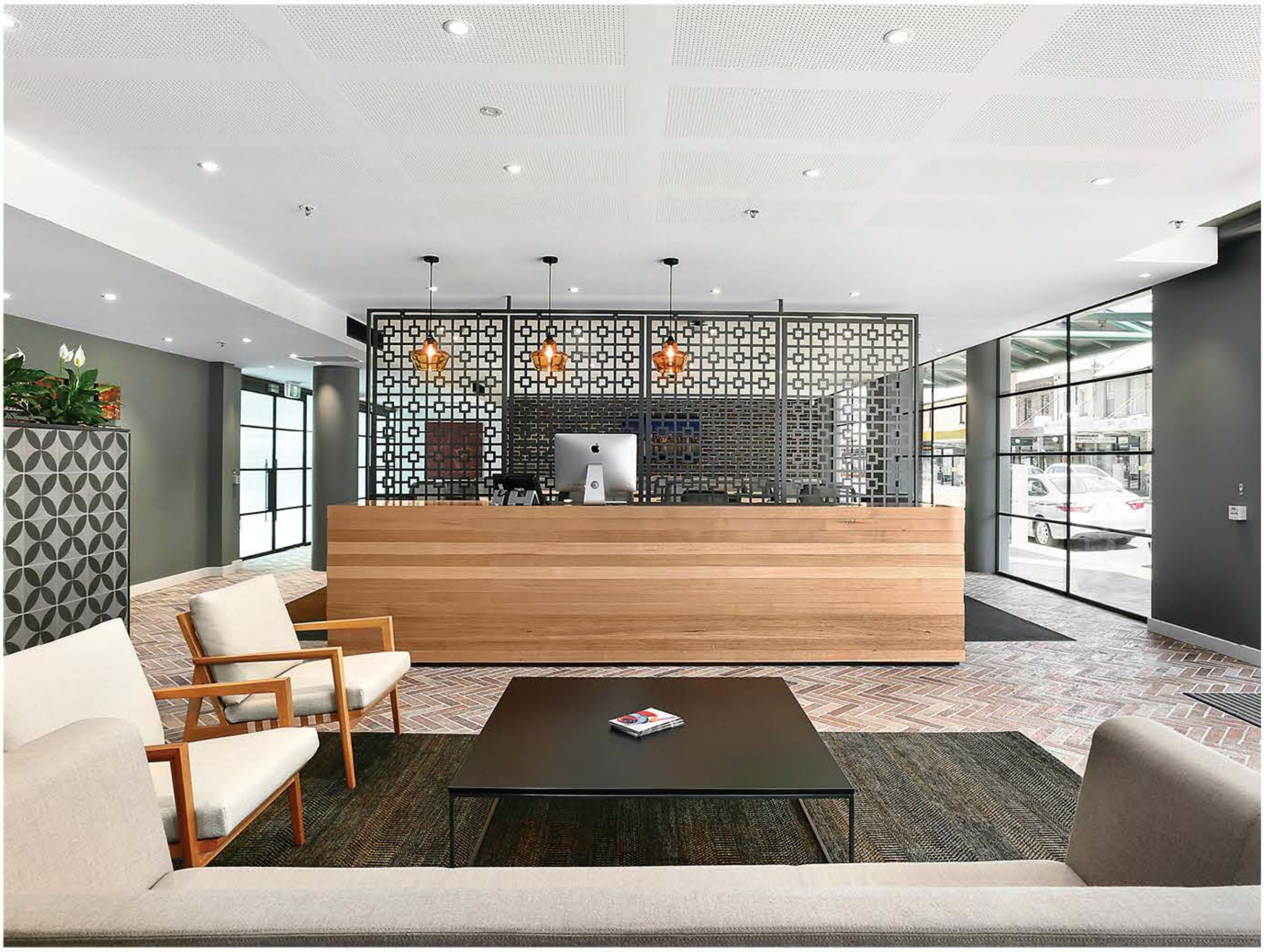


McGRATH LIMITED AND CONTROLLED ENTITIES

Half Year Report
31 December 2015

McGrath

McGrath Limited and Controlled Entities
ACN 608 153 779
Appendix 4D - Half Year Report

Results for announcement to the market

Details of the reporting period and the previous corresponding reporting period

Reporting period: For the half year ended 31 December 2015
Previous period: For the half year ended 31 December 2014

Results for announcement to the market

In accordance with the ASX listing rule 4.2A, the board and management of McGrath Limited (Refer to Directors' Report for detail of internal restructure) has enclosed an appendix 4D for the half year ended 31 December 2015.

		$ Change	% Change	Period ended 31 December 2015 $'000	Period ended 31 December 2014 $'000
Revenues from ordinary activities	Increased	13,478	33%	54,312	40,834
Profit from ordinary activities after tax attributable to the owners of the Company	Decreased	(1,680)	(82%)	367	2,047
Net profit after tax attributable to the Consolidated Entity	Decreased	(1,803)	(81%)	421	2,224
EBITDA - Statutory	Decreased	(1,700)	(39%)	2,649	4,349
EBITDA – Pro forma	Increased	1,708	13%	14,698	12,990

Note1: All of the above comparisons are on a statutory basis unless stated. The Operating and Financial Review and Financial Results Presentation includes comparisons to pro forma 2014 results. The pro forma basis of preparation is set out in the operating and financial review.

