THE AGENCY

THE AGENCY GROUP AUSTRALIA LTD

ABN 52 118 913 232

and its controlled entities

Interim Financial Report

31 December 2019

Corporate directory

Current Directors

Andrew Jensen	*Executive Chairman*
Paul Niardone	*Managing Director*
Mitchell Atkins	*Non-executive Director*
Adam Davey	*Non-executive Director*
Matthew LaHood	*Executive Director*

Company Secretary

Mr Stuart Usher

Registered Office

Street:	68 Milligan St PERTH WA 6000
Postal:	PO Box 7768 CLOISTERS SQUARE WA 6850
Telephone:	+61 (0)8 9204 7955
Facsimile:	+61 (0)8 9204 7956
Email:	info@theagencygroup.com.au
Website:	theagencygroup.com.au

Share Registry

Advanced Share Registry Limited

Street + Postal:	110 Stirling Highway NEDLANDS WA 6009
Telephone:	1300 113 258 (within Australia) +61 (0)8 9389 8033 (International)
Facsimile:	+61 (0)8 6370 4203
Email:	admin@advancedshare.com.au
Website:	www.advancedshare.com.au

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
PERTH WA 6000
Telephone: +61 (0)8 9226 4500

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

Telephone:	131 ASX (131 279) (within Australia)
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Results for Announcement to the Market

for the half-year Ended 31 December 2019

1 REPORTING PERIOD (item 1)

■ Report for the period ended:	31 December 2019
■ Previous corresponding period is half-year ended:	31 December 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Movement	Percentage %		Amount $
■ Revenues from ordinary activities (item 2.1)	Increase	144.52	to	25,623,262
■ Loss from ordinary activities after tax attributable to members (item 2.2)	Increase in loss	(14.50)	to	(1,674,164)
■ Loss after tax attributable to members (item 2.3)	Increase in loss	(14.50)	to	(1,674,164)

a. Dividends (items 2.4 and 5)

	Amount per Security ¢	Franked amount per security %
■ Interim dividend	nil	n/a
■ Final dividend	nil	n/a

■ Record date for determining entitlements to the dividend (item 2.5) n/a

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

1. Revenue represents interest earned and service revenue.
2. Earnings before interest, tax, amortisation and depreciation (EBITDA) $1,484,510

3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS

Nil.

a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

4 RATIOS

	Current period	Previous corresponding period
a. Financial Information relating to 4b:	$	$
Earnings for the period attributable to owners of the parent	(1,674,164)	(1,958,009)
Net assets	18,847,215	9,031,007
Less: Intangible assets and deferred tax balances	(39,245,291)	(34,368,355)
Net tangible (liabilities)/assets	(20,398,076)	(25,337,348)
	No.	No.
Fully paid ordinary shares	298,954,431	103,810,047
	¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):	(6.82)	(24.41)

Results for Announcement to the Market
for the half-year Ended 31 December 2019

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

- Name of entities (item 4.1) — Nil
- Date(s) of gain of control (item 4.2) — n/a

b. Loss of control of entities

- Name of entities (item 4.1) — Nil
- Date(s) of loss of control (item 4.2) — n/a

c. Contribution to consolidated loss from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3). — n/a

d. Loss from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3) — n/a

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)

- Name of entities (item 7) — Nil
- Percentage holding in each of these entities (item 7) — N/A

	Current period	Previous corresponding period
Aggregate share of profits (losses) of these entities (item 7)	N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The report is based on accounts which are have been reviewed by the Company's independent auditor (item 9) and contain the following emphasis of matter:

We draw attention to Note 1(ii) in the half year financial report, which indicates that the Group incurred a net loss after tax of $1,674,164 during the half year ended 31 December 2019. As stated in Note 1(ii), these events or conditions, along with other matters as set forth in Note 1(ii), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' report

Your directors present their report on the Group, consisting of The Agency Group Australia Ltd (**The Agency** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2019.

1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

Andrew Jensen	Executive Chairman
Paul Niardone	Managing Director
Mitchell Atkins	Non-executive Director (Appointed 1 October 2019)
Adam Davey	Non-Executive Director
Matthew LaHood	Executive Director
John Kolenda	Non-executive Director (Resigned 1 October 2019)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

