

Concise financial report

2019

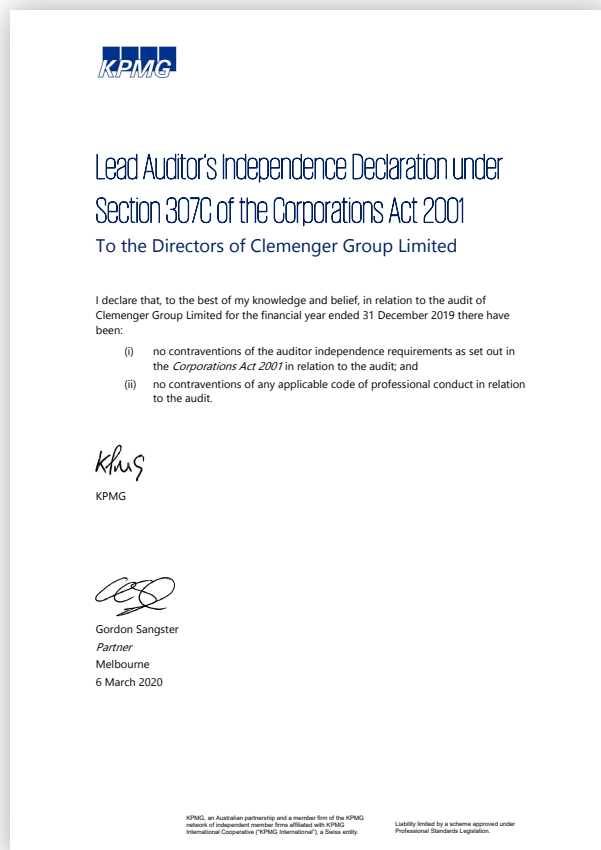
CREATIVITY IS ALWAYS
THE ANSWER.

Concise financial report

FOR THE YEAR ENDED 31 DECEMBER 2019

The Concise Financial Report and Auditors' Report contained within this document represent a Concise Report. The full financial report of Clemenger Group Limited for the year ended 31 December 2019 and the Auditors' Report thereon will be sent, free of charge, to members upon request. Members wishing to receive the full financial report and Auditors' Report may arrange for a copy by contacting Adrian Ciabotti on 03 9869 4206.

The Concise Report contained within this document has been derived from the full consolidated financial report of Clemenger Group Limited for the year ended 31 December 2019 and cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the full financial report.



Consolidated Statement of Financial Position

	As at 31 Dec 2019 \$'000	As at 31 Dec 2018 \$'000
Assets		
Current assets		
Cash and cash equivalents	118,306	78,696
Trade and other receivables	93,535	85,939
Other current assets	19,196	14,344
Total current assets	231,037	178,979
Non-current assets		
Receivables	60,821	50,183
Deferred tax assets	9,940	8,382
Investments in associates	32,461	44,051
Other non-current assets	19	11
Property, plant and equipment	48,117	15,404
Intangible assets and goodwill	73,670	78,456
Total non-current assets	225,028	196,487
TOTAL ASSETS	456,065	375,466
Liabilities		
Current liabilities		
Trade and other payables	82,152	78,172
Income tax payable	2,084	996
Right-of-use lease liabilities	7,315	-
Provisions	12,617	12,366
Other current liabilities	21,386	14,485
Total current liabilities	125,554	106,019
Non-current liabilities		
Payables	1,115	5,665
Deferred tax liabilities	2,743	2,595
Right-of-use lease liabilities	28,089	1,575
Interest bearing loans and borrowings	66,813	51,141
Provisions	5,872	3,019
Total non-current liabilities	104,632	63,995
TOTAL LIABILITIES	230,186	170,014
NET ASSETS	225,879	205,452
Equity		
Issued capital	23,210	23,210
Reserves	(21,893)	(16,426)
Retained earnings	222,336	196,073
Parent interests	223,653	202,857
Minority interests	2,226	2,595
TOTAL EQUITY	225,879	205,452

The net assets of the Group have increased \$20.4 million due to the Group's excess of profits over dividends for the year ended 31 December 2019.

