4 Employee benefit expenses

	2019	2018
	\$'000	\$'000
Wages and salaries	26,204	29,928
Leave provisions	1,968	1,730
Contributions to defined contribution plans (superannuation)	2,040	2,146
	<u>30,212</u>	<u>33,804</u>

### Recognition and Measurement

#### Wages, salaries, annual leave and sick leave

Short term employee benefits are expensed as the related service is provided. Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken.

Liabilities for wages, salaries, annual leave and sick leave are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are measured at the rates paid or payable.

#### Long service leave

The liability for long service leave is recognised in the provision for employee benefits. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on a corporate rate with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### Defined contribution plans (superannuation)

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separate entity with no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The compensation expense corresponding to the share options and performance rights, and associated costs was recorded as follows:

	2019	2018
	\$'000	\$'000
Wages and salaries	149	(2)

## A5 Earnings per share

### (a) Basic earnings per share

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

(i) Loss attributable to ordinary shareholders (basic)	2019	2018
	\$'000	\$'000
Loss attributable to owners of the Company	(15,573)	(63,103)
(ii) Weighted-average number of ordinary shares	2019	2018
	Number	Number
<i>In thousands of shares</i>		
Shares on issue at close 1 July	156,364	139,062
Issue of shares – C Judson	-	223
Smollen Script Milestone 2	-	3,977
Share buyback	-	(520)
Aqualand placement	11,568	13,622
Shares on issue at 30 June	167,932	156,364
<b>Weighted-average number of ordinary shares at 30 June</b>	<b>166,950</b>	<b>142,324</b>
<b>Basic losses per share (cents)</b>	<b>(9.33)</b>	<b>(44.34)</b>

### (b) Diluted earnings per share

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

(i) Loss attributable to ordinary shareholders (diluted)	2019	2018
	\$'000	\$'000
Loss attributable to owners of the Company	(15,573)	(63,103)
(ii) Weighted-average number of ordinary shares	2019	2018
	Number	Number
<i>In thousands of shares</i>		
Weighted-average number of ordinary shares (basic)	166,950	142,324
Convertible redeemable preference shares (CRP) <sup>1</sup>	-	-
High performing agent share plan <sup>2</sup>	-	-
Performance Rights and options <sup>3</sup>	-	-
<b>Weighted-average number of ordinary shares at 30 June</b>	<b>166,950</b>	<b>142,324</b>
<b>Diluted losses per share (cents)</b>	<b>(9.33)</b>	<b>(44.34)</b>

<sup>1</sup>The CRPS convert to shares in two tranches. The calculation considers the dilutive effect of the CRPS tranche one converted at a share price of \$1.19 and potential dilutive effect of tranche two if they were to be converted at the share price at 30 June 2017 per the share purchase agreement for the Smollen Group.

<sup>2</sup> High performing agents (HPA) 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 shares were issued at a price of \$1.1731. The Company provided agents with a limited recourse loan to acquire shares. These shares are anti-dilutive in the period to June 2019 as their potential conversion to ordinary shares will decrease the loss per share.

<sup>3</sup> 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 EPS, EBITDA, TSR and continuity of service obligations. The performance rights are anti-dilutive in the period to June 2019 as their potential conversion to ordinary shares will decrease the loss per share.

The Consolidated Entity presents basic and diluted losses per share. Basic losses per share is calculated by dividing the loss attributable to ordinary shareholders of McGrath by the weighted average number of ordinary shares outstanding. The diluted losses per share is determined by adjusting the loss 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 losses per share. The diluted losses per share calculation considers the impact of potentially dilutive instruments, if any.



## B Financial position

*This section provides a breakdown and further information about those balance sheet items that the Directors consider most relevant in assessing the financial position of McGrath.*

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B2	Property, plant and equipment	42
B3	Intangible assets	44
B4	Trade and other payables	46
B5	Loans and borrowings	46

## B Financial Position

### B1 Trade and other receivables

	Notes	2019 \$'000	2018 <sup>1</sup> \$'000
<b>Current</b>			
Trade receivables	(i)	19,352	19,162
Doubtful debts provision	(ii)	(4,481)	(943)
		14,871	18,219
Contract assets	(iii)	3,937	5,808
Loans - other	(iv)	401	348
Impairment		-	(781)
		19,209	23,594
<b>Non-current</b>			
Trade receivables	(i)	1,775	3,356
Contract assets		224	-
Loans - other	(iii)	-	71
		1,999	3,427

<sup>1</sup> The balance at 1 July 2018 includes the effect of adopting AASB 9 (see Note E9(c)B).

#### Recognition and Measurement

Receivables and other loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at their transactional price and subsequently amortised cost using the effective interest method less any impairment losses raised for doubtful debts based on expected lifetime credit losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(i) Trade receivables, which are generally due on settlement or have 30 day terms, are recognised and carried at original invoice amount less an allowance for any expected uncollectible amounts over the life of the receivables. Where settlement is due more than 12 months later, the receivable is classified as non-current.

(ii) Provision for doubtful debts is based on Consolidated Entity's expectation of uncollectable debts. Bad debts are written off when identified.

(iii) Contract assets largely relates to the Consolidated Entity's right to franchise fees not yet billed at reporting date.

(iv) Other loans are predominantly unsecured and may be interest bearing or interest free. They are repaid on an ongoing basis from agreed payment arrangements.

Information about the Group's trade receivable exposure to credit and market risks, and impairment losses are included in Note C1.



## B2 Property, plant and equipment

	Notes	Plant and equipment	Leasehold improvements	Land and Buildings	Total
		\$'000	\$'000	\$'000	\$'000
<b>Consolidated Entity, year ended 30 June 2019</b>					
<b>Cost</b>					
At 1 July 2018		8,391	9,670	-	18,061
Additions <sup>1</sup>		322	1,068	-	1,390
Disposals		(27)	-	-	(27)
At 30 June 2019		8,686	10,738	-	19,424
<b>Accumulated depreciation</b>					
At 1 July 2018		(7,038)	(9,520)	-	(16,558)
Depreciation charge for the year		(861)	(65)	-	(926)
Disposals		21	-	-	21
At 30 June 2019		(7,878)	(9,585)	-	(17,463)
<b>Carrying amounts</b>					
At 1 July 2018		1,353	150	-	1,503
At 30 June 2019		808	1,153	-	1,961

<sup>1</sup>During the year, the Consolidated Entity acquired \$700 thousand of leasehold assets and \$125 thousand of plant and equipment at Mowbray Road, Willoughby.