2. Operating and financial review

2.1. Operations review

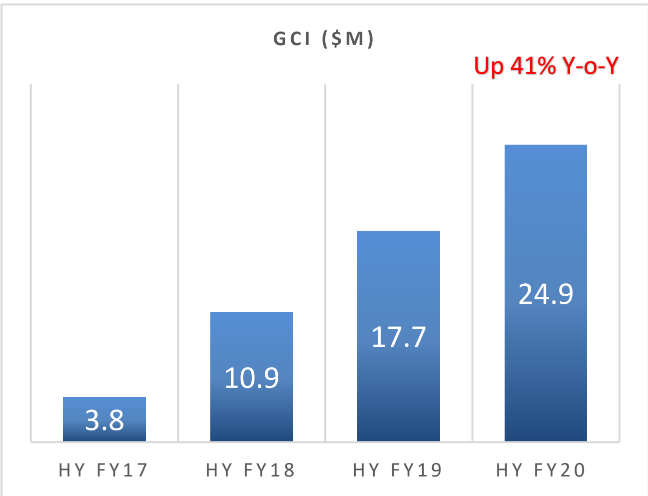
Strong results, both operationally and financially, across the business for the six month period ending 31st December 2019 on the back of a marked improvement in the real estate sector on the eastern seaboard during the period.

In a significant milestone, the Group reported earnings before interest tax depreciation and amortisation (EBITDA) of $1.5 million, a significant turn-around.

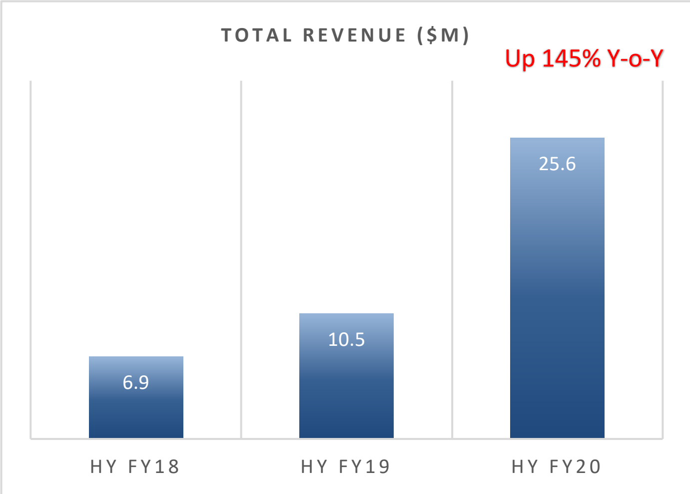
The EBITDA positive result reflects the significant synergistical benefits being realised by the company 12 months on from its acquisition of Top Level Real Estate Pty Ltd, the success of The Agency's disruptive model in attracting and continuing to attract the highest quality agents and business owners and the proactive cost reduction program being implemented during FY2020.

Positive EBITDA was achieved on the back of $25.6 million revenue for the six-month period, a significant 145% increase on the six-month period ending 31 December 2018 (HY2019: $10.5m).

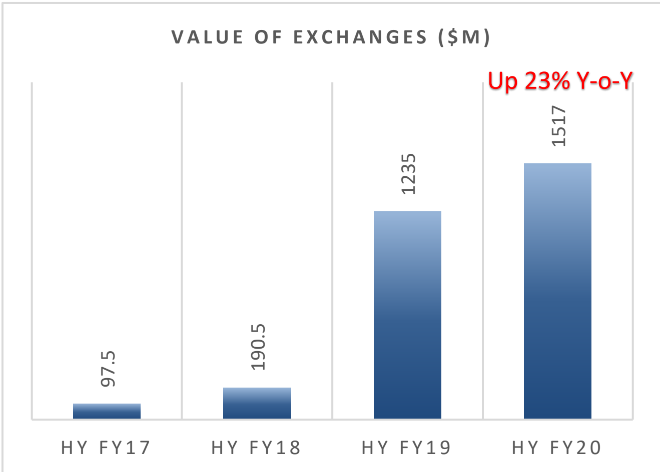
Total gross commission income (GCI) for the Group for the six-month period totalled $24.9 million – up 41% from previous corresponding period (HY2019: $17.7 million) and representing 66% of FY19 GCI of $38 million.



Directors' report



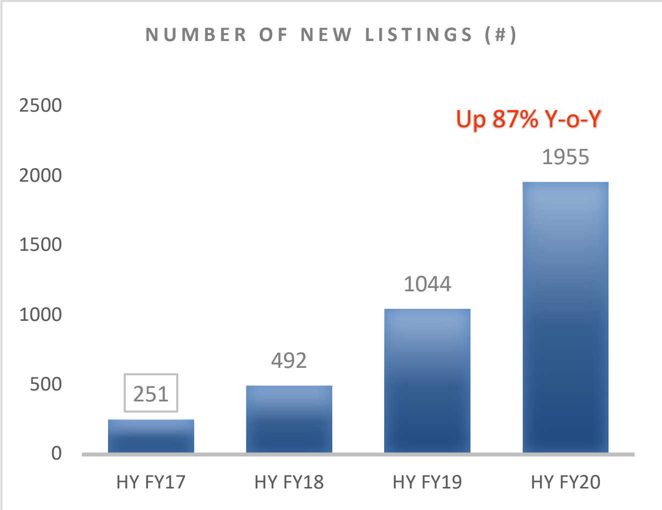
GCI was due to 1,591 exchanges and more than $1.5 billion worth of property sold across the combined group for the six-month period. This is compared to 719 exchanges worth approximately $382 million in the previous corresponding period.