The Directors believe that the pro forma presentation of results is a better indicator of underlying performance than the statutory presentation. The pro forma results reflect the effect of the operating and capital structure that was put in place at the time of the IPO and excludes the costs of the IPO, acquisition costs and other non-operating items which are not expected to recur in the future. They include the results of the Smollen Group as though it was acquired on 1 July 2014.

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

Dividend Information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final franked dividend for 2015 paid August 2015	6.1	6.1	30%
Pre IPO dividend paid December 2015	17.7	17.7	30%

Net tangible assets

	31 December 2015	31 December 2014
Net Tangible Assets per security (cents)	12.45	11.91
Net Assets per security (cents)	143.11	31.77

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

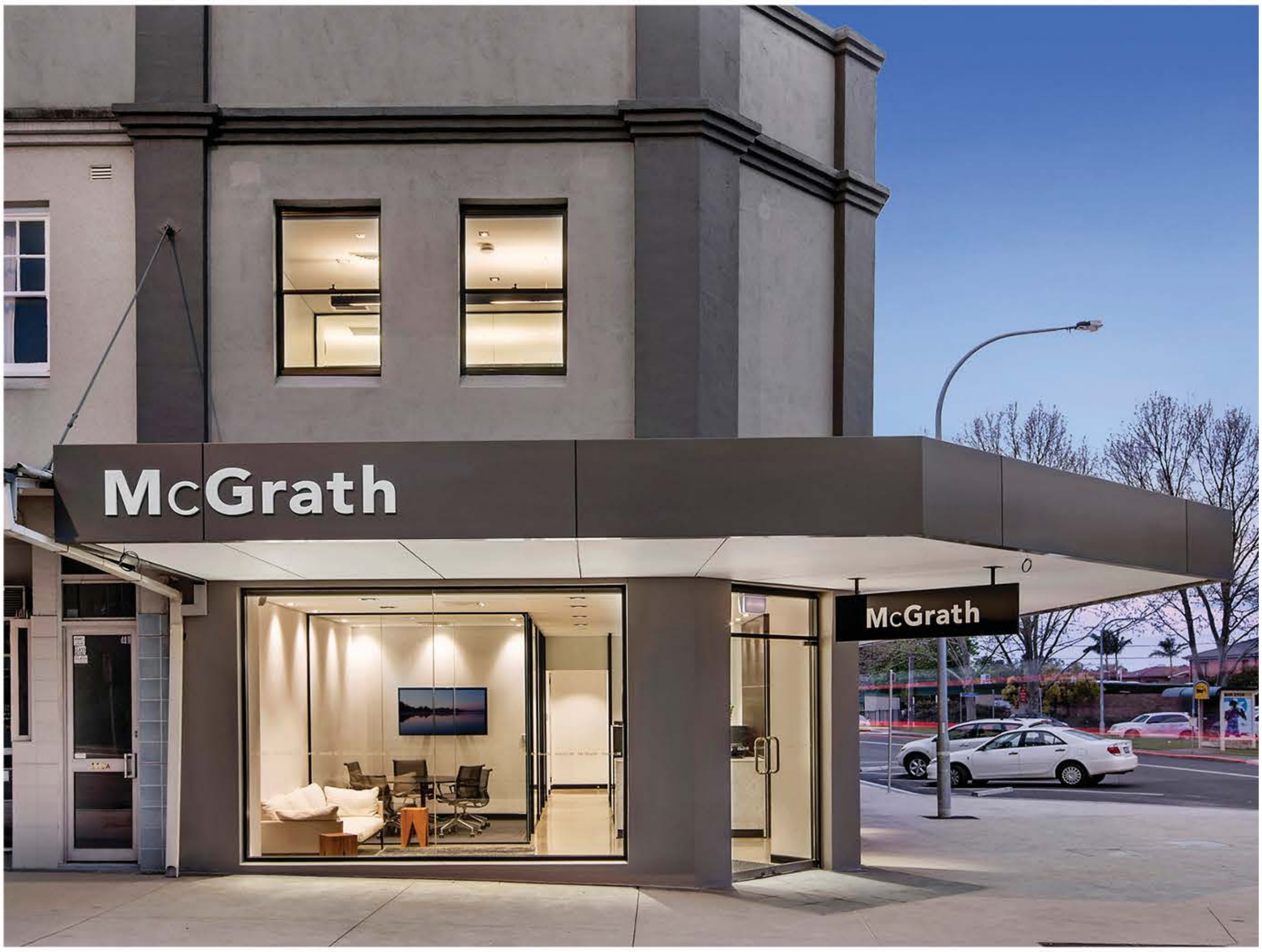
On 8 December 2015 McGrath Limited gained control of the Smollen Group consisting of 10 entities as outlined in the IPO Prospectus dated 12 November 2015.