Consolidated Statement of Profit or Loss

	Note	Year Ended 31 Dec 2019 \$'000	Year Ended 31 Dec 2018 \$'000
Commissions and fees	1	371,654	361,944
Cost of sales		(57,568)	(61,132)
Gross profit		314,086	300,812
Interest revenue		4,386	4,658
Finance costs		(2,677)	(1,305)
Staff costs		(191,050)	(185,134)
Occupancy costs		(5,867)	(15,271)
Depreciation and impairment		(19,532)	(10,180)
Travel and entertainment		(11,513)	(11,503)
Communications		(2,178)	(2,172)
Other expenses		(32,213)	(28,354)
Share of profit of associate		13,925	12,744
Profit before income tax		67,367	64,295
Income tax expense		(16,581)	(16,191)
Net profit for the period		50,786	48,104
Net profit attributable to:			
Members of the Group		49,513	47,009
Non-controlling interests		1,273	1,095
		50,786	48,104

For the year ended 31 December 2019, the Group recorded a net profit after tax of \$50.8 million, with \$49.5 million attributable to the members of the Group. Trading conditions experienced in the year were broadly consistent with the prior period.

Consolidated Statement of Comprehensive Income

	Year Ended 31 Dec 2019 \$'000	Year Ended 31 Dec 2018 \$'000
Net profit for the period	50,786	48,104
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation movement (net of tax)	515	2,610
Total comprehensive income for the period	51,301	50,714
Total comprehensive income for the period attributable to:		
Members of the Group	50,028	49,619
Non-controlling interests	1,273	1,095
	51,301	50,714

The foreign currency translation reserve movement of \$0.5m was due to the New Zealand dollar appreciating 0.5% against the Australian dollar during 2019.

Consolidated Statement of Changes in Equity

	Issued capital	Retained earnings	Acquisition premium reserve	Foreign currency translation reserve	Owners of the parent	Non-controlling interest	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2019	23,210	196,073	(23,484)	7,058	202,857	2,595	205,452
Profit for the year		49,513			49,513	1,273	50,786
Other comprehensive income				515	515		515
Transactions with owners in their capacity as owners:							
Dividends paid		(23,250)			(23,250)	(1,434)	(24,684)
Acquisition of non-controlling interest			(5,982)		(5,982)	(205)	(6,187)
Non-controlling interest arising on a business combination						-	-
Foreign currency translation						(3)	(3)
At 31 December 2019	23,210	222,336	(29,466)	7,573	223,653	2,226	225,879
At 1 January 2018	23,210	259,630	(23,091)	4,448	264,197	2,548	266,745
Profit for the year		47,009			47,009	1,095	48,104
Other comprehensive income				2,610	2,610		2,610
Transactions with owners in their capacity as owners:							
Dividends paid		(110,566)			(110,566)	(1,368)	(111,934)
Acquisition of non-controlling interest			(393)		(393)	(41)	(434)
Non-controlling interest arising on a business combination						300	300
Foreign currency translation						61	61
At 31 December 2018	23,210	196,073	(23,484)	7,058	202,857	2,595	205,452

The composition of retained earnings during the year was impacted by profits for the year, offset by dividends paid to shareholders. The foreign currency translation reserve movement of \$0.5m was due to the New Zealand dollar appreciating 0.5% against the Australian dollar during 2019.

Consolidated Statement of Cash Flows

	Year Ended 31 Dec 2019 \$000	Year Ended 31 Dec 2018 \$000
Cash flows from operating activities		
Receipts from clients (including GST)	670,463	652,577
Payments to suppliers (including GST)	(596,230)	(601,235)
Interest received	4,386	4,658
Interest paid	(1,886)	(1,305)
Income tax paid	(16,903)	(19,320)
Net cash flows from operating activities	59,830	35,375
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,818)	(10,483)
Purchase of other intangibles	(36)	(192)
Proceeds from repaid employee shareholder loans	3,685	17,611
Loans to employee investing shareholders	(19,215)	(20,222)
Purchase of business / subsidiary, net of cash acquired	-	(3,580)
Additional investment in controlled entities	(8,583)	(434)
Dividends from associates	25,686	21,888
Net cash flows from investing activities	(2,281)	4,588
Cash flows from financing activities		
Dividend paid	(23,250)	(110,566)
Repayment of finance lease liabilities	(9,131)	1,189
Dividend paid to non-controlling interests	(1,434)	(1,368)
Proceeds from / (repayment) of borrowings	15,672	3,254
Net cash flows from financing activities	(18,143)	(107,491)
Net increase / (decrease) in cash and cash equivalents	39,406	(67,528)
Cash and cash equivalents at beginning of period	78,696	145,647
Net foreign exchange differences	204	577
Cash and cash equivalents at end of period	118,306	78,696

The balance of cash and cash equivalents increased by \$39.6 million from prior year due to the increase in operating cash flows exceeding the value of cash flows used in investing and financing activities.