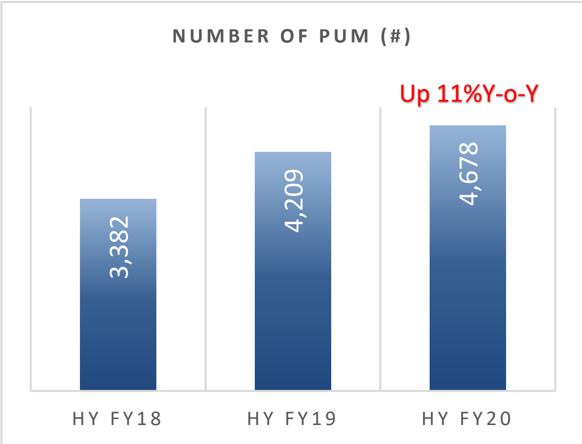
Looking ahead to the second half of FY2020, the Company remains confident revenue and commission growth will be maintained as the real estate market shows further signs of improvement.

The pipeline for future sales is significant, with the combined group reporting 1,955 listings, up 87% on the previous corresponding period.

Directors' report



Properties under management (PuM) also continues to be a source of strength for the Company with The Agency's east coast and west coast operations reporting a total management portfolio of 4,678 PuM as at 31st December 2019, up 11% on the previous corresponding period (1H19: 4209PuM).



The number of agents operating under the combined group were 278 as at 31st of December 2019, down from 292 agents as at 31st December 2018. This follows Fair Work Australia's recent legislative changes which resulted in the Company performing a strategic review of the SLP agent network.

Post end of period, The Agency launched an office in Canberra – which holds an important position on our expansion roadmap – appointing highly experienced property developer and agent Peter Micalos to the role of senior partner.

The Agency Canberra will offer residential and commercial sales, residential and commercial property management and project marketing and sales.

Along with Mr Micalos' project pipeline, that is estimated to grow to 2,000 units over 24 months and a total value of $1 billion, he will be establishing The Agency's bricks-and-mortar hub in Canberra and initiating a major recruitment drive.

Canberra is on a growth trajectory with dwelling values increasing by 2.3% in December 2019 and 3.14% in January 2020.[1]

[1] https://www.corelogic.com.au/research/monthly-indices

Directors' report

Cost reduction program

As part of the Company's ongoing integration of The Agency's East Coast and West Coast operations, a proactive cost reduction program has been implemented across the combined group during FY2020.

During the six-month period, wage savings of approximately $678,000 have been realised as a result of streamlining the business post-merger with Top Level Real Estate Pty Ltd.

Cost reductions of $2.5 million are expected to be delivered in FY20 with The Agency on target to meet these reductions.

Financial position

As at 31 December 2019, The Agency had cash and cash equivalents of $3.7 million – up from $1.1m as at 30 June 2019 – $13.2 million debt plus a rent roll of $20.2 million.

Results Commentary

Commenting on the half year results, The Agency Group's Managing Director Paul Niardone said:

I am thrilled to deliver yet another set of strong results for the HY2020 which included a maiden positive EBITDA of $1.5 million which includes adjustments from the adoption of the new AASB 16 leases standard (refer note 19) which had a positive effect on EBITDA of approximately $1 million.

These results reflect the strength of our brand and why reputable real estate businesses and agents continue to join our business as they realise we offer higher commissions, reduced risk and higher-level of support compared to franchise and stand-alone businesses.

In addition, we are witnessing an improving housing market in which house values have risen across every capital city, auction clearance rates have rapidly increased and fewer days on market for properties in Sydney and Melbourne. In Perth, green shoots are emerging with a boost to property values in recent months.

We continued our national growth trajectory with the launch of an office in Canberra – which holds an important position on our expansion roadmap – appointing highly experienced property developer and agent Peter Micalos to the role of senior partner. According to CoreLogic data, Canberra is on a growth trajectory with dwelling values increasing by 2.3% in December 2019 and 3.14% in January 2020.

The nation-wide improvement in the housing market is highly encouraging for The Agency and we anticipate building on our strong half year 2020 result for the remainder of the financial year.

2.2. Financial Review

a. Operating results

For the half-year ended 31 December 2019 the Group delivered a loss after tax of $1,674,164 (31 December 2018: $1,958,009 loss).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 1a.ii Statement of significant accounting policies: Going Concern on page 13.

b. Financial position

The net assets of the Group have increased from 30 June 2019 by $9,816,208 to $18,847,215 at 31 December 2019 (30 June 2019: $9,031,007).