Audit qualification or review

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

Attachments

The Interim Financial Report of McGrath Limited and its controlled entities for the half year ended 31 December 2015 is attached.



McGRATH LIMITED AND CONTROLLED ENTITIES

Interim Financial Report
Half Year Ended 31 December 2015

McGrath

31 December 2015 Interim Financial Report

Interim Financial Report

Interim Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

Directors' Report for the half year ended 31 December 2015

The Directors present their Financial Report for the half year ended 31 December 2015. The half year report comprises the results of McGrath Limited (the Company or McGrath) and the subsidiaries (the Consolidated Entity) that it controlled at the end of the period and from time to time throughout the period.

Prior to the initial public offer (IPO) that occurred on 7 December 2015, an internal restructure of the Consolidated Entity took place. A newly established company, McGrath Holding Company Limited was established and acquired 100% of the shares of McGrath Limited. The holding company was renamed McGrath Limited post acquisition and the existing McGrath Limited has been renamed McGrath Operations Limited. This Financial Report is presented as a continuation of the Consolidated Entity (inclusive of McGrath Limited and McGrath Operations Limited) for the six month period.

Principal activities and financial review

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

Consolidated Entity profit after providing for income tax for the half year ended 31 December 2015 amounted to $421,000 (2014: $2,224,000).

Dividends

Dividends totalling $11,000,000 were declared and paid during the half year. (2014: $2,483,000).

Directors

The following persons were Directors of McGrath Limited (now McGrath Operations Limited) prior to the restructure and were appointed as Directors of McGrath Holding Company Limited (now McGrath Limited) during the half year ended 31 December 2015:

Mr. David Mackay

Chairman and Non-executive Director.

- McGrath Operations Limited, appointed 21 July 2015
- McGrath Limited, appointed 8 September 2015

Mr. John McGrath

Executive Director and Chief Executive Officer.

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

Ms. Cass O'Connor

Non-executive Director.

- McGrath Operations Limited, appointed 25 August 2000
- McGrath Limited, appointed 8 September 2015

Mr. Shad Hassen

Non-executive Director.

- McGrath Operations Limited, appointed 15 September 2014, resigned 11 November 2015

Mr. Daniel Petre

Non-executive Director.

- McGrath Limited, appointed 13 October 2015

Subsequent events

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

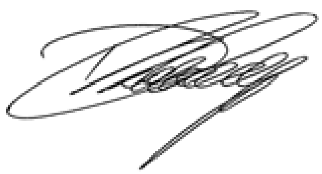
Rounding of amounts

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors Reports have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor’s independence declaration

The Directors have received a declaration of independence from the Auditor. Refer to page 6.

Signed in accordance with a resolution of the Directors



David Mackay
Chairman - 24 February 2016

Operating and Financial Review

Review of Operations

The Consolidated Entity's primary business is that of sales and property management within the residential property market.

The Consolidated Entity operates a network of real estate sales offices which includes both sales offices operated by the Consolidated Entity (Company owned offices) and sales offices operated by franchisees of the Consolidated Entity (Franchise offices). As at 31 December 2015 the network comprised 23 Company owned offices and 54 Franchise offices with over 600 agents operating within those offices. Number of sales for the period was approximately 6,492. The network currently manages approximately 7,648 properties.
The operating segments are:

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

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

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

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

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

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

Review of financial performance and financial position

On 7 December 2015 McGrath completed an Initial Public Offering (IPO) on the Australian Securities Exchange. The IPO raised $66.1m net of a sell down by existing shareholders with funds utlised as follows:

- Repayment of existing debt facilities - $16.0m
- Acquisition (see below) - $31.5m
- Working Capital $9.9m
- Payment of Offer, transaction and acquisition costs - $10.6m

On 8 December 2015 McGrath completed the acquisition of the Smollen Group consisting of 10 entities as outlined in the IPO Prospectus dated 12 November 2015. Prior to acquisition the Smollen Group represented the network's largest franchisee and consisted of 10 offices across Sydney's North Shore, North West and Northern Beaches. Consideration was in the form of cash, shares and deferred consideration.

Operating and Financial Review (continued)

The Directors consider that a pro forma presentation of results is a better indicator of underlying performance than the Statutory presentation.

To assist in the interpretation of the underlying performance of the consolidated entity a pro forma income statement has been presented below:

	Period ended 31 December 2015* $'000	Period ended 31 December 2014* $'000
Statutory revenues	**54,312**	**40,834**
Acquisition[1]	20,588	19,008
Pro forma revenues	**74,900**	**59,842**
Statutory operating expenses	**(51,663)**	**(36,485)**
Acquisition[1]	(15,303)	(14,055)
Transaction and acquisition costs[2]	6,764	-
Public company costs[3]	-	(168)
Remuneration structures[4]	-	-
Payroll tax assesment[5]	-	3,856
Pro forma operating expenses	**(60,202)**	**(46,852)**
Pro forma EBITDA	**14,698**	**12,990**
Reconciliation of profit after income tax to pro forma EBITDA		
Statutory profit after income tax	**421**	**2,224**
Depreciation and amortisation expense	1,094	920
Interest and financing costs	173	152
Income tax expense	961	1,053
Statutory EBITDA	**2,649**	**4,349**
Net pro forma adjustments	12,049	8,641
Pro forma EBITDA	**14,698**	**12,990**

* EBITDA is a non-IFRS measure and represents earnings before interest, tax, depreciation, amortisation. The figures have not been subject to audit or review.