Notes to the Concise Financial Statements

	Year Ended 31 Dec 2019 \$000	Year Ended 31 Dec 2018 \$000
1 Revenue and expenditure items		
Commissions and fees	371,654	361,944
Interest revenue	4,386	4,658
Total statutory IFRS revenue	376,040	366,602
Further to revenue outlined above, the Group's share of revenue from associates accounted for under the equity method	192,427	179,026
Total Clemenger Group revenues	568,467	545,628

2 Dividends proposed on ordinary shares

A fully franked dividend of 14.00 cents per share, totalling \$24,570,000 was declared at the board meeting held on 13 February 2020 and will be recommended at the AGM on 21 May 2020. It has not been provided for in the 31 December 2019 financial statements.

Clemenger Group Limited franking account balance	56,829	46,439
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3 Registered office

Clemenger Group Limited
474 St Kilda Road
Melbourne Victoria 3004

4 Changes in the state of affairs

As at 31 December 2019 the Group was owned 26.33% (31 December 2018: 26.33%) by directors and staff in the consolidated Group and 73.67% (31 December 2018: 73.67%) by Portview Holdings Australia Pty Ltd (31 December 2018: Portview Holdings Australia Pty Ltd).

During the year ended 31 December 2019, the Group's economic interest changed as follows:

- Perceptive Group Limited - increased from 60% to 100%

5 Subsequent events

A fully franked dividend of 14.00 cents per share, totalling \$24,570,000 was declared at the board meeting held on 13 February 2020 and will be recommended at the AGM on 21 May 2020. It has not been provided for in the 31 December 2019 financial statements.

There have been no other events subsequent to the balance date of 31 December 2019 that require adjustment to, or disclosure in these consolidated financial statements.

6 Basis of preparation of the concise financial report

The concise financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 1039 *Concise Financial Reports*. The presentation currency is Australian dollars.

7 Rounding

The Group is a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 (the Instrument), and in accordance with the Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

8 Other

The financial report of Clemenger Group Limited for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 6 March 2020.

Directors' Declaration

The Directors declare that:

- (a) The concise financial report of the consolidated entity for the year ended 31 December 2019 is in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and
- (b) The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 31 December 2019.

On behalf of the Board

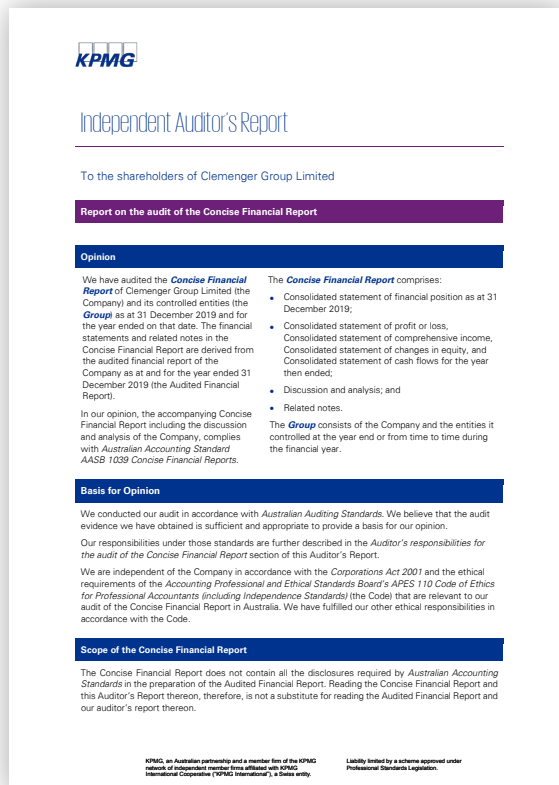


Robert Stanley Morgan
Director



Jonathan Brett Isaacs
Director

Melbourne
6 March 2020



KPMG

Independent Auditor's Report

To the shareholders of Clemenger Group Limited

Report on the audit of the Concise Financial Report

Opinion

We have audited the **Concise Financial Report** of Clemenger Group Limited (the Company) and its controlled entities (the **Group**) as at 31 December 2019 and for the year ended on that date. The financial statements and related notes in the Concise Financial Report are derived from the audited financial report of the Company as at and for the year ended 31 December 2019 (the Audited Financial Report).