As at 31 December 2019, the Group's cash and cash equivalents increased from 30 June 2019 by $1,109,233 to $3,706,532 (30 June 2019: $2,597,299) and had a working capital deficit of $17,958,652 (30 June 2019: $28,344,329 working capital deficit).

2.3. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 16 Events subsequent to reporting date.

2.4. Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Directors' report

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2019 has been received and can be found on page 8 of the interim financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001* (Cth).

PAUL NIARDONE

Managing Director

Dated this Saturday, 29 February 2020

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit partner for the review of the financial statements of The Agency Group Australia Ltd for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 29th day of February 2020

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Continuing operations			
Revenue	3a	24,707,033	10,443,788
Other income	3b	916,229	35,285
Advertising and promotion expenses		(3,599,622)	(150,967)
Computers and information technology expenses		(605,522)	-
Consultancy fees		(762,645)	(216,700)
Depreciation and amortisation		(3,039,016)	(219,392)
Doubtful debts		-	(9,410)
Interest expense		(1,046,834)	(340,780)
Legal, professional, and valuation fees		(849,216)	(997,159)
Rent and outgoings		(456,626)	(46,282)
Salaries and employee benefits expenses		(16,555,888)	(9,128,308)
Other expenses		(1,314,252)	(1,480,536)
Loss before tax		(2,606,359)	(2,110,461)
Income tax credit / (expense)		932,195	152,452
Net loss for the half-year		(1,674,164)	(1,958,009)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,674,164)	(1,958,009)
Earnings per share:		¢	¢
Basic and diluted loss per share (cents per share)	4	(0.80)	(5.37)

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

Condensed consolidated statement of financial position

as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents	5	3,706,532	2,597,299
Trade and other receivables	6a	5,800,864	4,493,365
Total current assets		9,507,406	7,090,664
Non-current assets			
Trade and other receivables	6b	546,967	282,772
Financial assets	7	790,305	1,142,387
Plant and equipment	8	2,180,666	2,577,550
Right of use asset	13a	5,493,336	-
Intangible assets	9	37,487,639	39,036,212
Total non-current assets		46,498,913	43,038,921
Total assets		56,006,319	50,129,585
Current liabilities			
Trade and other payables	10a	11,719,707	13,555,575
Borrowings	11	13,176,245	21,126,603
Provisions	12a	812,424	752,815
Leases	13b	1,757,682	-
Total current liabilities		27,466,058	35,434,993
Non-current liabilities			
Trade and other payables	10b	-	35,308
Provisions	12b	1,146,849	960,420
Leases	13b	4,810,513	-
Deferred tax liabilities		3,735,684	4,667,857
Total non-current liabilities		9,693,046	5,663,585
Total liabilities		37,159,104	41,098,578
Net assets		18,847,215	9,031,007
Equity			
Issued capital	14a	39,438,803	27,765,049
Reserves	14b	855,915	583,426
Accumulated losses		(21,447,503)	(19,317,468)
Total equity		18,847,215	9,031,007

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

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2019

	Note	Contributed equity $	Accumulated Losses $	Options Reserve $	Total equity $
Balance at 1 July 2018		11,480,382	(11,564,475)	566,430	482,337
Loss for the half-year attributable owners of the parent		-	(1,958,009)	-	(1,958,009)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	(1,958,009)	-	(1,958,009)
Transaction with owners, directly in equity					
Shares issued during the half-year (net of costs)		-	-	-	-
Options granted during the half-year		-	-	-	-
Balance at 31 December 2018		11,480,382	(13,522,484)	566,430	(1,475,672)
Balance at 1 July 2019		27,765,049	(19,317,468)	583,426	9,031,007
Effects of AASB 16	19	-	(455,871)	-	(455,871)
Restated total equity at the beginning of the financial year		27,765,049	(19,773,339)	583,426	8,575,136
Loss for the half-year attributable owners of the parent		-	(1,674,164)	-	(1,674,164)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	(1,674,164)	-	(1,674,164)
Transaction with owners, directly in equity					
Shares issued during the half-year (net of costs)	14a	11,673,754	-	-	11,673,754
Share based payments during the half-year	14b	-	-	272,489	272,489
Balance at 31 December 2019		39,438,803	(21,447,503)	855,915	18,847,215

