



**EASTON INVESTMENTS LIMITED**

**Annual Report**  
**for the year ended**  
**30 June 2015**

**EASTON INVESTMENTS LIMITED**  
**ABN 48 111 695 357**

## **CORPORATE DIRECTORY**

### **Directors**

Kevin W White	Executive Chairman
John G Hayes	Managing Director
Rodney Green	Independent Non-executive Director
Carl F Scarcella	Independent Non-executive Director

### **Joint Company Secretaries**

Mark Licciardo & Matthew Rowe  
Mertons Corporate Services Pty Ltd  
Level 7, 330 Collins Street  
MELBOURNE VIC 3000

### **Principal registered office in Australia**

Level 2, 115 Pitt Street  
SYDNEY NSW 2000

### **Communications**

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Mail: Level 2, 115 Pitt Street SYDNEY NSW 2000  
Email: [info@eastoninvestments.com.au](mailto:info@eastoninvestments.com.au)

### **Share Registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

### **Shareholder Enquiries: 1300 554 474**

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Link Market Services Limited directly on the above number, or email [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au).

### **Bankers**

Westpac Banking Corporation  
360 Collins Street  
MELBOURNE VIC 3000

### **Auditors**

Pitcher Partners  
Level 19, 15 William Street  
MELBOURNE VIC 3000

### **Legal Advisers**

Colin Biggers & Paisley  
Level 42, 2 Park Street  
SYDNEY NSW 2000

### **Annual General Meeting**

The Easton Investments Limited Annual General Meeting will be held on 24 November 2015. The venue will be advised with release of the Notice of Annual General Meeting.

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## EXECUTIVE CHAIRMAN'S STATEMENT

This is my first report as Executive Chairman and I am pleased to advise that Easton Investments Limited (**the Company**) has had an excellent year to 30 June 2015.

Earnings continue to rise strongly, the Company's balance sheet remains sound and substantially unleveraged, our main businesses are performing well and generating strong cash flow, two accretive transactions were completed at the end of the financial year which will contribute in 2015/16 and we continue to investigate growth opportunities, both organic and acquisitive.

Importantly, the Company's scale of operations continues to grow, as reflected by the sharp jump in Operating Revenue to \$18.81 million, a rise of 72%. This growth has underpinned a sharp rise in profitability and is consistent with our aspiration to build a valuable distribution business in the financial services sector.

At the same time strong cash flow from operations during the year in line with improved profitability has allowed the Company to maintain a net cash position at financial year end whilst investing in earnings accretive acquisitions as noted above.

### Outlook

The Company is well placed to continue to achieve strong growth in earnings and earnings per share over the next 12 months having regard to the earnings run-rate in the 2<sup>nd</sup> half and on the back of further improvement in business performance, together with the expected earnings contribution from acquisitions completed at the end of 2014/15.

Over the last 12 months, the Company has continued to assess opportunities to grow its businesses and to improve profitability. The benefits of initiatives and investment to support organic earnings growth are expected to underpin the 2015/16 profit result, in combination with acquired earnings.

In this regard, Easton will continue to investigate acquisition opportunities which are consistent with the Company's strategic direction and intent to build a scale distribution capability in the Australian financial services sector. We will, nonetheless, remain extremely selective and only transact where we clearly perceive sustainable value for our shareholders.

Overall, the directors remain confident in the Company's prospects and outlook.

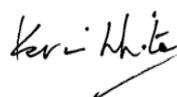
### Acknowledgements

I would like to acknowledge the valuable contribution made by my colleagues on the Board during the year, but especially our Managing Director, Greg Hayes, who transitioned from a joint Managing Director role in March 2015 as part of a reorganisation which led to my appointment as Executive Chairman and Rodney Green's appointment as Deputy Chairman. The directors believe that this reorganisation, coupled with the relocation of the corporate office to Sydney, have been effectual in achieving improved operating efficiency and enhanced role clarity.

I would also like to acknowledge the hard work, efforts and commitment of our staff during the year, which has underscored the growth and success of our Company and our businesses.

Finally, I thank shareholders for your support. Whilst the directors are pleased with the performance of the Company over the last 12 months, we remain focused on creating value for our shareholders and, in particular, we continually monitor the performance of our share price, which has broadly traded in the range of 70 cents to 75 cents for much of the past year.

With 27.4 million shares on issue and a market capitalisation of around \$20 million, size and liquidity are certainly issues for the Company, although the directors are intent on maintaining a tight capital base to support growth in earnings per share as we strive to lift profitability, operating cash flow and return on capital. We believe that this approach, coupled with a selective acquisition strategy, will result in a re-rating of the Company on the basis of investment fundamentals and a resultant up-lift in share price over time.



**Kevin White**  
**Executive Chairman**

Sydney  
25 August 2015

## MANAGING DIRECTOR'S REPORT

This was Easton Investments Limited's (**the Company**) first full year of trading under the current business plan and following the restructure work undertaken in the previous year. Our primary focus was to continue the growth in earnings and underlying profitability together with the development of value adding opportunities consistent with our strategy of building out our scaled distribution model.

### Overview

Profitability grew in line with our expectations and guidance, continuing the trend of increasing profits and cash flow. This allowed the Company to finish the year in a sound financial position, with strong reserves and business units well positioned to continue their growth and contribution to earnings. Our key business units all have strong organic growth opportunities which should deliver value into the coming year. Revenue for the year was \$18.81 million up from 2014 (\$10.95 million). In part this was a reflection of a full year of operation of the Hayes Knight businesses (acquired in March 2014), but also a result of revenue growth across most business units, comprising continued growth in core service lines combined with the introduction of new service lines.