In our opinion, the accompanying Concise Financial Report including the discussion and analysis of the Company, complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

The **Concise Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Discussion and analysis; and
- Related notes.

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

Basis for Opinion

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

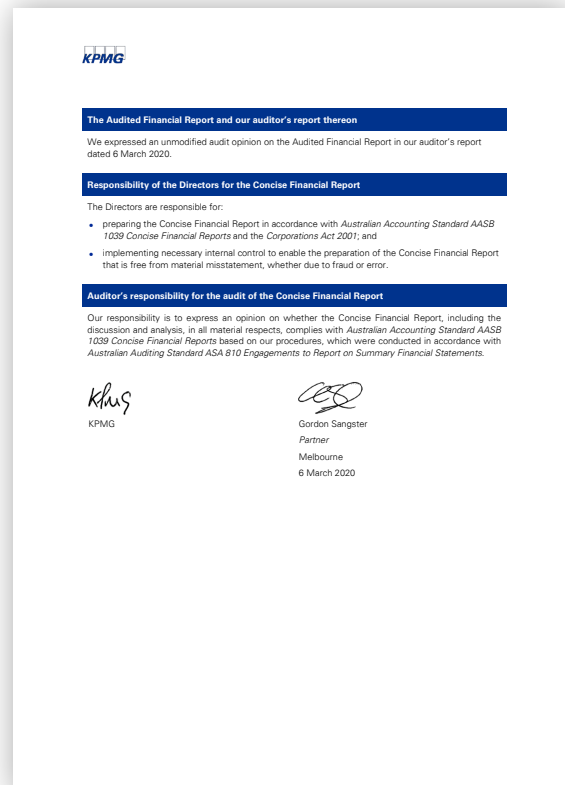
Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Concise Financial Report section of this Auditor's Report.

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

Scope of the Concise Financial Report

The Concise Financial Report does not contain all the disclosures required by Australian Accounting Standards in the preparation of the Audited Financial Report. Reading the Concise Financial Report and this Auditor's Report thereon, therefore, is not a substitute for reading the Audited Financial Report and our auditor's report thereon.

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KPMG

The Audited Financial Report and our auditor's report thereon

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 6 March 2020.


Responsibility of the Directors for the Concise Financial Report


The Directors are responsible for:

- preparing the Concise Financial Report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports and the Corporations Act 2001; and
- implementing necessary internal control to enable the preparation of the Concise Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the Concise Financial Report, including the discussion and analysis, in all material respects, complies with Australian Accounting Standard AASB 1039 Concise Financial Reports based on our procedures, which were conducted in accordance with Australian Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.


KPMG


Gordon Sangster
Partner
Melbourne
6 March 2020

Clemenger Group Limited and controlled entities

Valuation of shares as at 31 December 2019

Formula as described by the Company's constitution

Net assets after translating 31 December 2019 New Zealand assets and liabilities at the year-end rate of exchange for the applicable financial year.

Less: Dividend to be proposed.

Add: 8 times average net profit after tax attributable to parent company shareholders for the last three years.

Divided by: the number of shares on issue at 31 December 2019.

\$000

Share Price Calculation

Capital	23,210
Reserves	(21,893)
Retained Earnings	222,336
Subtotal (excludes minorities)	223,653
Less: Annual Dividend	24,570
Dividend per Share (cents)	0.14
Adjusted Net Assets	199,083
FY December 2019 Profit after tax	49,512
FY December 2018 Profit after tax	47,009
FY December 2017 Profit after tax	47,007
Average Profit after tax x 8	382,745
Capitalisation (Average Profit after tax + Net Assets)	581,828
Numbered Issued Shares	175,500,000
Share Valuation	\$3.32

