



REAL ESTATE
FINANCE
SETTLEMENT
INSURANCE

ASX Appendix 4E (rule 4.3A)

Preliminary final report for the year ended 30 June 2019

Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2019
Previous Corresponding Period: 30 June 2018

Results for announcement to the market

(All comparisons to year ended 30 June 2018)

	\$A'000	Up/Down	% Movement
Revenue from ordinary activities	31,308	up	86%
Revenue from ordinary activities excluding interest income	31,308	up	86%
Loss from ordinary activities after tax	(7,726)	up	102%
Loss attributable to members	(7,726)	up	102%

Dividends	Amount per share	Franked amount per share
Interim dividend	N/A	N/A
Final dividend	N/A	N/A

Record date for determining entitlements to dividends	N/A
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Brief explanation of any figures reported above necessary to enable the figures to be understood
Refer to the accompanying separate ASX lodgment Review of Financial Results and Operations

HEAD OFFICE 68 Milligan Street PERTH WA 6000
08 9204 7955 theagencygroup.com.au ABN 52 118 913 232

THE AGENCY



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Net tangible assets backing	30 June 2019	30 June 2018
Net tangible assets/(liability) per security	(30) cents	(17) cents
Net asset backing per security	8.7 cents	2.12 cents

Control gained or lost over entities having material effect

Acquisition on 11 January 2019 of Top Level Pty Ltd. Refer to note 3 and 4 of the Preliminary Final Report.

Material interest in entities which are not controlled entities

Nil

Compliance Statement

The preliminary final report has been prepared based on the 30 June 2019 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4E:

1. Preliminary Final Financial Report

Signed: _____

Paul Niardone
Managing Director

Date: 30 August 2019

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If you require further information, please contact:

Investors

The Agency Australia Ltd
Paul Niardone
T: +61 08 9204 7955

Media

Chapter One Advisors
David Tasker / Colin Jacoby
T: +61 433 112 936 / +61 439 980 359

HEAD OFFICE 68 Milligan Street PERTH WA 6000
08 9204 7955 theagencygroup.com.au ABN 52 118 913 232

THE AGENCY



MORTGAGE
& FINANCE
Solutions Australia



LANDMARK
Settlements Australia



AUSNET
Insurance



AUSNET
Financial Planning

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THE AGENCY GROUP AUSTRALIA LTD
ABN 52 118 913 232

THE AGENCY GROUP AUSTRALIA LIMITED
ABN 52 118 913 232

**Preliminary Final Financial Report
June 2019**

THE  AGENCY

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THE AGENCY GROUP AUSTRALIA LTD
ABN 52 118 913 232

Directors

Andrew Jensen

Chairman

Paul Niardone

Executive Director

John Kolenda

Non-Executive Director

Adam Davey

Non-Executive Director

Matthew LaHood

Non-Executive Director

Company Secretary

Stuart Usher

Managing Director

Paul Niardone

Registered Office

Suite 1, 437 Roberts Road
Subiaco WA 6008

Principal Place of Business

68 Milligan Street
Perth WA 6000

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan St
Perth WA 6000

Mills Oakley
Level 2, 225 St. Georges Terrace
Perth WA 6000

Share Registry

Advanced Share Registry Services
110 Stirling Hwy
Nedlands WA 6009

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
PO Box 7775
Cloisters Square
Perth WA 6850

THE AGENCY GROUP AUSTRALIA LTD
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Principal Activities

The principal activity of the Consolidated Entity for the financial year was real estate and related activities. There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating Results and Financial Position

Combined revenues increase significantly, to be underpinned in future by annuity income

Though only operating The Agency business model for less than three years, for the FY2019 the Consolidated Entity reported Annual Group Revenue of \$31.3 million, an 86% increase year-on-year (FY2018: \$16.8 million) which further highlights the effectiveness of the Company's disruptive model.

This follows 75% growth and 70% growth during the prior two years.

The increase in revenue was primarily due to a 31% increase year-on-year in Combined Gross Commission Income to \$38 million (FY18: \$29 million). This figure was bolstered by 2,419 sales (up from 667 sales for FY18) and \$2.5 billion worth of property sold across the combined group for the FY2019 (FY18: \$400 million).

At the completion of FY2019, the Company had 3,430 listings, up 43% on the 2,401 listings at the end of FY18. Property management continues to grow with The Agency reporting a record total of 4,337 Properties Under Management as at 30 June 2019, up 29% on the Prior Corresponding Period.

The Company also reported strong increase year-on-year in the number of agents recruited with a 47% increase year-on-year to 272 agents as at 30 June 2019 (FY18: 185).

The Agency Group reported cash receipts of \$33 million for the FY2019, a 120% year-on-year increase (FY18: \$15 million). Importantly, The Agency Group reported \$44,000 net cash from operating activities for the June Quarter as a result of an increase in cash receipts for the period.

Importantly, the financial results only include six months of operations from Top Level Real Estate Pty Ltd ("Top Level") following completion of the acquisition in mid-January 2019.