[1] Adjustments reflect the recognition of the Smollen Group's revenue and operating expenses as though the acquisition had taken place on 1 July 2014. This adjustment included treating the Smollen Group as a company owned operation for the period 1 July 2014 to 7 December 2015. The adjustment includes two components being the recognition of revenue, operating expenses and one off transaction costs, offset by the elimination of any franchise fees recognised in this period.

[2] Adjustment to remove transaction costs incurred in respect of the IPO and acquisition costs.

[3] Adjustment to reflect the the incremental cost incurred if McGrath was a listed entity. These costs include Chairman and other Non-Executive Directors remuneration, additional compliance costs, listing fees, share registry costs, investor relations, annual general meeting and reporting costs. No adjustment to the half year ended 31 December 2015 has been made as the costs are included in the statutory operating expenses. It is noted that the adjustment for the half year ended 31 December 2014 is based on the actual public company costs incurred in the the half year ended 31 December 2015.

[4] Included in the prospectus was an adjustment for the new remuneration structures that were proposed to be in place post the completion of the offer. At the date of this report the remuneration structures had not been implemented and therefore no adjustment for the cost has been made.

[5] Adjustment to remove the impact of a payroll tax settlement and expense recognisition made in FY2015 ralating to prior periods and associated professional fees incurred.

The consolidated entity paid dividends to shareholders of $11m which included a final franked dividend of 6.1c relating to FY2015 and an pre IPO dividend of 17.7¢.

The acquisition of the Smollen Group was accounted for as a business combination. As a result $53.9m in goodwill and $16m in property management rights were recognised as intangible assets on the balance sheet. Deferred consideration of $14.9m has also been recognised as a current and non current liability and is to be settled on a 50:50 cash to equity basis. Refer to Note 7 of the financial statements for more detail.

Business strategy

The Consolidated Entity has a strategy to continue its network growth and enhance its position as one of Australia's leading residential real estate services companies. Given the current scale relative to market share there is significant scope for continued expansion within the current regions in which it operates, as well as the opportunity to enter new regions through attracting new franchisees and opening new company owned offices. In addition, there are potential acquisition opportunities, which may include existing franchisees or selectively participating in industry consolidation opportunities through the acquisition of other brands.

Included below is a discussion of the four key strategies set out in the prospectus and a summary of their performance for the six month period ending 31 December 2015 (H1).

Strategy - Expanding the office network
There are significant opportunities to further expand the office network through opening new company owned offices and franchise offices. Company owned offices are intended to be opened in specific locations where McGrath has strong local market knowledge.

Performance

- During the period 11 new offices were opened. This included 1 company owned office and 10 franchise offices.
- Post H1 an additional 3 franchise offices and 1 company owned office have been opened.
- The entity is well advanced in the growth strategy with additional office openings to be announced in the coming months.

Strategy – Increasing the agent numbers per office
There has been a strong, ongoing focus on talent identification and the recruitment of agents. Increasing agent numbers is undertaken through attracting existing agents from competitors and through internal talent development.

Performance

- During H1 the group expanded the internal talent development team through the addition of 4 staff focusing on the recruitment and retention of talent within the group.
- During H1 agent numbers increased by a total of 69 agents from 554 to 623 within the network.

Strategy – Select acquisitions
There are significant opportunities to undertake select acquisitions to expand the network.

Performance

- During H1 the group successfully completed the acquisition of the Smollen Group.
- The group continues to consider the acquisition strategy in the expansion of the network into different markets.

Strategy – Growth in other businesses
The Consolidated entity's other businesses provide a range of growth opportunities to increase earnings.

- Consideration continues to be given to additional parallel business streams to complement existing service offerings.

Key business risks

- Australian residential real estate market – the majority of McGrath's income is generated through commission revenue generated by agents on the sale of properties, property management commissions and commissions on the arranging of mortgages. McGrath therefore has the potential to be adversely affected by factors that reduce sales transaction volumes or sales prices in the Australian residential real estate market or, more specifically, the particular regions in which it operates.

- Increased competition and disintermediation - the Australian residential real estate services industry is subject to vigorous competition, based on factors including commission rates, service, innovation and the ability to provide the client with an appropriate range of real estate services in a timely manner. McGrath is also potentially exposed to disintermediation, whereby buyers and sellers are able to transact directly in a private sale without utilising the services of an agent. The residential real estate services industry can also be considered to have relatively low barriers to entry, with there being a relatively low cost to establish a full licensed residential real estate services office. Agents of McGrath or Franchisees could potentially establish competing businesses in the areas in which they currently operate and have done so in the past subject to existing non-compete agreements.