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		25,027,127	9,463,450
Payments to suppliers and employees		(25,807,380)	(9,413,532)
Interest received		17,577	-
Interest paid		(697,333)	(340,780)
Net cash used in operating activities		(1,460,009)	(290,862)
Cash flows from investing activities			
Purchase of plant and equipment		(77,776)	(53,578)
Advancement of bank guarantees		(404,015)	-
Bank guarantees returned		321,078	-
Payment for intangibles		(171,818)	-
Payments for deferred consideration		(15,000)	(266,011)
Net cash used in investing activities		(347,531)	(319,589)
Cash flows from financing activities			
Proceeds from issue of shares		5,611,773	500,000
Share issue costs		(355,000)	-
Proceeds from borrowings		-	250,000
Repayment of borrowings		(2,340,000)	-
Net cash provided by financing activities		2,916,773	750,000
Net increase/(decrease) in cash held		1,109,233	139,549
Cash and cash equivalents at the beginning of the half-year		2,597,299	1,021,887
Cash and cash equivalents at the end of the half-year	5	3,706,532	1,161,436

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

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 1 Statement of significant accounting policies

These are the condensed consolidated financial statements and notes of The Agency Group Australia Ltd (**The Agency** or **the Company**) and controlled entities (collectively **the Group**). The Agency is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 29 February 2020 by the directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of The Agency Group Australia Ltd and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the half-year.

i. Statement of compliance

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

ii. Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and liabilities in the normal course of business. The Group incurred a loss after tax for the half year ended 31 December 2019 of $1,674,164 (2018: $1,958,009) and net cash out-flow from operating activities of $1,460,009 (2018: $290,862 out-flow). At balance date there was a working capital deficit of $17,958,652 (30 June 2019: $28,344,329 deficit). Included in the working capital deficit is $12,093,235 in relation to the Group's Macquarie Bank Finance Facility which is due and payable as at 31 March 2020. The Group has received offers to refinance the facility, however as at the date of this report the refinancing is incomplete.

During the half-year ended 31 December 2019, the Group successful raised $5.6 million (before costs) from capital raisings and converted debt and payables of $7.0 million to equity.

The ability of the Group to continue as a going concern is dependent on refinancing its Macquarie Bank Finance Facility, generating profits and positive cash flows from operating activities and in the event these are not achieved raising capital from equity markets.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

iii. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 1 Statement of significant accounting policies

b. Accounting Standards that are mandatorily effective for the current reporting period

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- *AASB 16: Leases*
  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The financial impact from the adoption of this standard is disclosed in note 19.

c. Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, with the exception of AASB 16 *Leases* as detailed above. All applicable new standards and interpretations issued since 1 July 2019 have been adopted. There was no significant impact on the Group, other than as disclosed in note 19.

Note 2 Company details

The registered office of the Company is:

Street + Postal: Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 3 Revenue and other income	31 December 2019 $	31 December 2018 $
a. **Revenue**		
Commissions	17,526,872	7,011,868
Fees	2,987,787	2,521,730
Management fees	4,192,374	910,190
	24,707,033	10,443,788
b. **Other Income**		
Interest income	17,577	9,765
Other income	898,652	25,520
	916,229	35,285

Note 4 Earnings per share (EPS)	Note	31 December 2019 $	31 December 2018 $
a. **Reconciliation of earnings to profit or loss**			
Loss for the half-year		(1,674,164)	(1,958,009)
Loss used in the calculation of basic and diluted EPS		(1,674,164)	(1,958,009)

	31 December 2019 No.	31 December 2018 No.
b. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**	209,614,095	36,468,962

c. **Earnings per share**	Note	31 December 2019 ¢	31 December 2018 ¢
Basic EPS (cents per share)	4d	(0.80)	(5.37)

d. As at 31 December 2019 the Group has 102,181,760 unissued shares under options (31 December 2018: 10,335,928). The Group does not report diluted earnings per share on losses generated by the Group. The Group does not report diluted earnings per share on losses generated by the Group. During the half-year ended 31 December 2019 the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note 5 Cash and cash equivalents	31 December 2019 $	30 June 2019 $
a. **Current**		
Cash at bank	3,706,532	2,597,299
	3,706,532	2,597,299

THE AGENCY

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 6 Trade and other receivables	31 December 2019 $	30 June 2019 $
a. **Current**		
Trade debtors	3,726,656	3,189,133
Prepaid expenses	138,644	397,285
Recoverable commissions/wages	1,063,723	871,650
Deposits paid	460,828	16,207
Other receivables	561,013	277,818
Provision for non-recovery of commissions/wages	(150,000)	(258,728)
	5,800,864	4,493,365
b. **Non-current**		
Receivables	546,967	282,772
	546,967	282,772

Note 7 Financial assets	31 December 2019 $	30 June 2019 $
a. **Non-current**		
Bank guarantees	790,305	1,085,476
Financial assets carried at FVOCI – Listed shares	-	56,911
	790,305	1,142,387