We also pursued our strategy of investment in businesses complimentary to our business model and aligned with our culture and values. Significant time and resources were devoted to exploring opportunities and developing a pipeline of potential investments.

From this pipeline we completed two investments. The first was a 25% interest in Melbourne based First Financial Pty Ltd, an established and highly regarded financial services business, with funds under advice in excess of \$1 billion. The transaction was completed in June 2015 and we expect to see a strong financial contribution from this business through the coming year. Beyond the earnings contribution we also see the potential for uplift from synergies as it engages with some of our other business units.

Our other investment was a minority stake in Perth based online document business Law Central Co. Pty Ltd. This business distributes its product primarily through the accounting and financial services channel and is highly complementary to our other business units. With this investment, we also entered into a distribution agreement with Law Central that should deliver an ongoing revenue stream.

During the year we centralised our management function into Sydney. This will deliver future cost savings but more importantly has brought the management team together in a single location, with resultant efficiencies.

### Financial performance

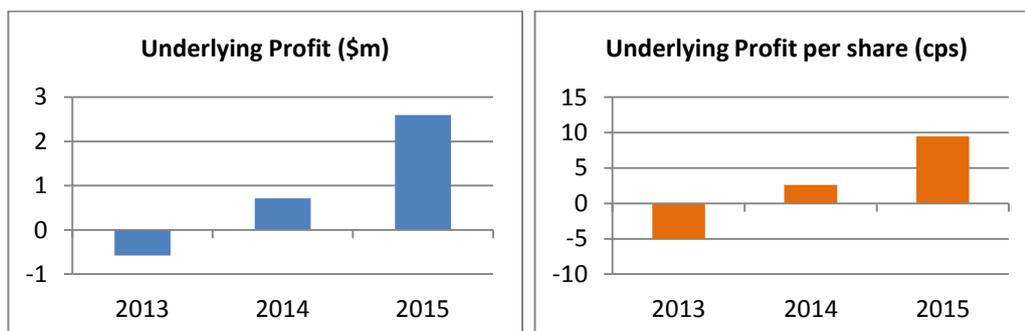
Profitability continued to rise strongly during 2014/15 as foreshadowed at this time last year.

Statutory Profit (being net profit after tax) increased to \$1.24 million (2014: loss of \$1.63 million), up 176%.

At the same time, "Underlying Profit" (being normalised earnings before interest, tax and amortisation) increased to \$2.60 million (2014: \$0.72 million), up 263%.

The Company uses Underlying Profit, which is a non-IFRS measure, to assess performance as it excludes non-cash amortisation and share based payment charges, together with one-off or non-operational items. Refer to page 9 for a reconciliation to Statutory Profit.

Importantly, earnings per share has increased significantly compared with the prior year, rising to 9.5 cents per share on the basis of Underlying Profit (2014: 3.4 cents per share).



## MANAGING DIRECTOR'S REPORT (continued)

Whilst most of the Company's businesses and investments performed satisfactorily during the year, the directors expect further improvement in the year ahead and draw particular attention to 2<sup>nd</sup> half performance which delivered Underlying Profit of \$1.59 million (1<sup>st</sup> half: \$1.01 million).

Year on year, the Company has delivered strong growth in earnings with a continuing trend improvement in half yearly performance.

Underlying Profit	2015	2014	Improvement
	(\$m)	(\$m)	(\$m)
1 <sup>st</sup> Half	1.01	0.03	0.98
2 <sup>nd</sup> Half	1.59	0.69	0.90
Full Year	2.60	0.72	1.88

### Key achievements and positioning

The Company is in a sound position at fiscal year end, with good forward prospects. Key achievements during the year included:

- Building out our distribution capability in the financial services and accounting sectors.
- Developing organic growth opportunities that will continue to leverage the channels and distribution capability in place.
- Investing in complementary businesses that should deliver strong earnings streams and provide income leverage to our core businesses. All investments have been funded out of current reserves.
- Through our wholly owned and part owned business units, developing scale in financial services, with:
  - Funds under advice to over \$1.5 billion.
  - Administration services to in excess of 1,000 SMSFs.
  - Funds under contract distribution to in excess of \$500 million.
- Building on our strong financial position with cash on hand of \$1.45 million and approved bank facilities available at financial year end of \$2.5 million.

Our focus on the accounting distribution channel provided us with service reach into significant market channels including:

- Accounting firms (circa 9,000 in Australia)
- SMEs (circa 2 million in Australia)
- SMSFs (circa 550,000 in Australia)

The provision of products and services that are of value to these markets generate significant channel relationship and value. Our businesses are complementary to each other and leverage off their distribution channels, with the resulting scale driving down our cost of client acquisition and enhancing business unit profitability.

### Growth

The Company has a strong growth focus. We are in the fortunate position of having a number of our core business units executing on organic growth opportunities that should deliver significant uplift in earnings. These opportunities reflect the build out of existing business strategies and execution on new opportunities. Examples of some of these new opportunities include:

- Web based training for the accounting profession (Knowledge Shop).
- Provision of Limited Authorisation services to accountants (Merit Wealth).
- On line capability for accountants to provide companies, trusts and SMSFs for clients (Law Central).