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

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

To: the directors of McGrath Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stuart Marshall
Partner

Sydney
24 February 2016

Financial statements

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Revenues and other income		54,312	40,834
Cost of sales		(20,715)	(18,687)
Employee benefits expense		(14,816)	(11,007)
Directors' fees		(411)	(73)
Professional fees		(6,617)	(865)
Doubtful debts		(71)	(13)
Occupancy		(2,367)	(1,752)
Communications		(855)	(679)
Advertising and promotions		(1,356)	(960)
Other expenses		(4,455)	(2,449)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		2,649	4,349
Depreciation and amortisation expenses		(1,094)	(920)
Finance income		30	78
Finance costs		(203)	(230)
Net finance costs		(173)	(152)
Profit before income tax expense		1,382	3,277
Income tax expense		(961)	(1,053)
Profit after income tax expense		421	2,224
Other comprehensive income		-	-
Total profit and other comprehensive income for the period		421	2,224
Net Profit after income tax expense attributable to:			
Owners of the Company		367	2,047
Non-controlling interest		54	177
Profit after income tax expense		421	2,224
Basic earnings / (loss) per share (cents)	6	0.60	4.55
Diluted earnings / (loss) per share (cents)	6	0.60	4.55

Condensed consolidated statement of financial position as at 31 December 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
CURRENT ASSETS			
Cash and cash equivalents		14,031	2,836
Trade and other receivables		27,096	22,025
Other		2,294	869
TOTAL CURRENT ASSETS		43,421	25,730
NON CURRENT ASSETS			
Receivables		996	225
Property, plant and equipment		6,317	3,185
Intangible assets	3	79,632	8,941
TOTAL NON CURRENT ASSETS		86,945	12,351
TOTAL ASSETS		130,366	38,081
CURRENT LIABILITIES			
Trade and other payables		19,819	11,685
Loans and borrowings	4	7,128	558
Provisions		2,233	1,639
Current tax liabilities		30	1,250
TOTAL CURRENT LIABILITIES		29,210	15,132
NON CURRENT LIABILITIES			
Loans and borrowings	4	7,779	6,356
Provisions		1,150	823
Deferred tax liabilities		5,007	1,466
TOTAL NON CURRENT LIABILITIES		13,936	8,645
TOTAL LIABILITIES		43,146	23,777
NET ASSETS		87,220	14,304
EQUITY			
Contributed equity	5	91,115	6,333
Retained profits/(accumulated losses)		(3,895)	7,971
Total Equity attributable to equity holders		87,220	14,304
Non-controlling interests		-	-
TOTAL EQUITY		87,220	14,304

Condensed consolidated statement of changes in equity for the half year ended 31 December 2015

	Notes	Contributed equity	Retained profits/ (accumulated losses)	Share Based Payment Reserve	Total attributable to owners of the company	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015		6,333	7,971	-	14,304	-	14,304
Profit after income tax expense		-	367	-	367	54	421
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	367	-	367	54	421
Issue of equity	5(a)	88,283	(1,233)	-	87,050	-	87,050
Equity raising costs deducted from equity		(3,501)	-	-	(3,501)	-	(3,501)
Dividends to equity holders	5(c)	-	(11,000)	-	(11,000)	-	(11,000)
Distributions to non-controlling interests		-	-	-	-	(54)	(54)
Transactions with owners, recorded directly in equity		84,782	(12,233)	-	72,549	(54)	72,495
Balance at 31 December 2015		91,115	(3,895)	-	87,220	-	87,220
Balance at 1 July 2014		5,083	7,231	441	12,755	-	12,755
Profit after income tax expense		-	2,047	-	2,047	177	2,224
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	2,047	-	2,047	177	2,224
Issue of equity	5(a)	1,250	-	-	1,250	-	1,250
Share based payment transactions	5(b)	-	441	(441)	-	-	-
Dividends to equity holders	5(c)	-	(2,483)	-	(2,483)	-	(2,483)
Distributions to non-controlling interests		-	-	-	-	-	-
Transactions with owners, recorded directly in equity		1,250	(2,042)	(441)	(1,233)	-	(1,233)
Balance at 31 December 2014		6,333	7,236	-	13,569	177	13,746

Condensed consolidated statement of cash flows for the half year ended 31 December 2015

	Notes	2015	2014
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		56,407	41,914
Payments to suppliers and employees		(51,104)	(36,902)
Interest paid		(203)	(230)
Interest received		30	78
Income tax paid		(2,180)	(1,380)
NET CASH INFLOW FROM OPERATING ACTIVITIES		2,950	3,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of controlled entities, net of cash acquired	7	(29,076)	-
Purchase of property, plant and equipment		(2,702)	(995)
Purchase of intangibles		(1,206)	(1,069)
Loans granted		(539)	(1,151)
Loan repayments received		2,108	1,429
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(31,415)	(1,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	5(a)	66,050	1,250
Proceeds from borrowings		9,000	662
Repayment of borrowings		(15,366)	(433)
Repayment of finance lease principal		(549)	(350)
Payment of IPO related transaction costs expensed		(4,920)	-
Payment of IPO transaction costs recognised in equity		(3,501)	-
Dividends paid	5(c)	(11,000)	(2,483)
Distribution paid		(54)	-
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		39,660	(1,354)
Net increase in cash and cash equivalents		11,195	340
Cash and cash equivalents at the beginning of the period		2,836	3,870
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		14,031	4,210