Note 8 Property, plant, and equipment	31 December 2019 $	30 June 2019 $
Plant and equipment – at cost	1,201,206	1,059,513
Accumulated depreciation	(561,083)	(376,536)
	640,123	682,977
Leasehold improvements – at cost	3,270,782	3,279,339
Accumulated depreciation	(1,730,239)	(1,384,766)
	1,540,543	1,894,573
Total plant and equipment	2,180,666	2,577,550

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 9 Intangible assets	31 December 2019 $	30 June 2019 $
Rent roll	20,243,658	21,958,595
Goodwill	17,077,617	17,077,617
Other	166,364	-
Total intangibles	37,487,639	39,036,212

Refer to note 20 for business combinations which occurred during 2019. The goodwill with respect to the acquisition has been accounted for on a provisional basis.

Note 10 Trade and other payables	31 December 2019 $	30 June 2019 $
a. **Current**		
Trade creditors	1,846,361	4,179,473
Employees' remuneration – commissions payable	1,356,622	1,177,955
Payroll tax	1,102,890	1,121,583
Superannuation – employees	616,716	577,520
Sundry creditors and accrued expenses	2,859,773	2,017,403
Lease incentive	-	719,158
GST and PAYG payables	3,680,792	3,255,827
Retention payable	-	506,656
Interest payable	256,553	-
	11,719,707	13,555,575
b. **Non-current**		
Other	-	35,308
	-	35,308

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 11 Borrowings		31 December 2019 $	30 June 2019 $
a. **Current**			
Loans (i)		750,000	1,350,000
Bank loans (II)		12,093,235	12,593,235
Shareholder loans		211,849	7,157,366
Other		121,161	26,002
		13,176,245	21,126,603

(I) Loan payable to Kalonda Pty Ltd with an interest rate of 10.5% for a term until 30 June 2020. Shares are held as security for the debt.

(II) The Macquarie Bank Loan Facility has a first ranking charge over all the consolidated group companies and has a term until 31 March 2020.

Note 12 Provisions		31 December 2019 $	30 June 2019 $
a. **Current**			
Employee entitlements		812,424	752,815
		812,424	752,815
b. **Non-current**			
Employee entitlements		258,474	329,638
Future fund referrals		738,375	480,782
Other		150,000	150,000
		1,146,849	960,420

Note 13 Leases		31 December 2019 $	30 June 2019# $
a. **Right of use assets**			
Right of use assets	19	5,493,336	-
		5,493,336	-
b. **Lease liabilities**			
Current	19	1,757,682	-
Non-current	19	4,810,513	-
		6,568,195	-

Refer to note 19 for further details on the adoption of AASB 16 leases.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 14 Issued capital	Note	31 December 2019 No.	30 June 2019 No.	31 December 2019 $	30 June 2019 $
Fully paid ordinary shares at no par value		298,954,431	103,810,047	39,438,803	27,765,049
a. **Ordinary shares**		6 months to 31 December 2019 No.	12 months to 30 June 2019 No.	6 months to 31 December 2019 $	12 months to 30 June 2019 $
At the beginning of the period		103,810,047	683,793,034	27,765,049	11,480,382
Shares issued during the period/year:					
■ Bonus issue of shares		-	410,275,820	-	-
Sub-total			1,094,068,854		-
■ Effect of share consolidation 30:1		-	(1,057,598,807)		-
■ Shares after consolidation		-	36,470,047		-
■ Issued on acquisition of Top Level Pty Ltd		-	35,000,000	-	7,566,667
■ Issued on acquisition of Vicus Residential Pty Ltd		-	2,666,667	-	453,333
■ Issued to lead manager		-	840,000	-	252,000
■ Issued for cash		85,913,817	28,000,000	5,584,398	8,400,000
■ Share-settled payments	14c	107,008,316	833,333	6,955,540	116,667
■ Conversion of performance shares		2,222,251	-	-	-
Transaction costs relating to share issues		-	-	(866,184)	(504,000)
At reporting date		298,954,431	103,810,047	39,438,803	27,765,049

b. **Options**	Note	31 December 2019 No.	30 June 2019 No.	31 December 2019 $	30 June 2019 $
Options		102,181,760	5,588,912	855,915	583,426
At the beginning of the period		5,588,912	186,742,739	583,426	566,430
Options issued/(lapsed) during the year:					
■ Effect of share consolidation 30:1		-	(180,517,958)	-	-
■ Options after consolidation		-	6,224,781	-	-
■ Expiry of options		-	(969,202)	-	-
■ Issue of options to director		-	333,333	-	16,996
■ Attaching options issued pursuant to Placement		8,461,539	-	-	-
■ Attaching options issued pursuant to the Entitlement Issue		79,440,194	-	-	-
■ Issued to the Joint Lead Managers	14c	12,899,074	-	258,192	-
■ Issued in repayment of Kalonda debt	14c	714,286	-	14,297	-
■ Expiry of options		(4,922,245)	-	-	-
At reporting date		102,181,760	5,588,912	855,915	583,426