	Notes	Plant and equipment	Leasehold improvements	Land and Buildings <sup>1</sup>	Total
		\$'000	\$'000	\$'000	\$'000
<b>Consolidated Entity, year ended 30 June 2018</b>					
<b>Cost</b>					
At 1 July 2017		8,268	10,002	1,172	19,442
Additions		323	25	-	348
Transfers		(9)	(77)	-	(86)
Disposals		(191)	(280)	(1,172)	(1,643)
At 30 June 2018		8,391	9,670	-	18,061
<b>Accumulated depreciation</b>					
At 1 July 2017		(4,919)	(5,488)	-	(10,407)
Depreciation charge for the year		(1,424)	(1,334)	-	(2,758)
Disposals		161	223	-	384
Impairment	B3	(856)	(2,921)	-	(3,777)
At 30 June 2018		(7,038)	(9,520)	-	(16,558)
<b>Carrying amounts</b>					
At 1 July 2017		3,349	4,514	1,172	9,035
At 30 June 2018		1,353	150	-	1,503

<sup>1</sup>The land and buildings assets were the McGrath office at Sydney Road, Seaforth which was wholly owned by the Consolidated Entity. The Consolidated Entity entered into a contract for the sale of this asset, leasehold improvements and equipment to an external party in FY18. The net proceeds of the sale were below the carrying value held for this asset, which incurred a net loss of disposal of \$247 thousand.

## **B2      Property, plant and equipment (continued)**

### **Recognition and Measurement**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is based on the cost of an asset less its residual value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment - 2.5 to 10 years; and
- Leasehold improvements - remaining lease term.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

#### **(i) Impairment**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the profit and loss.

#### **(ii) Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## B3 Intangible assets

	Goodwill \$'000	Property Management Rights \$'000	Software \$'000	Total \$'000
<b>Consolidated Entity, year ended 30 June 2019</b>				
<b>Cost</b>				
At 1 July 2018	53,328	22,372	13,092	88,792
Additions <sup>1</sup>	-	1,905	1,244	3,149
At 30 June 2019	53,328	24,277	14,336	91,941
<b>Accumulated amortisation</b>				
At 1 July 2018	(53,328)	(11,090)	(8,218)	(72,636)
Amortisation charge for the period	-	(2,058)	(1,541)	(3,599)
Impairments <sup>2</sup>	-	-	(3,365)	(3,365)
At 30 June 2019	(53,328)	(13,148)	(13,124)	(79,600)
<b>Carrying amounts</b>				
At 1 July 2018	-	11,282	4,874	16,156
At 30 June 2019	-	11,129	1,212	12,341

<sup>1</sup>Three rent rolls, two in NSW and one in QLD, totalling \$1.9 million were acquired during the reporting period.

<sup>2</sup>The impairment charge relates to in-house software development costs capitalised during prior years. During the first half of the year, external software developers were engaged to provide enhanced software applications. It was assessed that these applications would supersede the in-house software development costs previously capitalised.

	Goodwill \$'000	Property Management Rights \$'000	Software \$'000	Total \$'000
<b>Consolidated Entity, year ended 30 June 2018</b>				
<b>Cost</b>				
At 1 July 2017	53,328	22,363	12,521	88,212
Additions	-	9	490	499
Transfers	-	-	86	86
Disposals	-	-	(5)	(5)
At 30 June 2018	53,328	22,372	13,092	88,792
<b>Accumulated amortisation</b>				
At 1 July 2017	-	(6,971)	(6,435)	(13,406)
Amortisation charge for the period	-	(3,023)	(1,376)	(4,399)
Impairments <sup>3</sup>	(53,328)	(1,096)	(407)	(54,831)
At 30 June 2018	(53,328)	(11,090)	(8,218)	(72,636)
<b>Carrying amounts</b>				
At 30 June 2017	53,328	15,392	6,086	74,806
At 30 June 2018	-	11,282	4,874	16,156

<sup>3</sup>The impairment relate to property management rights acquired through historical sale transactions with outside parties, redundant software due to new development and goodwill acquired in the Smollen acquisition.

## B3 Intangible assets (continued)

### Recognition and Measurement – Property Management Rights & Software

Intangible assets acquired separately or in a business combination have finite useful lives and initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, acquired intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Property Management Rights are amortised based on actual management right losses incurred.

Expenditure on internally generated intangible assets, excluding software development costs, is not capitalised. Software assets are amortised on a straight-line basis over 2.5 to 5 years commencing from implementation of the software. At each reporting date, the Consolidated Entity reviews the carrying amount of intangibles to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting period.

### Recognition and Measurement – Goodwill

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment or at each reporting date when indicators of impairment are present.

#### Year Ended 30 June 2019

\$'000

-

#### Year Ended 30 June 2018

Carrying amount at beginning of financial year

53,328

Impairment losses during the year

(53,328)

Carrying amount at end of financial year

-

### Recognition and Measurement – Goodwill at 30 June 2018

#### 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.

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The value in use methodology has been used to determine the recoverable amount, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

As at 30 June 2018, the recoverable amount of the Company Owned Sales CGU was determined to be lower than its carrying amount and impairments of goodwill and property, plant and equipment were recognised of \$53.3 million and \$3.8 million respectively. Following the impairment losses recognised in the Company Owned Sales segment CGU, the recoverable amount approximated its carrying amount.

## B3 Intangible assets (continued)

### Recognition and Measurement – Goodwill at 30 June 2018

The key assumption used at 30 June 2018 for 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. Some key assumptions, because of their commercial-in-confidence nature, have not been disclosed.

Key Assumptions – 30 June 2018	Forecast 5 year average
Sales agents	201
Price growth on average sale per property	0-2.5%
Growth in operating costs	2.5%
Terminal value in growth rate	2.5%
Discount rate (pre-tax)	16.3%

## B4 Trade and other payables

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade payables	2,567	650
Other payables	1,642	990
Accrued expenses	6,087	8,002
Accrued sales commission	1,758	1,715
Contract Liability	982	642
	<u>13,036</u>	<u>11,999</u>
<b>Non-current</b>		
Accrued sales commission	507	1,167
	<u>507</u>	<u>1,167</u>

### Recognition and Measurement

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

Contract liability relates to considerations received for performance obligations not yet satisfied and fulfilled.

## B5 Loans and borrowings

The Consolidated Entity closed its undrawn overdraft facility of \$5 million during the year (2018: \$5 million).



## C Risk, capital management and related parties

*This section explains McGrath's risk and capital management, including dividend payments and transactions with related parties, particularly Directors and executives.*

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C2	Capital management	52
C3	Dividends paid and proposed	52
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C5	Related party transactions	54

## C Risk, capital management and related parties

### C1 Financial risk management

#### **Risk Management Framework**

The Consolidated Entity's board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Consolidated Entity has exposure to the following financial risks:

- (A) Credit risk
- (B) Liquidity risk
- (C) Market risk

#### **(A) Credit risk**

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers.

#### **Exposure**

The maximum exposure to credit risk at balance date is the carrying amount of financial assets and contract assets, net of any provisions for doubtful debts, as disclosed in the statements of financial position and notes to the financial statements. The Consolidated Entity closely monitors the age of trade and other receivables on a continuous basis to determine collectability and whether there is any risk of impairment.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors.

#### **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The Consolidated Entity measures the impairment of financial assets based on the expected credit losses over the lifetime of the financial asset.

When determining whether the credit risk of a financial asset and estimating expected credit losses, the Consolidated Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Consolidated Entity's historical experience, informed credit assessment and forward-looking information.

The Consolidated Entity assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. Share risk characteristics predominantly align with the segment that has generated the revenue.