Notes to the Condensed Consolidated Interim Financial Statements

1 Reporting entity

McGrath Limited (the "Company"), previously McGrath Holding Company Limited, is a company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the half year ended 31 December 2015 comprises the Company and its subsidiaries (The Consolidated Entity).

An internal restructure took place in connection with the 7 December 2015 initial public offering (IPO) of McGrath Limited (ASX code: MEA). This resulted in a newly incorporated company, McGrath Holdings Company Limited, becoming the ultimate parent company of the Consolidated Entity. The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure. As such, the consolidated financial statements of the new Consolidated Entity have been presented as a continuation of the pre-existing accounting values of assets and liabilities in McGrath Operations Limited's, previously McGrath Limited's, financial statements. The Directors note that there is an alternate view that such a restructure undertaken for an IPO could be accounted for as a business combination that follows the legal structure of McGrath Holdings Company Limited being the acquirer. If this view had been taken, the net assets of the McGrath group would have been increased to fair value by $244.8 million, based on a market capitalisation at IPO of $260.7 million, with consequential impacts on the profit and loss and statement of financial position.

The interim financial statements represents the consolidated results, for the Consolidated Entity, for the period 1 July 2015 to 31 December 2015. This financial report is presented as a continuation of the Consolidated Entity (including McGrath Limited and McGrath Operations Limited) for the six month period. The comparative information presented in the Half Year report represents the financial position of the Consolidated Entity as at 30 June 2015 and the Consolidated Entity's performance for the period 1 July 2014 to 31 December 2014.

Accounting policies of the Consolidated Entity are set out in Note 10 or in the note to which they relate.

2 Operating segments

Description of segments

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

Company owned sales

This represents the Company owned sales offices for which McGrath earns sales commissions revenue.

Company owned property management

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

Franchise services

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

Other

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

Head office and corporate costs are not allocated to segments.

Inter-segment transactions are conducted on normal commercial terms and conditions. The majority of inter-segment transactions relate to levies charged by network services to other business units for marketing, training and IT.
The accounting policies of each operating segment are the same as those described for the Consolidated Entity.

2 Operating segments (continued)

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

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

Half year ended 31 December 2015	Company owned Sales	Company owned property management	Franchise services	Total reportable segments	Other segments	Consolidated total
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	35,230	6,550	6,971	48,751	5,441	54,192
Inter-segment revenues	-	-	-	-	1,725	1,725
Segment Revenue	35,230	6,550	6,971	48,751	7,166	55,917
Unallocated revenue						120
Eliminations						(1,725)
Consolidated Revenue						54,312
Segment profit before interest, tax, depreciation and amortisation	8,665	1,654	4,804	15,123	(950)	14,173
Unallocated corporate costs						(11,524)
EBITDA						2,649
Depreciation and amortisation	(419)	(485)	(3)	(907)	(68)	(976)
Unallocated corporate depreciation and amortisation						(118)
Net finance costs						(173)
Profit before income tax expense						1,382

Half year ended 31 December 2014	Company owned Sales	Company owned property management	Franchise services	Total reportable segments	Other segments	Consolidated total
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	25,026	4,997	5,924	35,947	4,819	40,766
Inter-segment revenues	-	-	-	-	2,045	2,045
Segment Revenue	25,026	4,997	5,924	35,947	6,864	42,811
Unallocated revenue						68
Eliminations						(2,045)
Consolidated Revenue						40,834
Segment profit before interest, tax, depreciation and amortisation	2,735	1,309	4,407	8,451	(337)	8,114
Unallocated corporate costs						(3,765)
EBITDA						4,349
Depreciation and amortisation	(349)	(327)	(2)	(678)	(166)	(844)
Unallocated corporate depreciation and amortisation						(76)
Net finance costs						(152)
Profit before income tax expense						3,277

3 Intangible assets

	Goodwill	Property Management Rights	Software	Total
	$'000	$'000	$'000	$'000
Half year ended 31 December 2015				
Consolidated Entity				
Carrying amount				
At 1 July 2015	300	4,319	4,322	8,941
Additions	53,886[1]	16,033[1]	1,261	71,180
Amortisation charge for the period	-	(455)	(34)	(489)
At 31 December 2015	54,186	19,897	5,549	79,632

[1] Refer to Note 7.