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 14 Issued capital (cont)

c. **Share-settled Payments**

As approved by shareholders at general meetings during the half year:

- 11,138,462 shares with a fair value of $0.065 per share totalling $724,000 were issued to third party consultants in lieu of cash for services performed.
- 5,782,551 shares with 2,891,275 attaching options were issued to Daring Investments Pty Ltd a company controlled by Mr John Kolenda to settle outstanding loans of $375,866.
- 19,244,088 shares with 9,622,044 attaching options were issued to Teldar Real Estate Pty Ltd a company controlled by Mr Matt Lahood to settle outstanding loans of $1,250,865
- 18,963,307 shares with 9,481,653 attaching options were issued to MAK Property Group Pty Ltd a company controlled by Mr Shad Hassen to settle outstanding loans of $$1,232,615
- 18,963,307 shares with 9,481,653 attaching options were issued to Ben Collier Investments Pty Ltd a company controlled by Mr Ben Collier to settle outstanding loans of $1,232,615
- 19,244,088 shares with 9,622,044 attaching options were issued to SEMC 2 Pty Ltd a company controlled by Mr Steven Chen to settle outstanding loans of $1,250,866
- 7,692,308 shares with 3,846,154 attaching options were issued to Kalonda Pty Ltd to settle outstanding loans of $500,000.
- 714,286 options were issue to Kalonda Pty Ltd as a debt facilitation fee with a fair value of 14,297.
- 12,899,074 options with a fair value of $258,192 were issued to the Joint Lead Manager in consideration for capital raising services.

The following shares were issued to directors to settle outstanding directors fees:

	Amount S	Shares No.
Mr Paul Niardone	116,719	1,795,682
Mr Andrew Jensen	118,500	1,823,077
Mr John Kolenda	87,494	1,346,061
Mr Adam Davey	66,000	1,015,385
Total	388,713	5,980,205

Note 15 Commitments

Other than for the adoption of AASB 16 leases (refer note 19) there has not been a material change to the Company's commitments since 30 June 2019.

Note 16 Events subsequent to reporting date

There are no other material events subsequent to reporting date.

Note 17 Contingent liabilities

There has been no change in contingent liabilities since the last annual report.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 18 Operating segments

a. **Segment Performance**

Half-Year ended 31 December 2019	Real Estate Property Services $	Mortgage Origination Services $	Total Reportable Segments $	Other Segments $	Total $
Revenue					
■ External revenues	24,200,992	1,422,270	25,623,262	-	25,623,262
■ Inter-segment revenues	-	-	-	-	-
Total segment revenue	24,200,992	1,422,270	25,623,262	-	25,623,262
Reconciliation of segment revenue to group revenue:					
■ Eliminations					-
Total group revenue and other income					25,623,262
Segment Profit / (Loss) from continuing operations before tax	2,546,379	466,565	3,012,944	(1,533,453)	1,479,491
Reconciliation of segment loss to group loss:					
(i) Unallocated items:					
■ Corporate costs	-	-	-	-	-
■ Depreciation and amortisation	(3,038,224)	(792)	(3,039,016)	-	(3,039,016)
■ Net finance costs	(193,300)	-	(193,300)	(853,534)	(1,046,834)
Profit before income tax					(2,606,359)

Half-Year ended 31 December 2018	Real Estate Property Services $	Mortgage Origination Services $	Total Reportable Segments $	Other Segments $	Total $
Revenue					
■ External revenues	8,925,238	1,528,515	10,453,753	25,520	10,479,273
■ Inter-segment revenues	-	-	-	438,000	438,000
Total segment revenue	8,925,238	1,528,515	10,453,753	463,520	10,917,273
Reconciliation of segment revenue to group revenue:					
■ Eliminations					(438,000)
Total group revenue and other income					10,479,273
Segment Profit / (Loss) from continuing operations before tax	(954,165)	421,078	(533,087)	(50,479)	(583,566)
Reconciliation of segment loss to group loss:					
(i) Unallocated items:					
■ Corporate costs	-	-	-	(966,723)	(966,723)
■ Depreciation and amortisation	(209,006)	(1,419)	(210,425)	(8,967)	(219,392)
■ Net finance costs	(196,594)	(16,678)	(213,272)	(127,508)	(340,780)
Profit before income tax					(2,110,461)

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 19 Effects of Adoption of AASB 16 Leases

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

a. **Adjustments recognised on adoption of AASB 16**

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as *operating leases* under AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.45%.