These all use a scaled distribution approach, including online delivery, and which is consistent with our business model.

## MANAGING DIRECTOR'S REPORT (continued)

In addition to organic growth, we continue to pursue acquisitions and investments in the financial services and accounting sector that are strategic and complementary to our business model, building out our scale and enhancing the earnings of the acquired businesses.

Both the range and mix of organic and acquisition opportunities positions the Company well for the future. Rather than being dependent or focused on a single opportunity, we have a number of internal and external opportunities to progress, allowing the Company to build on its current strong foundation.

The management team are excited about the future and committed to building out shareholder value. The company is uniquely positioned in its key markets and this should allow us to leverage our position in the coming years.



**Greg Hayes**  
**Managing Director**

Sydney  
25 August 2015

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (**the Group**), consisting of Easton Investments Limited (**the Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2015, and the audit report thereon.

### DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

- Kevin W. White
- Rodney Green
- John G. Hayes
- Carl F. Scarcella

### PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group was the provision of wealth and asset management services, distribution services and accounting and taxation services.

### RESULTS AND DIVIDENDS

The net profit after tax of the Group for the year ended 30 June 2015 was \$1,242,470 (2014: a loss of \$1,630,835).

No dividends were paid, declared or recommended since the start of the financial year.

### REVIEW OF OPERATIONS

The key changes to operations are summarised below:

On 24 February 2015, the Company announced the following major changes which were aimed at further streamlining operations, lowering overhead costs and improving role and functional clarity:

- Following the integration of the Hayes Knight Businesses, the discontinuation of the joint managing director function with the appointment of Greg Hayes as the Company's Group Managing Director with effect from 1 March 2015.
- In tandem with this management change, Kevin White became the Executive Chairman of Easton and Rodney Green who was previously Chairman, became Deputy Chairman.
- The finance function was relocated from Melbourne to Sydney to allow the Chief Financial Officer (CFO) to be closely aligned with the Group Managing Director.
- A new CFO was appointed to replace Geoffrey Robinson who had declined the offer to relocate to Sydney.
- With the relocation of the finance function to Sydney, the Melbourne registered office was closed on 14 March 2015, coinciding with the expiry of the tenancy.
- The Company's registered head office was relocated to Sydney and the corporate staff are now accommodated within the existing operations in Sydney.

The one-off cost of the relocation and related expenses were \$204,614, including non-cash charges of \$37,076 associated with the write-off of office furniture and equipment. Annual cost savings are expected to be realised post 30 June 2015, although the main benefit of the announced changes relate to improved operating efficiency from clearer and more aligned functionality.

In addition to the structural changes made above, the Group completed two equity interest acquisitions in the last quarter of the year. Details of First Financial Pty Ltd (**First Financial**) and Law Central Co. Pty (**Law Central**) Ltd are presented in the analysis by segment section below.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

#### Overview of operations

The Group performed strongly during the year ended 30 June 2015 on the back of a combination of organic growth, restructuring, and a full contribution from acquisitions completed in the 2nd half of the previous financial year. As a result, operating revenue increased by 72% to \$18.81 million from \$10.95 million in the previous year.

#### Underlying profitability

The directors are of the view that the best guide to the underlying performance of the Group at an operational level is "Normalised EBITA" OR "Underlying Profit" which is defined as earnings before interest, tax and amortisation (EBITA) excluding the impact of:

- one-off non-operational items (acquisition-related costs, redundancy costs, impairment charges, and gains/losses on the sale of investments); and
- non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations; and
- share based payments expense.

Underlying profit continued to improve during the year as illustrated in the following table:

Earnings performance	2015	2014	Increase
	(\$'000)	(\$'000)	(%)
Operating revenue	18,814	10,953	72%
Net profit/(loss) after tax <sup>1</sup>	1,242	(1,630)	176%
<b>Underlying Profit <sup>2</sup></b>	<b>2,598</b>	<b>716</b>	<b>263%</b>

1. Net Profit After Tax includes profit attributable to Non-controlling Interests. Profit attributable to members is \$1,134,324 (2014: loss of \$1,709,007).

2. Underlying Profit is a non-IFRS measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. See table below for reconciliation of Underlying Profit to Statutory Profit.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

Normalisation adjustments have been applied as set out in the following reconciliation between the Group's Underlying Profit and the statutory reported result for the current and previous years:

	30 June 2015	30 June 2014
	\$	\$
<b>Normalised EBITA for the year</b>	<b>2,598,323</b>	<b>716,211<sup>4</sup></b>
Write back of contingent consideration	500,000	-
Equity accounted adjustments for interest and tax <sup>1</sup>	(120,573)	-
Prior year revenue adjustment to referral rights agreement <sup>2</sup>	(50,000)	-
Share based payments expense <sup>3</sup>	(183,187)	-
Net restructuring costs	(204,614)	(758,940)
Net refund on overpaid goods & services tax	-	101,936
Costs associated with tax consolidation	-	(24,725)
<b>Profit from operations for the year</b>	<b>2,539,949</b>	<b>34,482</b>
Deduct: Impairment losses	-	(2,037,876)
<b>Statutory EBITA for the year</b>	<b>2,539,949</b>	<b>(2,003,394)</b>
Add/(deduct): Amortisation of separately identifiable intangible assets	(325,920)	(271,671)
Net interest (expense)/income	(32,373)	2,610
Notional interest on contingent consideration	(220,342)	(107,561)
<b>Statutory operating profit/(loss) before tax for the year</b>	<b>1,961,314</b>	<b>(2,380,016)</b>
Income tax (expense)/benefit	(718,844)	749,181
<b>Statutory profit/(loss) after tax for the year</b>	<b>1,242,470</b>	<b>(1,630,835)</b>
NPAT attributable to Non-controlling interest	108,146	78,172
<b>NPAT attributable to members</b>	<b>1,134,324</b>	<b>(1,709,007)</b>