4 Loans and borrowings

		31 December 2015	30 June 2015
		$'000	$'000
Current			
Finance lease liability		-	215
Loans - secured		-	343
Deferred consideration	7	7,128	-
		7,128	558
Non current			
Finance lease liability		-	334
Loans - secured		-	6,022
Deferred consideration	7	7,779	-
		7,779	6,356

The deferred consideration relates to the acquisition of the Smollen Group. The deferred consideration has been presented at fair value as determined at acquisition date. This determination has taken into consideration time value of money as well as a probability factor relating to the likelihood of the Smollen Group meeting certain criteria as set out in the share purchase agreement.

The consolidated entity has no secured bank loans at 31 December 2015 (30 June 2015: $6,914,000). The movement in the loan balance is due to repayment of all loans in full.

5 Capital and reserves

(a) Capital	31 December 2015 $'000	30 June 2015 $'000
134,153,229 fully paid ordinary shares (30 June 2015: 45,891,563).	91,115	6,333

Issue of ordinary shares

On 1 September 2015 458,916 ordinary shares at a price of $2.69 per share were issued as a result of the acquisition of 50% of McGrath Auctions Unit Trust.
On 24 November 2015 at a general meeting of the shareholders a share split was approved whereby each ordinary share was split into 2 shares.
On 7 December 2015 McGrath Limited listed on the ASX, following the issue of 31,452,270 shares.
On 8 December 2015 10,000,000 ordinary shares at a price of $2.10 per share were issued as a result of the acquisition of the Smollen Group (see note 7).

	$'000	Shares
On issue at 1 July 2015	6,333	45,891,563
Issue of shares - MAUT acquisition	1,233	458,916
Issue of shares - share split and restructure	-	46,350,480
Issue of shares - public float	66,050	31,452,270
Transaction costs deducted from equity	(3,501)	-
Issue of shares - Smollen acquisition	21,000	10,000,000
Balance at 31 December 2015	91,115	134,153,229

On 12 September 2014, 2,185,313 shares were issued to G. Lucas under a share-based payment arrangement.

	$'000	Shares
On issue at 1 July 2014	5,083	43,706,250
Issue of shares - share based payment	1,250	2,185,313
Balance at 31 December 2014	6,333	45,891,563

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity. 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.

(b) Share-based payment reserve	2015 $'000	2014 $'000
Balance at 1 July	-	441
Provisions made during the period	-	-
Transfer to retained profits	-	(441)
Balance at 31 December	-	-

(c) Dividends paid and proposed

	31 December 2015 $'000	31 December 2014 $'000
Declared and paid during the period:		
Dividends on ordinary shares:		
Final franked dividend for 2015: 6.1¢ (2014: 5.41¢) paid August 2015	2,800	2,483
Interim franked dividend for 2015: nil (2014: 8.60¢)	-	3,945
Pre IPO franked dividend for 2016: 17.7¢ (2015: nil) paid December 2015	8,200	-
	11,000	6,428

The tax rate at which dividends paid have been franked is 30% (2014: 30%).

6 Earnings per share

(a) Basic earnings per share

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

(i) Profit attributable to ordinary shareholders (basic)

	31 December 2015 $'000	31 December 2014 $'000
Net profit attributable to owners of the company	367	2,047

(ii) Weighted-average number of ordinary shares

In thousands of shares		2015	2014
Shares on issue at 1 July		45,892	43,706
Issue of shares – share options exercised	12 September 2014	-	2,185
Issue of shares – MAUT acquisition	1 September 2015	459	-
Issue of shares – share split and restructure	24 November 2015	46,350	-
Issue of shares – public float	7 December 2015	31,452	-
Issue of shares – Smollen acquisition	8 December 2015	10,000	-
Shares on issue at 31 December		134,153	45,892
Weighted-average number of ordinary shares at 31 December		**60,946**	**45,020**

(b) Diluted earnings per share

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

	31 December 2015 $'000	31 December 2014 $'000
Net profit attributable to owners of the company	367	2,047

(ii) Weighted-average number of ordinary shares

In thousands of shares	2015	2014
Weighted-average number of ordinary shares (basic)	60,946	45,020
Effect of CRPS*	523	-
Weighted-average number of ordinary shares (diluted) at 31 December	**61,469**	**45,020**

*The CRPS as described in Note 7 convert to shares. The calculation considers the potential dilutive effect of the CRPS if they were to be converted at their full value as set out in the share and purchase agreement.

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

7 Business combinations

On 8 December 2015, McGrath acquired the Smollen Group. Refer to the operating and financial review included in the Directors' Report for details.

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

	$'000
Fair value of consideration transferred	
Amount settled in cash	31,500
Amount settled in ordinary shares	21,000
Amount of deferred consideration	14,906
Total consideration pre adjustment	**67,406**
Working capital adjustment	(2,010)
Adjusted consideration	**65,396**
Recognised amounts of identifiable net assets	
Property, plant and equipment	1,028
Intangible assets	16,033
Total non-current assets	**17,061**
Cash	2,424
Trade and other receivables	2,663
Prepayments	75
Total current assets	**5,162**
Deferred tax liabilities	(3,541)
Payroll liabilities	(128)
Total non-current liabilities	**(3,369)**
Current tax liabilities	(444)
Trade and other payables	(2,632)
Accrued expenses	(2,278)
Payroll liabilties	(1,690)
Total current liabilities	**(7,044)**
Identifiable net assets	**11,810**
Goodwill on acquisition	**53,886**

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

Acquisition-related costs amounting to $1,942,931 are not included as part of consideration transferred and have been recognised as an expense in the condensed consolidated statement of profit or loss and other comprehensive income as part of other expenses.