	31 December 2019 $
Operating lease commitments disclosed as at 30 June 2019	*6,863,161*
Discounted using the lessee's incremental borrowing rate of at the date of initial application	6,079,979
Add/(less): adjustments as a result of a different treatment of:	
Short term leases	(46,059)
Lease incentives receivable	(740,778)
Extension options	734,821
Lease liability recognised as at 1 July 2019	6,027,963
Of which are:	
• Current lease liabilities	1,466,150
• Non-current lease liabilities	4,561,813
	6,027,963

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied, other than those for which this could not be determined, which are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets were as follows:

	31 December 2019 $	1 July 2019 $
Right of use of assets	5,493,336	4,897,881
Total right-of-use assets	5,493,336	4,897,881

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 19 Effects of Adoption of AASB 16 Leases (continued)

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by $4,897,881
- Lease liabilities – increase by $6,027,963
- Lease incentive liability – decrease by $719,158
- Prepaid expenses – decrease by $94,226
- Accrued expenses – decrease by $49,279
- Accumulated losses – decrease by $455,871

b. **Practical expedients applied**

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

c. **The group's leasing activities and how these are accounted for**

Until the 2019 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

d. **Key estimates – Extension and termination options**

An extension options is included in a property lease of Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension option held is exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 20 Business Combinations

a. **Acquisition of Top Level and Real Estate Assets**

On 17 January 2019, the Group announced that its 100% owned subsidiary Ausnet had completed its 100% acquisition of Top Level Real Estate Pty Ltd ("Top Level"), in accordance with the Amended and Restated Option Agreement, terms announced on the ASX on 19 September 2018. For the purposes of these financial statements, the results of Top Level have been included beginning on 11 January 2019 when control effectively passed, with the considerations shares issued in respect to 18,333,333 ordinary fully paid shares, valued at the closing price on 11 January 2019 of 14 cents, giving a market value of $2,566,667.

Top level is a private Australian company established in 2016 as a residential sales, project marketing, commercial sales and leasing and property management business.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Goodwill has been provisionally accounted for as management is undertaking the process of identifying separately the identifiable assets.

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of Top level. Details of the transaction are as follows:

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value $
Cash and cash equivalents	594,258
Trade and Other Receivables	2,831,759
Prepayments	170,942
Property, plant & equipment	2,155,716
Other – bank guarantees	121,637
Trade and other payables	(6,767,664)
Borrowings	(25,553,559)
Provisions	(1,234,080)
Other – lease incentive liabilities	(716,263)
Fair value of assets and liabilities acquired	(28,397,254)
Add: Goodwill –accounted for	15,962,136
Add: Identifiable Intangible Assets - Rent Rolls acquired	20,692,117
Deferred Tax liability	(5,690,332)
Satisfied by:	
Ordinary shares issued	2,566,667
	2,566,667
Net cash inflow arising on acquisition:	
Cash paid	Nil
Less: Balances acquired	
Cash	594,258
	594,258
Net inflow of cash – investing activities	594,258

i. **Revenue and profit contribution**

The acquired business contributed revenues of $10,155,115 and net loss of $2,818,080 to the group for the period from 11 January to 30 June 2019.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 20 Business Combinations

b. **Acquisition of Vicus Residential**

The Agency completed the acquisition of Vicus Residential - the residential sales and management division of The Vicus Property Group – completed on 11 January 2019 with settlement of 2,666,667 shares and a $67,500 cash payment as payment for all of Vicus Residential's issued shares after receiving shareholder approval on 15 November 2018. The total acquisition cost is $535,833.

The initial accounting for the acquisition of Vicus Residential has not been determined at this date.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Goodwill has been provisionally accounted for.

	Fair Value $
Consideration	
Provisional cash payment	67,500
Consideration shares	453,333
Goodwill	535,833
Fair value of assets and liabilities held at acquisition date:	
Intangible assets	535,833
Fair value of identifiable assets and liabilities assumed	535,833

Directors' declaration

The Directors of the Company declare that:

1. The condensed financial statements and notes, as set out on pages 9 to 25, are in accordance with the *Corporations Act* 2001 (Cth) and:

   (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and

   (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Company.

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the directors by:

PAUL NIARDONE
Managing Director
Dated this Saturday, 29 February 2020

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Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of The Agency Group Australia Ltd

We have reviewed the accompanying half-year financial report of The Agency Group Australia Ltd ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 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 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, 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 The Agency Group Australia Ltd and Controlled Entities 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 2019 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(aii) in the financial report, which indicates that the Consolidated Entity incurred a net loss after tax of $1,674,164 during the half year ended 31 December 2019. As stated in Note 1(aii), these events or conditions, along with other matters as set forth in Note 1(aii), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 29th day of February 2020

THE AGENCY