Financial performance

The Company recorded an EBITDA loss of approx. \$4.2 million for FY19 (2018: \$3.1 million loss), however this included \$1.3 million of one-off non-operational costs expensed during the year, primarily associated with the Top Level transaction (i.e. legal, accounting, professional services, corporate advisory, financing and office fit-outs, etc).

Excluding these would have seen the Company record a normalised EBITDA loss of approx. \$2.9 million, or a 10% reduction on previous year with only six months of revenue contribution from Top Level.

Cash at end of financial year was \$2.6M (2018: \$1.02M).

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The combined East and West Coast businesses are expected to further drive operational growth and efficiency savings from 2020 onwards.

The Agency Transformation Program - Identifying and delivering cost savings into FY20

As the Company continues to aggressively grow its brand into new markets (and expand into existing markets) it is focussed on maintaining a sustainable financial framework and to this end continues to identify and implement efficiencies into its business.

The integration of The Agency's East Coast and West Coast operations, following the acquisition of Top Level in January 2019, is continuing to deliver cost synergies as planned.

The Company has already identified and has begun implementing \$2.8 million in cost savings that will be delivered in FY20.

There remain significant intangible assets off the balance sheet, these include the rent roll and the Mortgage Book, both of which have grown from the previous year. These assets also now contribute an annuity income to the business in excess of \$3 million per annum.

Total market asset value of rent roll and loan book is in excess of \$31m.

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

	Note	June 2019 \$	June 2018 \$
Revenue from continuing operations	2	31,308,279	16,823,018
Less Expenses			
Salaries & employee benefits expenses		(23,957,119)	(14,607,844)
Depreciation and Amortisation		(2,236,569)	(494,935)
Profit/(loss) on disposal of assets		-	(2,053)
Doubtful debts		(100,000)	(200,000)
Consultancy Fees		(1,195,372)	(873,737)
Advertising & Promotion expenses		(3,462,705)	(478,695)
Legal, Professional & Valuation fees		(1,907,502)	(1,532,538)
Rent & Outgoings		(2,103,926)	(515,794)
Licencing fees		-	(156,541)
Interest		(1,242,675)	(224,369)
Computer expenses		(1,006,107)	(432,306)
Other expenses		(1,688,270)	(1,262,911)
Share based payment		(133,663)	-
Net Profit / (loss) before income tax		(7,725,629)	(3,958,901)
Income tax (expense) / benefit		-	139,038
Profit / (loss) from continuing operations		(7,725,629)	(3,819,863)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period attributable to the members of Ausnet Financial Services Limited		(7,725,629)	(3,819,863)
Basic and diluted earnings/(loss) per share (cents per share) attributable to the members of The Agency Group Australia Limited		(11.39)	(17.95)

The accompanying notes form part of these financial statements

THE AGENCY GROUP AUSTRALIA LTD
ABN 52 118 913 232

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 2019 \$	June 2018 \$
Current Assets		
Cash and cash equivalents	2,597,299	1,021,887
Trade and other receivables	5,107,165	2,997,142
Current tax asset	-	191,102
Total Current Assets	7,704,464	4,210,131
Non Current Assets		
Property, Plant and Equipment	2,570,279	520,607
Financial assets	1,142,387	408,182
Intangible Assets	40,500,780	4,462,505
Total Non Current Assets	44,213,446	5,391,294
Total Assets	51,917,910	9,601,425
Current Liabilities		
Trade and Other Payables	13,566,789	7,378,707
Borrowings	21,126,603	1,100,000
Provisions	716,307	388,221
Total Current Liabilities	35,409,699	8,866,928
Non Current Liabilities		
Trade and Other Payables	35,308	-
Deferred tax liabilities	6,417,605	188,220
Provisions	996,927	63,940
Total Non Current Liabilities	7,449,840	252,160
Total Liabilities	42,859,539	9,119,088
Net Assets/(Liabilities)	9,058,371	482,337
Equity		
Contributed Equity	27,765,049	11,480,382
Reserves	583,426	566,430
Accumulated Losses	(19,290,104)	(11,564,475)
Total Equity/(Net Deficiency)	9,058,371	482,337

The accompanying notes form part of these financial statements

THE AGENCY GROUP AUSTRALIA LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	Contributed Equity	Accumulated Losses	Reserves	Total
Balance 1 July 2018	11,480,382	(11,564,475)	566,430	482,337
Profit / (Loss) for the year	-	(7,725,629)	-	(7,725,629)
Other comprehensive income				
Total comprehensive income for the period	-	(7,725,629)	-	(7,725,629)
Transactions with equity holders in their capacity as owners:				
Options issued	-	-	16,996	16,996
Share based payments	116,667	-	-	116,667
Share Subscriptions (net of transaction costs)	7,896,000	-	-	7,896,000
Shares issued in lieu of services	252,000	-	-	252,000
Shares issued on acquisition of Top Level Pty Ltd	7,566,667	-	-	7,566,667
Shares issued on acquisition of Vicus Residential Pty Ltd	453,333			453,333
Balance 30 June 2019	27,765,049	(19,290,104)	583,426	9,058,371