Deferred consideration of $14,906,367 has been recognised as a liability based upon the fair value of earn outs payable in accordance with the share and purchase agreement. The deferred consideration comprises 50% cash and 50% convertible redeemable preference shares (CRPS) which are convertible to a determined value of shares in McGrath Limited upon satisfaction of certain non-market conditions. The deferred consideration is payable following the 30 June 2016 and 30 June 2017 financial years. Refer to Note 4 for more information.

For the 24 Days ending 31 December 2015, the Smollen Group contributed revenue of $2,386,000 and profit before income tax of $366,000 to the Consolidated Entity's results. If the acquisition had occurred on the 1 July 2015 management estimates that consolidated revenue would have been $74,900,000, and consolidated profit before income tax for the period ending 31 December 2015 would have been $5,506,000. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2015.

8 Related parties

(a) **Details of key management personnel**

Non Executive Directors

W. McCarthy	Chair, Retired 30 June 2015
D. Mackay	Chair, Appointed 21 July 2015
C. O'Connor	
S. Hassen	Retired 11 November 2015
D. Petre	Appointed 13 October 2015
Executive Director	
J. McGrath	Chief Executive Officer
Executives	
G. Lucas	Chief Operating Officer
P. Hauenschild	Chief Financial Officer
M. Lahood	Director of Sales
G. Vouris	General Manager Franchise

(b) **Equity holdings of key management personnel**

	Year	Shares held at beginning of financial year	Impact of share split and restructure	Shares acquired during the year	Shares disposed during the year	Shares held at end of financial year
		Shares	Shares	Shares	Shares	Shares
D. Mackay	**2015**	**-**	**-**	**166,666**	**-**	**166,666**
	2014	-	-	-	-	-
C. O'Connor	**2015**	**-**	**-**	**95,238**	**-**	**95,238**
	2014	-	-	-	-	-
D. Petre	**2015**	**-**	**-**	**166,666**	**-**	**166,666**
	2014	-	-	-	-	-
J. McGrath	**2015**	**27,056,252**	**27,056,252**	**-**	**(17,857,126)**	**36,255,378**
	2014	27,056,252	-	-	-	27,056,252
G. Lucas	**2015**	**4,266,563**	**4,266,563**	**-**	**(2,815,932)**	**5,717,194**
	2014	2,081,250	-	2,185,313	-	4,266,563
P. Hauenschild	**2015**	**-**	**-**	**24,277**	**-**	**24,277**
	2014	-	-	-	-	-
M. Lahood	**2015**	**2,081,250**	**2,081,250**	**-**	**(1,373,625)**	**2,788,875**
	2014	2,081,250	-	-	-	2,081,250
G. Vouris	**2015**	**-**	**-**	**24,515**	**-**	**24,515**
	2014	-	-	-	-	-
Total	**2015**	**33,404,065**	**33,404,065**	**477,362**	**(22,046,683)**	**45,238,809**
	2014	**31,218,752**	**-**	**2,185,313**	**-**	**33,404,065**

Except for the movement in equity holdings of key management personnel, there have been no other new significant related party transactions during the period.

9 Events subsequent to reporting date

There has not arisen in the interval between the end of the half 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.

10 General accounting policies

Basis of preparation

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

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Consolidated Entity's financial position and performance since the last consolidated annual financial statements as at and for the year ended 30 June 2015.

Accounting policies are consistent with the 30 June 2015 Annual Financial Report with the exception of the following new accounting policies:

- Equity raising costs (refer Note 5.)
- Earnings per share (refer Note 6.)

These interim financial statements were authorised for issue by the Company's Board of Directors on 24 February 2016.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Significant accounting judgements, estimates and assumptions

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

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

Equity

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

Internal restructure

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

Business combinations

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

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

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

Goodwill

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

Directors' Declaration For the Half Year Ended 31 December 2015

In the opinion of the directors of McGrath Limited:

(a) the condensed consolidated financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the six month period ended on that date, and

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

Signed in accordance with a resolution of the Directors.

David Mackay

Chairman

24 February 2016

KPMG

Independent auditor's review report to the members of McGrath Limited

We have reviewed the accompanying half-year financial report of McGrath Limited (the company), which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of McGrath Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Stuart Marshall
Partner

Sydney

24 February 2016

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

David Mackay
Chairman and Independent Non-Executive Director

John McGrath
CEO and Executive Director

Cass O'Connor
Non-Executive Director

Daniel Petre
Independent Non-Executive Director

COMPANY SECRETARY
Paul Hauenschild

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