Company Owned residential property management receivables are considered low risk as the monies owed are extracted from cash disbursements received – on settlement for residential property and from rental disbursements for property management.

Project receivables are different to residential sales in that, mostly due to the compounding effect of a longer period of time between exchange and settlement, they hold higher market and customer risk, but also development risk. Management provide for expected future credit losses for projects through an assessment of specific individual project development risks, and for customer and market risk through a general application of actual past failure rates and future expected failure rates based on judgement.

Franchise receivable risk fundamentally holds a similar risk profile to the Company Owned residential sales, but is then elevated as it hinges on the ability of individual Franchises to pay their debts as they become due. Management provide for expected future credit losses for Franchises through the assessment of specific risks attached to individual Franchises based on their aged debt, past payment history, current circumstances and their ability to produce income.

## C1 Financial risk management (continued)

### (A) Credit Risk (continued)

#### Impairment of financial asset (continued)

The ageing of the Consolidated Entity's trade and other receivables and contract assets at the reporting date was:

	2019 Gross \$'000	2019 Provisions \$'000	2018 Gross \$'000	2018 Provisions \$'000
Not past due	17,800	-	24,490	-
Past due 0-30 days	981	-	764	-
Past due 31-90 days	1,069	(434)	753	-
Past due 90 days +	5,839	(4,047)	1,957	(943)
	25,689	(4,481)	27,964	(943)

The movement in the allowance for impairment in respect of trade and contract assets during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under AASB 139.

	2019 \$'000	2018 \$'000
<b>Balance at 1 July under AASB 139</b>	<b>943</b>	<b>301</b>
Adjustment on initial application of AASB 9	1,412	-
<b>Balance at 1 July under AASB 9</b>	<b>2,355</b>	<b>301</b>
Amounts written off	(206)	(162)
Net remeasurement of loss allowance	2,332	804
<b>Balance at 30 June</b>	<b>4,481</b>	<b>943</b>

Trade and other receivables are written off when there is no reasonable expectation of recovery.

#### Previous accounting policy for impairment of trade and other receivables

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Consolidated Entity on terms that the Consolidated Entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

#### Cash and Cash Equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Consolidated Entity considers that its cash and cash equivalents have a low credit risk based on the external credit ratings.



## C1 Financial risk management (continued)

### (B) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting the obligations associated with its financial liabilities. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding loans from controlled entities.

	Carrying amount \$'000	Total Contractual cash flows \$'000	Within 1 Year \$'000	1 to 2 Years \$'000	Greater than 2 years \$'000
30 June 2019					
Trade & other payables	13,543	13,543	13,036	507	-
	13,543	13,543	13,036	507	-
30 June 2018					
Trade & other payables	13,166	13,166	11,999	1,167	-
	13,166	13,166	11,999	1,167	-

## C1 Financial risk management (continued)

### (C) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Consolidated Entity's financial performance and position.

#### Interest rate risk

##### Profile

At reporting date, all interest bearing loans are variable instruments.

At the reporting date the interest rate profile of the interest bearing financial assets and liabilities is:

	Carrying amount		Weighted average floating interest rate	
	2019 \$'000	2018 \$'000	2019 %	2018 %
Financial assets:				
Cash at bank	4,090	3,119	0.00%	0.00%
Short term deposits	6,199	7,809	1.91%	0.75%
Total financial assets	10,289	10,928		

##### Interest rate sensitivity

A change of 100 basis points in interest rates would have increased or decreased the Consolidated Entity's (loss)/profit by \$110,370 (2018: \$51,783).

#### Other Market risks

At 30 June 2019 the Consolidated Entity did not hold any available-for-sale equity securities assets (2018: nil) or have exposure to currency risk.

#### Fair values

For financial assets and financial liabilities, the fair value approximates their carrying value.

The aggregate carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and in the notes to the financial statements.

## C2 Capital management

### Risk management

Capital is defined as the combination of contributed equity, reserves and net debt (borrowings less cash). The board is responsible for monitoring and approving the capital management framework within which management operates. The Consolidated Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders such as employees.

The Consolidated Entity focuses on interrelated financial parameters, including its gearing ratio, earnings growth, average cost of debt, gearing, weighted average debt maturity and borrowing capacity. The Consolidated Entity also monitors its interest coverage ratio and weighted average cost of debt. These are all taken into account when the Consolidated Entity makes decisions on how to invest its capital and evaluate its existing investments.

The capital structure of the Consolidated Entity can be changed by paying distributions to shareholders, returning capital to shareholders, issuing new shares or selling assets.

## C3 Dividends paid and proposed

	2019 \$'000	2018 \$'000
Declared and paid during the year:		
Final franked dividend for 2017: 1¢ (2016: 3.5¢) paid October 2017	-	1,433
Final franked dividend for 2016: CPRS paid November 2017 <sup>1</sup>	-	90
Interim franked dividend for 2017: CPRS paid November 2017 <sup>1</sup>	-	25
	-	1,548

Dividend paid in 2018 were franked at 30%.

Dividend Payout Ratio	-	(2)%
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<b>Dividend franking account</b>	<b>\$'000</b>	<b>\$'000</b>
Amount of franking credits available to shareholders	4,761	6,081

The ability to utilise franking credits is dependent upon the ability to declare dividends.

<sup>1</sup>Under 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 September 2016, until the issue of ordinary shares on 30 June 2017.

### Recognition and Measurement

Dividends and distributions are recognised when declared.

## C4 Key management personnel

### (a) Details of key management personnel

#### *Non-executive Directors*

P. Lewis	Chair and Non-executive Director	Appointed 19 February 2018
A. Robinson	Non-executive Director	Appointed 19 February 2018
W. Mo	Non-executive Director	Appointed 27 June 2018

#### *Executive Director*

J. McGrath	Executive Director
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#### *Executives*

G. Lucas	Chief Executive Officer	Appointed 27 February 2018
H. Herman	Chief Financial Officer	Appointed 24 June 2019
G. Wright	Chief Financial Officer	Resigned 7 June 2019
K. Stathopoulos	Head of Sales	Resigned 4 June 2019
C. Mourd	Head of Franchise Services	Appointed 13 June 2017
R. Fearnley	Head of Property Management	Appointed 11 September 2017

### (a) Compensation of key management personnel

The key management personnel of the Company are the Directors and Executives of the Consolidated Entity who have the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. Key management personnel compensation included in Employee Benefit Expenses (refer to Note A4) is as follows.

	2019	2018
	\$	\$
Long term and Short term employee benefits	2,885,163	3,122,238
Post-employment benefits	148,849	181,588
Termination benefits	-	730,468
Share-based payments	62,910	(265,564)
	<u>3,096,922</u>	<u>3,768,730</u>

Nil dividends have been paid during the year (2018: \$1,547,930), which include amounts paid to directors and other key management personnel.

### (b) Key management personnel related party transactions

Several key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted in conjunction with the Consolidated Entity in the reporting period or prior period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

For further details and information related to key management personnel remuneration, please refer to the Remuneration Report.