1. During the year ended 30 June 2015, adjustments to gross up share of profits from equity accounted investments for interest and taxation have been applied to both HKNSW and First Financial. As the Group executes its strategy to acquire further equity accounted investments, this adjustment is seen necessary to compare wholly owned and partially owned businesses on a like for like basis. Had this adjustment been applied to the 5 month period ending 30 June 2014 for HKNSW, an additional \$28,561 would be added to the normalised result above and to the Accounting and tax segment below.

2. During the year ended 30 June 2015, the Group made a consolidation adjustment to reverse referral rights income recognised in the prior year which was to a controlled entity. As this was an adjustment relating to prior year activity, it has been treated as a normalisation adjustment in the current year.

3. During the year ended 30 June 2015, the directors formed the view that Underlying Profit is best represented by treating share based payments expense as a normalised item as the cost is both non-cash and the value varies from year to year as different probabilities are applied in the valuation model. For the year ended 30 June 2014, \$58,133 was expensed in Underlying Profit for share based payments.

4. If the Group had applied a consistent normalisation adjustment policy to the prior year, Normalised EBITA for the year ending 30 June 2014 would have been \$752,905.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

#### Analysis by segment

Operations of the Group are segmented as follows:

**WEALTH & ASSET  
MANAGEMENT**

**DISTRIBUTION  
SERVICES**

**ACCOUNTING &  
TAX**

Comments on each of these segments are set out below.

#### 1. Wealth and Asset Management

The Group's Wealth and Asset Management segment at financial year end is composed of:

- Easton Asset Management Pty Ltd (**EAM**) – 100%
- Easton Wealth Protection Pty Ltd (**EWP**) – 100%
- Chesterfields Financial Services Pty Ltd (**Chesterfields**) – 52%
- First Financial Pty Ltd (**First Financial**) – 25%

EAM distributes the Harmony suite of investment products globally under contract with Momentum Global Investment Management. Funds under management (**FUM**) in Harmony products grew strongly from \$330 million at 30 June 2014 to \$538 million at 30 June 2015.

EWP is a risk insurance broking business, based in Melbourne which is licensed through Merit Wealth. The business was established in February 2013 and performance remains steady on the back of relatively static in-force premium income of approximately \$2 million.

Chesterfields is a Perth based financial planning and risk insurance broking business with funds under advice (**FUA**) at financial year end of \$199 million, an increase from \$180 million from the previous year end.

On 3 June 2015, the Group acquired a 25% equity interest in First Financial for cash consideration of \$2,376,556. First Financial is a Melbourne based wealth management and financial services business with FUA of \$1.15 billion and specialises in self-managed super funds where it advises more than 500 funds. First Financial also has a substantial finance broking book with loans under advice of \$420 million. A profit contribution from First Financial of \$24,289 has been included in the segment results below.

The performance of the Wealth and Asset Management division during 2014/15 is summarised below:

<b>Wealth &amp; Asset Management</b>	<b>2014/15</b>	<b>2013/14</b>	<b>Increase</b>
	(\$'000)	(\$'000)	(%)
Revenue	10,331	7,735	34
Segment result – Normalised EBITA	2,443	1,309	87

#### 2. Distribution Services

The Group's Distribution Services segment at financial year end is composed of:

- Knowledge Shop Pty Ltd (Knowledge Shop) – 100%
- Merit Wealth Pty Ltd (Merit Wealth) – 100%
- Hayes Knight Referral Services Pty Ltd (HKRS) – 100%
- Law Central Co. Pty Ltd (Law Central) – 12.6%

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

Knowledge Shop provides professional support services and training to small to medium accounting firms, including a subscription based service, allowing "member" firms to access a range of support services and material, including:

- an on-line knowledge bank providing electronic precedent, work paper and practice management systems;
- a technical support help desk;
- professional development programs; and
- quarterly technical and client newsletters.

The Knowledge Shop subscriber base has grown consistently since its inception and has continued to do so during the last 12 months. In addition, Knowledge Shop deals with a significant number of accounting practices annually on an ad hoc or transactional basis, mainly through training programs offered nationally on a rolling basis. Knowledge Shop has engagement with more than 2,000 accounting firms.

During the year contingent consideration of \$0.75 million was paid to the vendors of Knowledge Shop under a share sale and purchase deed for achieving an operating profit (**EBITA**) in excess of \$0.90 million in the 12 month period ending 31 January 2015. No further contingent consideration is payable.

Merit Wealth and Hayes Knight Referral Services are related entities, established by HKNSW in 2009 to provide financial services solutions for accounting firms.

Merit Wealth holds an Australian Financial Services License (**AFSL**) and offers accounting firms the option of providing in-house advice through a qualified adviser authorised by Merit Wealth or under a referral service initiated and managed by HKRS in conjunction with Merit Wealth.

Under its referral service, HKRS sources and engages qualified financial advisers who understand the accounting market and who are capable of building a significant financial planning business.