CONSOLIDATED	Contributed Equity	Accumulated Losses	Reserves	Total
Balance 1 July 2017	9,706,731	(7,744,612)	476,195	2,438,314
Profit / (Loss) for the year	-	(3,819,863)	-	(3,819,863)
Other comprehensive income				
Total comprehensive income for the period	-	(3,819,863)	-	(3,819,863)
Transactions with equity holders in their capacity as owners:				
Share Subscriptions (net of transaction costs)	1,773,651	-	-	1,773,651
Options issued	-	-	90,235	90,235
Balance 30 June 2018	11,480,382	(11,564,475)	566,430	482,337

The accompanying notes form part of these financial statements

THE AGENCY GROUP AUSTRALIA LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS

	June 2019 \$	June 2018 \$
Cash flows from operating activities		
Receipts from customers	33,192,278	15,033,255
Payments to suppliers and employees	(35,576,389)	(17,153,785)
Interest received	-	8,694
Interest paid	(1,242,675)	(224,369)
Net cash inflows/(outflows) from operating activities	(3,626,786)	(2,336,205)
Cash flows from investing activities		
Payments for Property Plant and Equipment	(113,348)	(218,088)
Advancement of bank guarantee	(600,000)	(408,182)
Payments for intangibles		(891,944)
Deferred purchase consideration paid	(95,000)	(200,000)
Net cash inflow on acquisition (cash held at acquisition)	594,258	-
Net cash inflows/(outflows) from investing activities	(214,090)	(1,718,214)
Cash flows from financing activities		
Proceeds from issue of shares	8,400,000	1,920,000
Share issue costs	-	(146,349)
Repayments of borrowings	(3,233,712)	
Proceeds from borrowings	250,000	1,100,000
Net cash inflows/(outflows) from financing activities	5,416,288	2,873,651
Net increase in cash held	1,575,412	(1,180,768)
Cash at the beginning of financial year	1,021,887	2,202,655
Cash at the end of financial year	2,597,299	1,021,887

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

This general purpose condensed financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Agency Group Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report covers The Agency Group Australia Limited and controlled entities ("the Consolidated Entity"). The Agency Group Australia Limited is a Company limited by shares, incorporated and domiciled in Australia. The financial report is presented in Australian dollars which is the Consolidated Entity's functional and presentation currency.

The financial statements are presented in Australian dollars and have been prepared under the historical cost convention. The financial statements of the Consolidated Entity also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial information in this report does not include all the notes of the type normally included within the annual financial reports and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial reports.

Therefore it is recommended that this report should be read in conjunction with the annual financial reports for the year ended 30 June 2019, when it becomes available, and be considered together with any public announcements made by The Agency Group Australia Limited during the year ended 30 June 2019 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: REVENUE

	Consolidated Entity	
	June 2019	June 2018
	\$	\$
Revenue from continuing operations:		
Commissions	21,222,848	10,528,108
Fees	4,919,575	4,122,877
Management fees	4,987,965	2,117,509
Interest received	12,958	8,694
Other income	164,933	45,830
Total Revenue	31,308,279	16,823,018

NOTE 3: ACQUISITION

On 17 January 2019, the company announced completion of its acquisition of the entire issued capital of Top Level Pty Ltd ('Top Level'), with the date of acquisition being 11 January 2019. For the purposes of these financial statements, the results of Top Level Pty Ltd have been included beginning on 11 January 2019.

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

The purchase price consisted of the issue of ordinary shares at a value of \$2,566,667.

On 17 January 2019, the company announced completion of its acquisition of the entire issued capital of Vicus Residential Pty Ltd, with the date of acquisition being 11 January 2019. For the purposes of these financial statements, the results of Vicus Residential Pty Ltd have been included beginning on 11 January 2019.

Vicus Residential Pty Ltd is a property management business with 200 rental properties predominately in the inner city of Perth.

The purchase price consisted of a cash payment of \$82,500 plus the issuance of ordinary shares valued at \$453,333.

NOTE 4: INTANGIBLE ASSETS

As described in note 3, on 1 April 2019, the Company completed the acquisition of Top Level. For accounting purposes, the purchase price to be allocated to assets and liabilities (both tangible and intangible) totalled \$2,566,667. This amount is made up of shares issued. In addition, Top Level tangible net assets were negative \$28,397,254 which increased the amount of goodwill. The value of rent rolls acquired are being amortized over 6 years.

The Company has engaged a valuation firm to perform a valuation of these tangible and intangible assets and liabilities in order to complete an allocation of the purchase price. This valuation is currently in process and the valuation may result in changes as at 30 June 2019 to the carrying values of the tangible and intangible assets and liabilities acquired.

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NOTE 5: AFTER BALANCE DATE EVENTS

The company completed a private placement on 1 August 2019 of \$1.1 million to Magnolia Capital and Honan Insurance Group with 16,923,077 ordinary Shares issued, as announced to ASX on 24 July and 1 August 2019.

There has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of the operations, or the state of the affairs of the Consolidated Entity in future financial years.

NOTE 6: AUDIT STATUS

This report is based on accounts that are in the process of being audited

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