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**C5      Related party transactions**

A number of subsidiaries within the Consolidated Entity enter into related party transactions. These transactions are conducted in the normal course of business and under arms-length terms and conditions. The majority of related party transactions between subsidiaries relate to levies and fees charged by MG Logistics Pty Ltd, McGrath Australasia Pty Ltd and McGrath Auctions Unit Trust for marketing, training, IT and auction services. These transactions amount to be less than \$10 thousand in the current and prior year.

Other related party transactions between subsidiaries occur due to the Consolidated Entity using centralised bank accounts in managing their treasury operations. Refer to Note E5 for a listing of the intercompany balances outstanding between McGrath Limited and its subsidiaries. The above related party transactions eliminate on consolidation at the consolidated entity level.



## D Unrecognised items

*Provides information about items that are not recognised in the financial statements but could potentially have a significant impact on McGrath's financial position and performance.*

D1	Commitments for expenditure	56
D2	Contingent liabilities	56
D3	Events subsequent to reporting date	56

## D Unrecognised items

### D1 Commitments for expenditure

	2019 \$'000	2018 \$'000
<b>Operating leases</b>		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
-not later than 1 year	4,886	4,635
-later than 1 but not later than 5 years	10,966	7,523
-later than 5 years	-	-
	<u>15,852</u>	<u>12,158</u>

The operating lease commitment has been determined within the respective periods above according to executed lease contracts and relate to committed rental on leased business premises.

The amount recognised in the profit and loss for operating lease commitments is \$4.9 million (2018: \$4.8 million)

At the reporting date, the Consolidated Entity has nil capital expenditure commitments (2018: \$nil).

### D2 Contingent liabilities

#### Bank guarantees

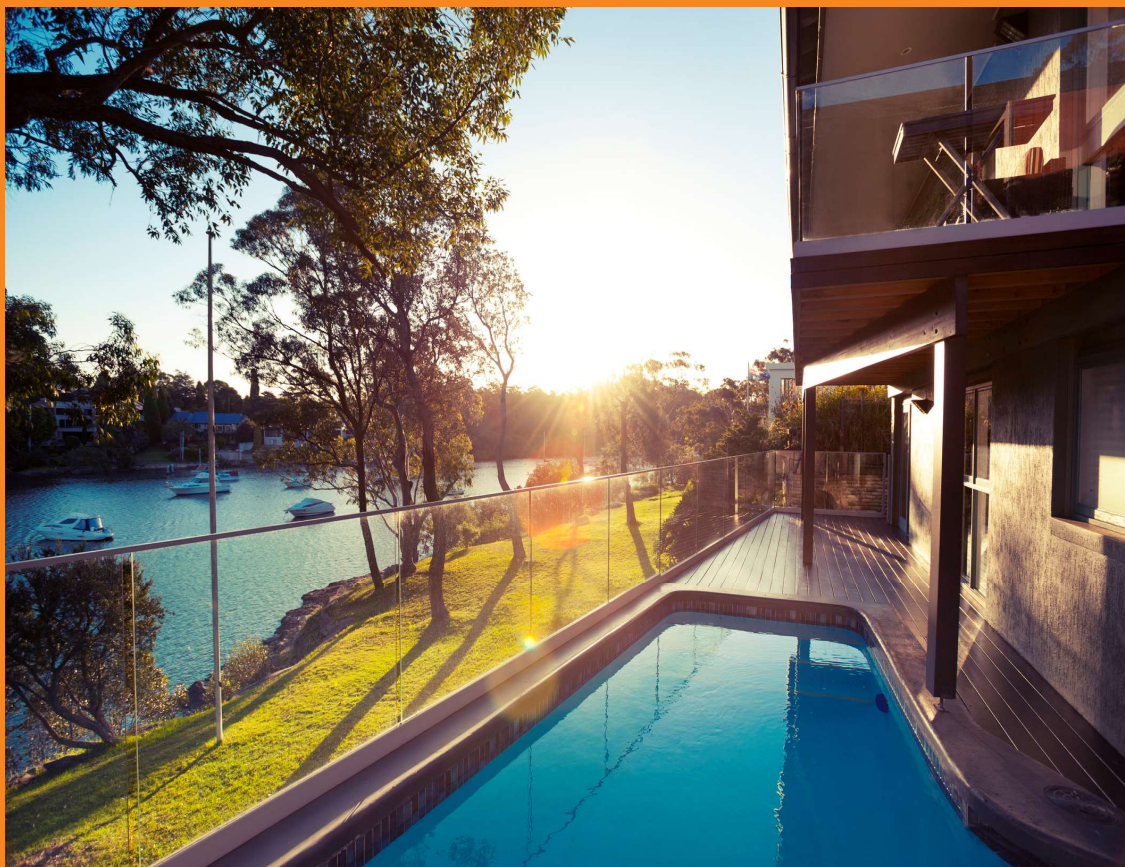
Bank guarantees have been issued in regard to operating leases totalling \$1,697,890 (2018: \$1,554,187).

At 30 June 2019, the available guarantee facility was \$2,000,000 (2018: \$2,000,000). The operating lease commitment has been determined within the respective periods above according to executed lease contracts and relate to committed rental on leased business premises.

### D3 Events subsequent to reporting date

On 5 June 2019 the Consolidated Entity entered into a conditional agreement to acquire the assets and rent roll of Sydney Sotheby's International Realty, comprising of Sydney and Millers Point. The agreement became unconditional and settled on 1 July 2019 for considerations of \$1.6 million in cash. As at 30 June 2019 no amounts have been recognised in relation to this transaction.

Other than the above there has not arisen in the interval between the end of the 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 subsequent financial periods.



## E Other information

*The Appendix sets out information that the directors do not consider significant in the context of McGrath's operations and covers statutory information that must be disclosed to satisfy the requirements of the Corporations Act 2001.*

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## E1 Taxation

This note provides an analysis of the Consolidated Entity's income tax expense, shows what amounts are recognised directly in equity and in other comprehensive income, and how the tax expense is affected by non-assessable and non-deductible items. It also explains how the Consolidated Entity accounts for unsettled sales commission costs and tax losses.

	June 2019 \$'000	June 2018 \$'000
<b>Income tax benefit</b>		
<i>Current tax expense</i>		
Current year	-	(2,058)
Adjustments in respect of income tax of previous years	97	93
	97	(1,965)
<i>Deferred tax benefit</i>		
Origination and reversal of temporary differences	(3,173)	(318)
Adjustments in respect of deferred tax of previous years	828	(87)
	(2,345)	(405)
Total income tax benefit	(2,248)	(2,370)
<i>Reconciliation of income tax benefit</i>		
Loss before tax	(17,821)	(65,473)
At the statutory income tax rate of 30% (2018: 30%)	(5,346)	(19,642)
Adjustments in respect of previous years income tax	925	93
Tax losses not recognised	2,076	-
Non deductible expenses:		
Impairments	-	17,132
Other	97	47
Income tax benefit	(2,248)	(2,370)

## E1 Taxation (continued)

### Balance and movement in deferred tax assets and liabilities

	Net deferred tax balance 1 July 2018 <sup>1</sup>	Recognised in profit or loss	Recognised in equity	Net deferred tax balance 30 June 2019	Deferred tax assets	Deferred tax liabilities
Property management rights	(2,697)	492	-	(2,205)	-	(2,205)
Sales commission revenue	(4,329)	879	-	(3,450)	-	(3,450)
Equity transaction costs	1,108	(538)	-	570	570	-
Capitalised expenses	-	2	-	2	2	-
Provisions	1,402	1,716	-	3,118	3,118	-
Accruals	53	117	-	170	170	-
Sales commission costs	622	(111)	-	511	511	-
Software assets	510	1,075	-	1,585	1,585	-
Property, plant and equipment	-	673	-	673	673	-
	(3,331)	4,305	-	974	6,629	(5,655)

<sup>1</sup> The balance at 1 July 2018 includes the effect of adopting AASB 9 (see Note E9(c)B).