Each adviser enters into a Referral Rights Agreement (RRA) with HKRS which involves an up-front payment by the adviser plus an on-going fee based on revenue. In return for these fees, HKRS introduces the financial adviser to accounting firms and facilitates an on-going referral arrangement between the parties.

All advisers operating under the referral service are authorised by Merit Wealth, which provides full dealer services.

HKRS currently has 8 RRAs in place and whilst the roll out of RRAs has to-date progressed slower than planned, the intention is to proceed with the original aim of providing wide referral rights coverage across the more populated areas of Australia over the next 5 years.

Under a share sale and purchase deed, contingent consideration of \$0.50 million is payable to the vendors of HKRS in each of the first 3 years (i.e. \$1.50 million in total) if not less than 5 RRAs are achieved in each relevant 12 month period (with one carry over and one catch up adjustment allowed in each 12 month period). The first tranche of deferred consideration of \$0.50 million was forfeited during the year as the prescribed performance hurdle in the 12-month period ended 31 January 2015 was not achieved. Two further annual tranches of deferred consideration of \$0.50 million each remain in place.

On 25 June 2015, the Group acquired 12.6% equity interest in Law Central for cash consideration of \$163,878 with an option to extend its equity interest to 30% subject to distribution performance targets being achieved over the next 2 years. A key component of this transaction is a distribution agreement with Knowledge Shop whereby it is contracted that Knowledge Shop will receive a distribution fee from Law Central by distributing Law Central's products through its distribution channels. Law Central provides an extensive range of on-line documents, including the incorporation of companies, provision of trust deeds and superannuation fund deeds, as well as a suite of business related agreements, resolutions and policies relating to employment, estate planning, and commercial practice. No profit contribution has been included for Law Central in the segment result below.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

The performance of the Distribution Services segment during 2014/15 is summarised below:

Distribution Services	2014/15	2013/14 <sup>1</sup>	Increase
	(\$'000)	(\$'000)	(%)
Revenue	8,400	2,996	180
Segment result – Normalised EBITA	1,086	296	267

1. Represents 5-months trading for the Hayes Knight NSW transactions businesses which were acquired with effect from 1 February 2014.

### 3. Accounting and Tax

The Group's Accounting & Tax segment at financial year end is composed of:

- Hayes Knight NSW (HKNSW) – 30.6%

HKNSW is an established Sydney based accounting firm offering a full range of professional accounting services. The firm has developed significant specialisation in a limited number of client sectors, including self-managed super funds (SMSF) and mid-size, privately owned businesses and corporates. On 1 July 2015, the Group acquired a further 3.9% equity interest in HKNSW from a recently retired equity director increasing the Group's total equity interest to 34.5% post financial year end.

The performance of the Accounting & Tax segment during 2014/15 is summarised below:

Accounting & Tax	2014/15	2013/14 <sup>1</sup>	Increase
	(\$'000)	(\$'000)	(%)
Equity accounted			
Segment result – Normalised EBITA	328	46	613

1. Represents share of profits from equity accounted investment for the period 1 February 2014 to 30 June 2014. Had normalisation adjustments been applied on a consistent basis to 2015 which was grossed up for interest and taxation, the 2014 normalised EBITA for the accounting and tax segment would be \$75k for the 5 month period to 30 June 2014.

### Outlook

The directors expect further improvement in the underlying performance of all businesses, but in particular within the distribution services segment by taking advantage of emerging revenue opportunities.

The Group will continue to augment organic growth with acquired growth by continuing to assess acquisition prospects and new opportunities which are consistent with the Group's strategic direction and which are capable of helping deliver future earnings growth on a sustained basis.

The intention is to acquire meaningful interests in quality accounting and financial planning businesses under the Group's differentiated business model which involves partial, not full ownership of member firms.

The Group plans to remain extremely selective and only invest in businesses with like-minded people that are aligned with its strategic direction and that will provide acceptable returns on capital employed, thereby increasing the underlying value of Easton and its shares.

The directors believe that the Group has strong potential for sustained growth over coming years, both organic and by acquisition as it seeks to build a scale distribution capability in the Australian financial services sector.

## **DIRECTORS' REPORT (continued)**

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Following the integration of the HKNSW Businesses, the discontinuation of the joint managing director function with the appointment of Greg Hayes as the Company's Group Managing Director with effect from 1 March 2015.
- In tandem with this management change, Kevin White became the Executive Chairman of Easton Rodney Green, who previously was Chairman, became Deputy Chairman.
- The finance function was relocated from Melbourne to Sydney to allow the Chief Financial Officer (CFO) to be closely aligned with the Group Managing Director.
- A new CFO was appointed to replace Geoffrey Robinson who had declined the offer to relocate to Sydney.
- With the relocation of the finance function to Sydney, the Melbourne registered office was closed on 14 March 2015, coinciding with the expiry of the tenancy.
- The Company's registered head office was relocated to Sydney and the corporate staff are now accommodated within the existing operations in Sydney.

### **EVENTS SINCE THE END OF THE FINANCIAL YEAR**

On 1 July 2015, the Group acquired an additional 3.9% interest in HKNSW for a purchase consideration of \$184,400. The additional interest has been acquired from a recently retired equity director and is consistent with the Group's intention to actively participate in and contribute to orderly retirement and succession planning within businesses forming part of the Easton network. The Group's total interest in HKNSW after the completion of this transaction is 34.5%.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Group will continue to pursue its operating strategy to create shareholder value by way of organic growth and acquisition opportunities. Further commentary on the Group's strategic direction and plan is set out in the Managing Director's Report.