	Net deferred tax balance 1 July 2017	Recognised in profit or loss	Recognised in equity	Net deferred tax balance 30 June 2018	Deferred tax assets	Deferred tax liabilities
Property management rights	(2,697)	-	-	(2,697)	-	(2,697)
Sales commission revenue	(5,826)	1,497	-	(4,329)	-	(4,329)
Equity transaction costs	1,546	(515)	77	1,108	1,108	-
Capitalised expenses	1	(1)	-	-	-	-
Provisions	977	1	-	978	978	-
Accruals	355	(302)	-	53	53	-
Sales commission costs	816	(194)	-	622	622	-
Software assets	668	(158)	-	510	510	-
	(4,160)	328	77	(3,755)	3,271	(7,026)

### Tax losses

The Consolidated Entity has tax effected capital tax losses where no deferred tax asset is recognised on the consolidated statement of financial position of \$0.9 million (30 June 2018: \$0.9 million) which are available for offset against future capital gains subject to continuing to meet relevant statutory tests.

The Consolidated Entity has tax effected tax losses of \$2.1 million (2018: \$2.0 million) where no deferred tax asset is recognised on the consolidated statement of financial position which are available for offset against future taxable income.

## **E1      Taxation (continued)**

### **Income tax**

Income tax expense comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases used for taxation purposes of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised for all taxable temporary differences except:

- When the temporary differences arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### **Tax Consolidation Legislation**

McGrath Limited and its wholly-owned controlled entities apply the tax consolidation legislation.

The deferred tax balances recognised by the parent entity and the consolidated entity in relation to wholly-owned entities joining the tax consolidated group are initially measured and remeasured based on the carrying amounts of the assets and liabilities of those entities at the level of the tax consolidated group and their tax values, as applicable under the tax consolidation legislation.

McGrath Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax (expense)/benefit.

## E2 Other assets

	2019	2018
	\$'000	\$'000
<b>Current:</b>		
Prepayments	2,318	2,412
Stock on hand	190	225
Other	304	247
	<u>2,812</u>	<u>2,884</u>

### Recognition and Measurement

Prepayments are for services which are to be provided in future years but paid for in the current or prior financial years. Prepayments are measured at amortised cost, less provision for impairment.

## E3 Provisions

	2019	2018
	\$'000	\$'000
<b>Current:</b>		
Provision for annual leave	1,394	1,111
Provision for long service leave	112	30
Provision for onerous contracts <sup>1</sup>	1,167	-
Balance at 30 June	<u>2,673</u>	<u>1,141</u>
<b>Non-current:</b>		
Make-good provision	889	832
Provision for long service leave	426	340
Provision for onerous contracts <sup>1</sup>	1,206	-
Balance at 30 June	<u>2,521</u>	<u>1,172</u>
(a) Aggregate employee entitlements	<u>1,932</u>	<u>1,481</u>
(b) Average number of employees	<u>382</u>	<u>432</u>

<sup>1</sup>In 2016 the Consolidated Entity entered into a non-cancellable contract for developing an integrated customer relationship management (CRM) tool and operations software. Due to strategic changes the Consolidated Entity discontinued the software development and the use of the related licences and an onerous provision was recognised. The contracts will expire in 2022 and the obligation for the discounted future payments at year end is \$1.8 million. The remaining \$0.6 million relates to the onerous provision for non-cancellable leases for office space.

### Recognition and Measurement

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## E4 Capital and reserves

	2019 \$'000	2018 \$'000
167,932,532 fully paid ordinary shares (2018: 156,364,490).	108,416	103,549

### Contributed capital movement schedule

	\$'000	Shares
On issue at 1 July 2018	103,549	156,364,490
Placement Aqualand	4,916	11,568,042
Aqualand placement costs	(49)	-
Balance at 30 June 2019	108,416	167,932,532

### Issue of ordinary shares

On 1 August 2018, the second tranche of 11,568,042 shares, at \$0.425 per share, were issued as part of a strategic relationship with the Aqualand Group.

### Prior year contributed capital movement schedule

	\$'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 buyback	(318)	(519,791)
Placement Aqualand	5,789	13,621,838
Aqualand placement costs	(179)	-
Balance at 30 June 2018	103,549	156,364,490

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. On 19 June 2018, 13,621,838 shares were issued at \$0.425 per share as part of a strategic relationship with Aqualand Group. The transaction costs were accounted for as a deduction from equity. Between 6 and 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.

### Recognition and Measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of tax, from the proceeds. Where ordinary shares are issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Ordinary shares participate in dividends in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote on show of hands, otherwise each shareholder has one vote when a poll is called.

### Share-based payment reserve

	2019 \$'000	2018 \$'000
Balance at 1 July	670	672
Share-based payment expense	149	(2)
Balance at 30 June	819	670

The share-based payment reserve relates to the HPA share plan disclosed in Note A5 and the LTIP plan disclosed in Note 5 of the remuneration report.

### Significant accounting judgements, estimates and assumptions

The 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.

## E5 Subsidiaries and non-controlling interests

### Parent entity

The Parent entity within the Consolidated Entity is McGrath Limited.

### Controlled Entity

The consolidated financial statements include the financial statements of McGrath Limited and its controlled entities listed in the following table.

Company name	Ownership		Investment	
	%		\$	
	2019	2018	2019	2018
McGrath Operations Limited	100	100	7,566,460	7,566,460
McGrath Sales Pty Limited	100	100	1	1
McGrath Property Management Pty Limited	100	100	1	1
Total Real Estate Training Pty Limited	100	100	1	1
Architype Marketing Pty Limited	100	100	2	2
McGrath Oxygen Home Loans Pty Limited	100	100	1	1
MG Logistics Pty Limited	100	100	1	1
McGrath Australasia Pty Ltd	100	100	100	100
McGrath Auctions Pty Limited	100	100	100	100
McGrath Auctions Unit Trust	100	100	100	100
McGrath Sales (QLD) Pty Ltd	100	100	100	100
McGrath Property Management (QLD) Pty Ltd	100	100	100	100
McGrath Sales Paddington Pty Ltd	100	100	100	100
McGrath Bulimba Sales Unit Trust	100	100	100	100
McGrath Bulimba (No. 1) Pty Ltd	100	100	100	100
McGrath Bulimba Property Management Unit Trust	100	100	100	100
McGrath Bulimba (No. 2) Pty Ltd	100	100	100	100
McGrath Asia Pty Ltd	100	100	100	100
McGrath Sales (VIC) Pty Ltd	100	100	100	100
SPG (Australian Portfolio Management) Pty Ltd	100	100	100	100
Australian Portfolio Management Pty Ltd	100	100	100	100
Australian Portfolio Management Unit Trust	100	100	100	100
SPG (NDH Property) Pty Ltd	100	100	100	100
NDH Property Pty Limited	100	100	100	100
NDH Property Unit Trust	100	100	100	100
SPG (MNS Property) Pty Ltd	100	100	100	100
MNS Property Pty Ltd	100	100	100	100
MNS Property Unit Trust	100	100	100	100
SPG (NB Property) Pty Ltd	100	100	100	100
NB Property Pty Ltd	100	100	100	100
NB Property Unit Trust	100	100	100	100
SPG (HH Property) Pty Ltd	100	100	100	100
HH Property Pty Ltd	100	100	100	100
HH Property Unit Trust	100	100	100	100
SPG (UNS Property) Pty Ltd	100	100	100	100
UNS Property Pty Ltd	100	100	100	100
UNS Property Unit Trust	100	100	100	100
SPG (Engage Property) Pty Ltd	100	100	100	100
Engage Property Management Pty Limited	100	100	100	100
Engage Property Management Unit Trust	100	100	100	100
SPG (Market Pod) Pty Ltd	100	100	100	100
Market Pod Pty Limited	100	100	100	100
Market Pod Unit Trust	100	100	100	100
SPG (Hills Property) Pty Ltd	100	100	100	100
Hills Property Pty Ltd	100	100	100	100
Hills Property Unit Trust	100	100	100	100
SPG (Pymble Property) Pty Ltd	100	100	100	100
Smollen Property (Pymble) Pty Ltd	100	100	100	100
Pymble Property Unit Trust	100	100	100	100
			7,570,667	7,570,667

## E5 Subsidiaries and non-controlling interests (continued)

### Balances outstanding

The following table provides the total amount outstanding between McGrath Limited and its wholly-owned subsidiaries at reporting date:

	2019	2018
	\$	\$
<i>Receivables</i>		
McGrath Sales Pty Limited	10,244,578	3,473,307
MG Logistics Pty Limited	19,170,801	37,855,648
McGrath Auctions Unit Trust	25,388	25,388
McGrath Sales (VIC) Pty Ltd	48,123	48,123
Australian Portfolio Management Unit Trust	665,338	665,338
McGrath Operations Limited	2,978,480	2,978,480
	<u>33,132,708</u>	<u>45,046,284</u>
<i>Payables</i>		
McGrath Australasia Pty Ltd	26,736	7,140
McGrath Sales (QLD) Pty Ltd	15,249	15,249
McGrath Bulimba Sales Unit Trust	38,051	38,051
NDH Property Unit Trust	19,904	19,904
HH Property Unit Trust	19,067	19,067
Engage Property Management Unit Trust	335,616	335,616
	<u>454,623</u>	<u>435,027</u>

## E6 Parent entity disclosures

	2019	2018
	\$'000	\$'000
<b>Result of parent entity</b>		
Loss after income tax expense	(27,875)	(53,082)
Total loss and other comprehensive income for the year	<u>(27,875)</u>	<u>(53,082)</u>
<b>Financial position of parent entity at year end</b>		
Current assets	33,133	45,776
Total assets	33,396	46,271
Current liabilities	(2,924)	(506)
Total liabilities	<u>(2,924)</u>	<u>(506)</u>
Net assets	<u>30,472</u>	<u>45,765</u>
<b>Total equity of parent entity comprising of:</b>		
Contributed equity	108,416	95,983
Share based payment reserve	819	670
Accumulated losses	(78,763)	(50,888)
Total equity	<u>30,472</u>	<u>45,765</u>

No capital expenditure commitments contracted for at reporting date (2018: \$ nil).

## E7 Auditor's remuneration

	2019	2018
	\$	\$
<b>Audit and other services - KPMG</b>		
Audit and review of financial statements	248,000	293,000
Other regulatory audit services	-	-
Total	248,000	293,000
<b>Other services - KPMG</b>		
Assurance and taxation	25,321	91,735
Total other services	25,321	91,735

## E8 Deed of cross guarantee

### Nature

During FY16, McGrath Limited and certain wholly-owned entities (collectively the 'Closed Group') entered into a Deed of Cross Guarantee (the 'Deed'). The members of the Closed Group guarantee to pay any deficiency in the event that another member winds up.

### Parties to the Deeds

The parties to the deed consist of the following:

#### *Holding Entity*

- McGrath Limited

#### *Group Entities other than Holding Entity*

- McGrath Operations Limited
- McGrath Sales Pty Limited
- MG Logistics Proprietary Limited

#### *Trustee*

- McGrath Operations Limited

#### *Alternative Trustee*

- McGrath Sales Pty Limited

### Parties added or removed during or since the relevant financial year

No parties were added or removed during the year.

### Details of entities which obtained relief in the immediately preceding financial year

Other than the above no parties obtained relief in the immediately preceding financial year.



## E8 Deed of cross guarantee (continued)

The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of **Closed Group** for the year ended 30 June

	2019	2018
	\$'000	\$'000
<b>Statement of comprehensive income</b>		
Revenue and other income	28,031	36,784
Cost of sales	(5,802)	(7,112)
Employee benefits expense	(13,146)	(15,874)
Directors' fees	(219)	(391)
Professional fees	(134)	(1,765)
Doubtful debts	(266)	(282)
Occupancy	(3,591)	(3,813)
IT expenses	(4,557)	(5,722)
Communications	(1,234)	(1,194)
Advertising and promotions	(300)	(493)
Other expenses from ordinary activities	(1,638)	(964)
Loss on disposal of assets	(6)	(260)
Onerous contract expenses	(3,336)	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>(6,198)</b>	<b>(1,086)</b>
Depreciation and amortisation expenses	(1,399)	(2,732)
Impairments	(35,931)	(67,894)
Finance income	230	89
Finance costs	(27)	(19)
<b>Net finance costs</b>	<b>203</b>	<b>70</b>
<b>Loss before income tax</b>	<b>(43,325)</b>	<b>(71,642)</b>
Income tax benefit	4,394	1,193
<b>Loss attributable to the owners of the closed group</b>	<b>(38,931)</b>	<b>(70,449)</b>

**E8 Deed of cross guarantee (continued)****Closed Group** consolidated statement of financial position as at 30 June

	2019	2018
	\$'000	\$'000
<b>Statement of financial position</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	10,245	10,865
Trade and other receivables	26,504	55,662
Other	1,655	1,603
Current tax assets	230	3,366
<b>TOTAL CURRENT ASSETS</b>	<b>38,634</b>	<b>71,496</b>
<b>NON CURRENT ASSETS</b>		
Receivables	1,476	3,240
Intangible assets and goodwill	1,019	3,682
Other Financial assets	1	1
Property, plant and equipment	1,848	1,452
Deferred tax assets	2,735	-
<b>TOTAL NON CURRENT ASSETS</b>	<b>7,079</b>	<b>8,375</b>
<b>TOTAL ASSETS</b>	<b>45,713</b>	<b>79,871</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	32,424	34,308
Provisions	2,390	1,141
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,814</b>	<b>35,449</b>
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	507	1,165
Deferred tax liabilities	-	23
Provisions	2,143	795
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>2,650</b>	<b>1,983</b>
<b>TOTAL LIABILITIES</b>	<b>37,464</b>	<b>37,432</b>
<b>NET ASSETS</b>	<b>8,249</b>	<b>42,439</b>
<b>EQUITY</b>		
Contributed equity	108,416	103,550
Share based payment reserve	819	670
Retained losses	(100,986)	(61,781)
<b>TOTAL EQUITY</b>	<b>8,249</b>	<b>42,439</b>

## E9 General accounting policies

All amounts are stated in thousands of Australian Dollar, except per share amounts which are stated in cents.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Consolidated Entity is a for profit entity for the purpose of preparing the financial statements and is domiciled in Australia.