### **ENVIRONMENTAL REGULATION**

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The following information is current as at the date of this report.

<b>Kevin W. White B.Eng (civil), M.Eng.Sci., M.Admin.</b> Age 63. Executive Chairman. Appointed Executive Chairman 1 March 2015. Appointed Managing Director 29 May 2013, resigned as Joint Managing Director 1 March 2015.		
Experience and expertise	Kevin graduated as a professional engineer in 1973 and has spent the majority of his working life in the financial services industry. He was the founder and Managing Director of Crowe Horwath Australasia Limited (formerly WHK Group Limited) from 1996 to 2011 and has a successful track record in building and leading ASX listed companies with a distribution focus operating in the financial services sector.	
Other current directorships	Non-executive Director and Chairman of Royal Automobile Club of Victoria (RACV) Limited	
Former directorships in last 3 years	Non-executive Director of IOOF Holdings Limited	
Special Responsibilities	Executive Chair of the board Member of the Remuneration Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	1,754,397
	Rights over ordinary shares	1,000,000

<b>Rodney Green B.Com, ACA.</b> Age 58. Non-executive director, Deputy Chairman. Appointed 26 April 2012 as Chairman, resigned as Chairman and became Deputy Chairman 1 March 2015.		
Experience and expertise	Rodney brings with him over 30 years' experience in the financial services industry. Prior roles include Managing Director and then Non-executive Director of Treasury Group Limited from start up in 2001 until 2008, and previously 6 years as the Chief Investment Officer and then Head of Perpetual Investments Ltd from 1995 to 2001. Rodney was also Chairman and Non-executive Director of Premium Investors Limited (a listed investment company) from 2003 until 2006.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special Responsibilities	Deputy Chair of the Board (resigned as Chairman 1 March 2015) Chair of the Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	320,000

<b>John G. Hayes B.Bus, FCPA, CTA, FAIM.</b> Age 61. Managing Director. Appointed Managing Director 1 March 2015, appointed Joint Managing Director 19 March 2014.		
Experience and expertise	Greg is the founder and CEO of Hayes Knight (NSW) Pty Ltd and is well known in the accounting profession. Greg was also the Chairman of the Hayes Knight Group nationally, a specialist business valuer, a recognised practice management specialist and an author in both of these disciplines. He is the founder and director of Knowledge Shop Pty Ltd and Merit Wealth Pty Ltd, both entities providing practice support and distribution to the accounting profession in Australia. Greg was a member of the Advisory Panel to the Board of Taxation between 2003-2013.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special Responsibilities	Managing Director	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	5,496,517

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

<b>Carl F. Scarcella B.Com, FCPA.</b> Age 58. Non-executive director. Appointed 15 May 2014.		
Experience and expertise	Carl joined the financial services industry in 1987. In 2000, Carl was one of the foundation managers of Snowball Group Limited, a listed independent advice business which provided financial services including financial planning, accounting and tax, portfolio management and portfolio administration. Carl was Chief Operating Officer and Company Secretary of Snowball from inception through to its merger with the Shadforth Group in 2011 to become SFG Australia Limited. Following his departure from SFG in 2012, Carl co-founded T&C Consulting Services, a firm which provides advice on growth strategies, design governance frameworks, infrastructure solutions and M&A support.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special Responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	53,884

#### Joint Company Secretaries

**Mark Licciardo, B.Bus (Acc), GradDip CSP, FCSA, FCIS, GAICD.** Age 51. Joint Company Secretary – appointed 6 December 2011. Mark is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies. Prior to establishing Mertons, Mark was Company Secretary of the Transurban Group (2004-07) and Australian Foundation Investment Company Limited, Djerriwarrh Investments Limited, AMCIL Limited and Mirrabooka Investments Limited (1997-2004). Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark is a former Chairman of Governance Institute of Australia (GIA) (formerly the Chartered Secretaries Australia) in Victoria, a fellow of GIA, a graduate member of the Australian Institute of Company Directors (AICD), former Chairman of Melbourne Fringe Limited and a director of several public and private companies.

**Matthew Rowe, BA (Hons), MSc Corp Gov, AGIA, ACIS.** Age 34. Joint Company Secretary - appointed 21 October 2014. Matthew is a Corporate Governance Advisor with Mertons. Prior to working at Mertons, Matthew managed the company secretarial team for a UK based fund manager specialising in investment companies listed on the Main Market, Alternative Investment Market and Specialist Funds Market of the London Stock Exchange, Euronext and Channel Island Stock Exchanges. Matthew has a Masters in Corporate Governance from Bournemouth University (UK).

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

#### DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Kevin W. White	9	9	5*	5*	3	3
Rodney Green	9	9	5	5	3	3
John G. Hayes	9	9	5*	5*	3*	3*
Carl F. Scarcella	9	9	5	5	3	3

\*In attendance ex-officio.

#### COMMITTEE MEMBERSHIP

As at the date of this report, the Company's Audit and Risk Committee members are:

- Carl F. Scarcella – Chairman
- Rodney Green

At the date of this report, the Company's Remuneration Committee members are:

- Rodney Green – Chairman
- Carl F. Scarcella
- Kevin W. White

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into deeds of access, insurance and indemnity with each director and officer which contain rights of access to certain books and records of the Group for a period of ten years after the director and officer ceases to hold office. This ten year period can be extended where certain proceedings or investigations commence before the ten year period expires.