The Company's registered address is 191 New South Head Road Edgecliff NSW 2027.

#### (i) Compliance with IFRS

The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared on a historical cost basis, except as identified within the notes.

### (b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year.

In preparing the consolidated financial statements, intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Consolidated Entity transactions have been eliminated in full.

Subsidiaries are all entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

### (c) Changes in accounting policies and disclosure **New and amended standards adopted**

The Consolidated Entity has initially adopted AASB 15 Revenue from Contracts with Customers (see A below) and AASB 9 Financial Instruments (see B below) from 1 July 2018. Additionally, the Consolidated Entity has adopted the consequential disclosure amendments of IFRS7 Financial Instruments.

A number of other new standards are effective from 1 January 2018 or early adopted but they do not have a material effect on the Consolidated Entity's financial statements.

(i) AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and

(ii) AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections; and

(iii) AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business (AASB 3).

While these standards introduce new disclosure requirements, they do not affect the Consolidated Entity's accounting policies or any of the amounts recognised in the financial statements.

#### **A. AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes the accounting principles that an entity shall apply to recognise revenue from contracts with customers. This has replaced AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The standard is mandatory for reporting periods beginning on or after 1 January 2018.

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 provides a single, principle-based, five-step model to be applied in order to define the timing and the amount of revenue arising from a contract with a customer.

The Consolidated Entity has adopted AASB 15 in the current year using the cumulative method. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, 1 July 2018, without restating the comparative period presented.

The Consolidated Entity analysed its revenue streams and concluded these revenue streams have the same timing and pattern of revenue recognition under AASB 118 and under the new guidance of AASB 15, and therefore the Consolidated Entity has no change in revenue recognition with the adoption of the new standard. As such, adoption of the standard did not result in a cumulative adjustment being recognised at 1 July 2018.

**(c) Changes in accounting policies and disclosure (continued)**
**B. AASB 9 Financial Instruments**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new 'expected credit loss' (ECL) model for the calculation of impairment of financial assets, and new rules for hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and is mandatory for reporting periods beginning on or after 1 January 2018.

The Consolidated Entity has adopted AASB 9 in the current year using the modified retrospective approach. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, 1 July 2018, without restating the comparative period presented.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Consolidated Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Consolidated Entity's historical experience, informed credit assessment and forward-looking information.

**Impact on application**
**Current trade and other receivables**

Deferred tax liabilities

Retained earnings - Accumulated losses

The Consolidated Entity assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due and applies the AASB 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance approach for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

There is no impact from the new classification, measurement and derecognition rules on the Consolidated Entity's financial assets and financial liabilities.

The opening equity adjustment due to the application of the new standards is analysed by financial statement line item below. The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets under AASB 9 has led to an adjustment reducing current receivables by \$1,412 thousand. Adjustments under the new standards are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

	As reported 30 June 2018	AASB 9 Transition Adjustment	Opening Balance 1 July 2018
	\$'000	\$'000	\$'000
Current trade and other receivables	23,594	(1,412)	22,182
Deferred tax liabilities	3,755	(424)	3,331
Retained earnings - Accumulated losses	(61,826)	(988)	(62,814)

Before the current financial year, the Consolidated Entity classified its financial assets as either loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate, and when recognised initially, they were measured at fair value.

Due to the adoption of AASB 9 the same financial assets are now in the current year classified as amortised cost and remain measured at fair value on initial recognition. The change in classification from the prior year to the current year has resulted in no change in measurement and in their opening carrying amounts.

**(d) Standards issued but not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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:

**AASB 16 Leases**

AASB 16 introduces a single on-balance sheet lessee accounting model. A lessee will recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments. The previously operating lease expense will be replaced with a depreciation charge for the right-of-use asset and interest expense for the lease liability.

In addition, the Consolidated Entity will no longer recognise provisions for operating leases that it assesses to be onerous as described in Note E3. Instead, the Consolidated Entity will include these onerous payments under the lease in its lease liability.

Short-term leases, with a term less than 12 months and leases of low-value are exempt. The standard must be applied for financial years commencing on or after 1 January 2019.

The Consolidated Entity will adopt AASB 16 for the year beginning 1 July 2019 using the modified retrospective approach. Under this approach entities will recognise the cumulative effect of adopting AASB 16 as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Consolidated Entity will recognise right-of-use assets and lease liabilities for its operating leases of retail offices and printers. The Consolidated Entity estimates that it will recognise at 1 July 2019 lease liabilities of \$29 million, right-of-use assets of \$27 million and a decrease in retained earnings of \$1.5 million. The existing onerous provision of \$0.6 million will be derecognised.

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.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements

- AASB 17 Insurance Contracts;
- AASB Interpretation 23 Uncertainty over Income Tax Treatment;
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation;
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle – various standards; and
- Amendments to References to Conceptual Framework in IFRS Standards.

## Directors' Declaration for the Year Ended 30 June 2019

In the opinion of the directors of McGrath Limited:

(a) the consolidated financial statements and notes that are set out on pages 26-70 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance, for the financial year 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.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note E8 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note E8.