In respect of the indemnity of the directors and officers, the Company is required, pursuant to the constitution, to indemnify all directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, the Company indemnifies parties against all liabilities to another person that may arise from their position as a director or an officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

In respect of insurance being obtained on behalf of the directors and officers, the Company may arrange and maintain directors' and officers' insurance for its directors and officers to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must obtain such insurance during each director's and officer's period of office and for a period of ten years after a director or an officer ceases to hold office. This ten year period can be extended where certain proceedings or investigations commence before the ten year period expires.

Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contracts of insurance.

## DIRECTORS' REPORT (continued)

### SHARES UNDER OPTION

#### Unissued shares

As at the date of this report, there were no unissued ordinary shares under option.

No options were granted to the directors of the Company or any other key management personnel of the Group during, or since the end of the financial year.

### PROCEEDINGS ON BEHALF OF THE COMPANY

There are no legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

### NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Pitcher Partners) for non-audit services provided during the year are set out below.

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

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015	2014
	\$	\$
Tax compliance services	-	46,410
Other services	11,800	13,030
<b>Total remuneration for non-audit services</b>	<b>11,800</b>	<b>59,440</b>

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Easton Investments Limited is responsible for corporate governance. The Board has prepared the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Easton website at [www.eastoninvestments.com.au](http://www.eastoninvestments.com.au) under the About Us/Corporate Governance section.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2015 remuneration report which sets out the remuneration information for the Company's non-executive directors, executive directors and other key management personnel of the Group.

The report contains the following sections:

- (a) Details of key management personnel disclosed in this report
- (b) Remuneration governance
- (c) Executive remuneration policy and framework
- (d) Relationship between remuneration and Group performance
- (e) Non-executive director remuneration policy
- (f) Voting and comments made at the Company's 2014 Annual General Meeting (AGM)
- (g) Details of remuneration of key management personnel
- (h) Service agreements
- (i) Details of share-based compensation and bonuses
- (j) Equity instruments held by key management personnel
- (k) Other transactions with key management personnel

#### (a) Details of key management personnel disclosed in this report

The following persons acted as key management personnel of the Company and the Group during or since the end of the financial year.

##### (i) *Non-executive and Executive Directors*

- Kevin W. White      Executive Chairman - (appointed Executive Chairman, resigned Joint Managing Director 1 March 2015)
- Rodney Green      Non-executive Director, Deputy Chairman - (resigned Chairman, appointed Deputy Chairman 1 March 2015)
- John G. Hayes      Managing Director - (appointed 1 March 2015, Joint Managing Director from 19 March 2014)
- Carl F. Scarcella    Non-executive Director.

##### (ii) *Other key management personnel*

- Mark Licciardo      Joint Company Secretary
- Michael A. Harris    Chief Financial Officer (appointed 27 January 2015)
- Geoffrey J.          Chief Financial Officer (resigned 15 March 2015)  
Robinson
- Shane A. Bransby    Managing Director of Chesterfields Financial Services Pty Ltd
- Cameron R. Knox    Managing Director of Easton Asset Management Pty Ltd
- Lisa M. Armstrong    General Manager of Knowledge Shop Pty Ltd

##### (iii) *Changes since the end of the reporting period*

There were no changes to key management personnel in the period after the end of the reporting date and up to the date of this report.

#### (b) Remuneration governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans for executive directors and senior executives, including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- non-executive director fees.

The Committee's objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (c) Executive remuneration policy and framework

##### *Remuneration policy*

The policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board of directors as a whole on advice from the Remuneration Committee. The Board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance the performance of the Group through their contributions and leadership. No such advice has been obtained during 2015. The Remuneration Committee makes specific recommendations on the remuneration package and other terms of employment for the Managing Director having regard to his performance, relevant comparative information, and if appropriate, independent expert advice.

For key management personnel, the Group provides a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are to align executive performance-based remuneration with Group objectives. The remuneration policy is directly related to Group performance. The qualitative and quantitative criteria on which remuneration is based are set by the Remuneration Committee and those objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration as applicable.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees, as part of their individual package, or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

##### *Executive pay*

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Easton Investments Employee Share Ownership Plan.

A combination of some or all of these components comprises an executive's total remuneration.

##### *Base pay and benefits*

Executives receive their base pay and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' reasonable discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that executive remuneration is competitive with the market.

There are no guaranteed base pay increases included in any executives' contracts.

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

Executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The STI is a cash-based incentive which forms part of the executive's total compensation. Each year, the Remuneration Committee in conjunction with the Managing Director, will consider the appropriate targets and key performance indicators (KPIs) of each executive to link the STI plan and the level of payout if targets are met. This will include setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

The STI bonus opportunity is calculated and paid annually.