(d) the directors draw attention to Note E9 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations by the CEO & Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Peter Lewis  
Chair  
26 August 2019



# Independent Auditor's Report

To the shareholders of McGrath Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of McGrath Limited (the Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matter

The **Key Audit Matter** we identified is:

- Recoverability of trade receivables in connection with development projects

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Recoverability of trade receivables in connection with development projects

Refer to Note B1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Recoverability of trade receivables in connection with development projects ('Project debtors') is a Key Audit Matter due to the level of judgement required. This involves assessing the likelihood of development projects being completed by the contractual sunset date (development risk) and the purchasers settling (sales risk).</p> <p>Commission income from off-the-plan apartment sales is recognised on unconditional exchange, with payments due:</p> <ul style="list-style-type: none"> <li>• 50% on unconditional exchange; and</li> <li>• 50% on settlement.</li> </ul> <p>The long timeframe between unconditional exchange and settlement gives rise to two types of recoverability risk, being from:</p> <ol style="list-style-type: none"> <li>1. Sales risk: the risk the buyer will not settle. This is influenced by availability of finance and property market movements between exchange and settlement; and</li> <li>2. Development risk: the risk the developer will not complete the development, thereby invalidate the sale and expected recoverability of the associated trade receivable. This risk is influenced by the financing available to the developer and delays in construction completion beyond the contract sunset date.</li> </ol> <p>Assessing the conditions giving rise to these recoverability risks are our focus.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's monitoring report for specific risk criteria such as projects expected to settle within the next two years, or were expected to settle before year-end and did not, and higher risk projects identified by the Group;</li> <li>• Meeting with the Head of Projects and finance team to understand the Group's analysis of the project status, sales and construction risks, and the Group's process for recognising and monitoring doubtful debt provisions;</li> <li>• Research industry data for identification of matters which could impact sales risk, such as market price deterioration. We compare this research to the Group's judgements for consistency;</li> <li>• Analysis of historical trends for recovery of off-the-plan apartment sales commission. We compare these trends to the Group's judgements of future recovery, and our knowledge of current and forecasted industry trends; and</li> <li>• Assessing the recoverability of project debtors through evaluation of the above analysis.</li> </ul>



## Other Information

Other Information is financial and non-financial information in McGrath Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Letter from the Chair and CEO, Operating and Financial Review, Corporate Governance, Directors' Report and Remuneration Report. The Directors are responsible for the Other Information.

We obtained the Other Information prior to the date of this Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar1.pdf](http://www.auasb.gov.au/auditors_files/ar1.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of McGrath Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 9 to 22 of the Annual Financial Report referenced to in the Director's report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stuart Marshall  
*Partner*

Sydney  
26 August 2019

## Shareholder information

The information set out below was prepared as at 9 August 2019 (unless indicated otherwise) and applies to McGrath's securities (ASX code: MEA).

As at 9 August 2019 there were 167,932,532 fully paid ordinary shares on issue.

### Substantial shareholders

As disclosed in substantial holding notices lodged with the ASX as at 9 August 2019:

Shareholders	Date of notice	Number of shares	Percentage of issued equity % <sup>1</sup>
Shane Smollen Pty Limited as trustee for The Smollen Property Family Trust	14/08/2018	12,413,085	7.39
Argo Investments	03/08/2018	10,000,000	5.95
AL capital Holdings Pty Ltd as trustee for the AL Capital No 1 Unit Trust and Yunhui Lin	02/08/2018	25,189,880	15.00
John McGrath and Fondorru	01/08/2018	37,127,378	22.11
Central T Pty Ltd ATF Central Trust	22/06/2018	9,419,291	6.02

<sup>1</sup> Percentage of issued equity held as disclosed in the substantial holding notices provided to the Company.

Perpetual Limited and subsidiaries ceased to be a substantial shareholder from 6 August 2019.

### Range of shareholders – fully paid ordinary shares

Range	Number of holders	Number of securities
1 to 1,000	558	304,475
1,001 to 5,000	563	1,709,144
5,001 to 10,000	311	2,619,792
10,001 to 100,000	495	16,763,291
100,001 and over	91	146,536,830
<b>Total number of shareholders</b>	<b>2,018</b>	<b>167,932,532</b>

Number of security holders holding less than a marketable parcel (being 2,500 securities at the closing market price of \$0.20 on 9 August 2019): 800.

### Range of holders – performance rights (unquoted)

Range	Number of holders	Number of securities
1 to 1,000	0	0
1,001 to 5,000	0	0
5,001 to 10,000	0	0
10,001 to 100,000	1	94,665
100,001 and over	4	933,467
<b>Total number of holders</b>	<b>5</b>	<b>1,028,132</b>

### Range of holders – options (unquoted)

Range	Number of holders	Number of securities
1 to 1,000	0	0
1,001 to 5,000	0	0
5,001 to 10,000	0	0
10,001 to 100,000	0	0
100,001 and over	1	2,500,000
<b>Total number of holders</b>	<b>1</b>	<b>2,500,000</b>

**20 largest shareholders (as of 9 August 2019)**

No.	Shareholder	Number of shares	Percentage of issued equity %
1	UBS Nominees Pty Ltd	33,236,927	19.79
2	Fondorru Pty Ltd	21,195,450	12.62
3	John Damian McGrath	15,059,928	8.97
4	Smollen Property Pty Limited	12,413,085	7.39
5	Argo Investments Limited	10,000,000	5.95
6	Central T Pty Ltd	9,419,291	5.61
7	JP Morgan Nominees Australia	4,951,725	2.95
8	Invia Custodian Pty Limited	4,197,614	2.50
9	HSBC Custody Nominees (Australia) Limited	4,002,673	2.38
10	The Rockshore Horizon Investment Company Pty Ltd	2,502,911	1.49
11	Mrs Hailan Zhu	1,405,000	0.84
12	Mr Grant Charles Beaumont	1,335,827	0.80
13	Lindway Investments Pty Limited	1,238,000	0.74
14	Netwealth Investments Limited	1,100,000	0.66
15	East 72 Investment Pty Ltd	1,025,000	0.61
16	Mr Andrew Rudolph Sypkes & Mrs Elizabeth Anne Petrusma	1,008,621	0.60
17	Mr Craig Graeme Chapman	1,000,000	0.60
17	Mr Alex Jordan	1,000,000	0.60
18	Mr John Damian McGrath	872,000	0.52
19	Mr Junchen He	871,997	0.52
20	Courtney Holdings Pty Ltd	827,539	0.49
20	Peter Chaucy Investments Pty Ltd	827,539	0.49
20	Paranchi Investment Pty Ltd	827,539	0.49
20	Tracey Dixon Investment Pty Ltd	827,539	0.49
Top 20 holders of Shares		131,146,205	78.10
Balance of Shares		36,786,327	21.90
<b>Total Shares on issue</b>		<b>167,932,532</b>	<b>100.00</b>

**Voting rights**

Subject to the Constitutions of McGrath Limited and to any rights or restrictions for the time being attached to any class or classes of shares, units or stapled securities:

- on a show of hands, each holder of fully paid ordinary shares present in person or by proxy, attorney, or representative has one vote; and
- on a poll, each holder of fully paid ordinary shares has:  
> in the case of a resolution of McGrath Limited, one vote for each fully paid ordinary share in McGrath Limited held.

Holders of Performance Rights and Options have no voting rights.

**On-market Buy Back**

There is no current on-market buy back.

## 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

**Peter Lewis**

Chair and Independent Non-executive Director

**Andrew Robinson**

Independent Non-executive Director

**Wayne Mo**

Non-executive Director

**John McGrath**

Executive Director

### CHIEF EXECUTIVE OFFICER

Geoff Lucas

### COMPANY SECRETARY

Melissa Jones

### REGISTERED OFFICE

**Address**

191 New South Head Rd  
Edgecliff NSW 2027

**Telephone**

+61 2 9386 3333

**Website**

[www.mcgrath.com.au](http://www.mcgrath.com.au)

### SHARE REGISTRY

**Address**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**Telephone**

(Australia) 1300 554 474

**Email**

[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

**Website**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### AUDITORS

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