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

Long-term incentives are provided to certain employees via the Easton Investments Employee Share Ownership Plan (**the Plan**) which was re-approved by shareholders at a general meeting held on 21 November 2014.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

The Board has the discretion to offer and issue any (or any combination) of the following kinds of awards to eligible employees including executive directors:

- Options – rights to be issued ordinary shares in the Company upon the payment of an exercise price and satisfaction of specified vesting conditions.
- Performance rights – rights to be issued one ordinary share in the Company for every performance right for nil exercise price upon the satisfaction of specified vesting conditions.
- Deferred share awards – ordinary shares in the Company that are issued in lieu of wages, salary, director's fees or other remuneration, or by the Company in addition to remuneration or in lieu of any discretionary cash bonus or other incentive payment.
- Exempt share awards – ordinary shares in the Company issued for nil consideration or at an issue price which is at a discount to the prevailing market price with the intention that up to \$1,000 of the total value or discount received by the employee will be exempt from tax. Exempt share awards issued under the Plan may not be sold until the earlier of three years after issue or cessation of employment.
- Limited recourse loan awards – ordinary shares in the Company where some or all of the issue price is funded by way of a loan from the Company.

The Plan is designed to focus executives on delivering long-term shareholder returns.

Participation in the Plan is at the Board's discretion and executives do not have a contractual right to participate in the Plan.

#### *Performance rights*

The preferred LTI award of the Company relates to the grant of performance rights. A performance right is a right to acquire one ordinary share for nil exercise price upon the satisfaction of certain vesting conditions. Unless otherwise determined by the Board, the vesting of performance rights is conditional upon a combination of the following:

- Non-market conditions, comprising:
  - continuous employment service of 3 years commencing on the grant date.
  - financial and operational performance criteria specific to the business unit the key management personnel is responsible for.
- Market conditions, comprising:
  - share price performance.

#### **(d) Relationship between remuneration and Group performance**

The remuneration policy has been designed to align key management personnel objectives with the long-term interests of the Company by providing a combination of fixed remuneration and specific short term and long term incentives based on key performance criteria of the Company. Remuneration linked to company share price performance is \$34,489 (2014: \$34,566).

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

The following table shows the key performance indicators of the Group over the last 5 years:

	2015	2014	2013	2012	2011
Revenue	\$18,313,890	\$10,953,090	\$5,844,831	\$3,024,821	\$2,265,766
Normalised EBITA	\$2,598,323	\$716,211	\$(577,152)	\$(626,644)	\$(120,195)
Net profit/(loss) before tax	\$1,961,314	\$(2,380,016)	\$(3,584,975)	\$(1,520,270)	\$(196,697)
Net profit/(loss) after tax	1,242,470	\$(1,630,835)	\$(3,407,076)	\$(1,571,031)	\$(435,530)
Share price at end of year <sup>1</sup>	\$0.70	\$0.89	\$0.75	\$0.96	\$1.15
Basic earnings per share <sup>2</sup>	4.14cps	(8.04)cps	(30.27)cps	(22.70)cps	(8.00)cps
Diluted earnings per share <sup>2</sup>	4.14cps	(8.04)cps	(30.27)cps	(22.70)cps	(8.00)cps
Remuneration linked to share price	\$34,489	\$34,556	-	-	-

1. Share price data has been restated to reflect the impact of the 1 for 5 share consolidation completed on 10 December 2013.

2. Basic earnings per share and diluted earnings per share have been restated to reflect the impact of the 1 for 5 share consolidation completed on 10 December 2013.

The Company has not declared or paid a dividend in the last 5 years.

#### (e) Non-executive director remuneration policy

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

Non-executive directors receive a Board fee which is inclusive of fees for chairing or participating on Board committees. They do not receive performance-based pay. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently of the fees of non-executive directors based on comparative roles in the external market. The Executive Chairman is entitled to be paid a fixed remuneration of \$100,000 per annum including superannuation contributions (2014: Non-executive Chairman \$54,750). Other directors are each entitled to be paid a fixed remuneration of up to a maximum of \$45,000 per annum including superannuation contributions (2014: \$45,000).

The Constitution of the Company provides that non-executive directors as a whole may be paid or provided remuneration of an aggregate maximum total of \$200,000 per annum or other such maximum as determined by the Company in a general meeting. A revised Constitution of the Company was approved by shareholders at a general meeting held on 14 November 2012. A non-executive director may be paid fees or other amounts as the directors determine where a director performs services outside the scope of the ordinary duties of a director, provided it does not exceed the maximum of \$200,000. The Company may reimburse non-executive directors for their expenses properly incurred as a director or in the course of office, including special duties as approved by the Chairman.

#### (f) Voting and comments made at the Company's 2014 Annual General Meeting (AGM)

The Company received more than 99% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (g) Details of remuneration of key management personnel

##### Remuneration for the year ended 30 June 2015

	Short-term employee benefits			Post employment benefits	Termination benefits	Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation		Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
Kevin W. White	121,766	-	-	11,568	-	34,489	167,823	21%
Rodney Green	48,333	-	-	3,167	-	-	51,500	-
John G. Hayes <sup>1</sup>	254,098	-	-	38,110	-	-	292,208	-
Carl F. Scarcella <sup>2</sup>	45,000	-	-	-	-	-	45,000	-
<b>Sub-total directors</b>	<b>469,197</b>	<b>-</b>	<b>-</b>	<b>52,845</b>	<b>-</b>	<b>34,489</b>	<b>556,531</b>	
<b>Executives' remuneration</b>								
Lisa M. Armstrong	188,984	-	-	17,953	-	-	206,937	-
Shane A. Bransby	302,197	-	-	17,775	-	-	319,972	-
Michael A. Harris <sup>3</sup> (from 27/01/15)	86,410	-	-	8,209	-	-	94,619	-
Cameron R. Knox <sup>4</sup>	499,881	76,823	-	-	-	154,167	730,871	32%
Mark Licciardo <sup>5</sup>	45,709	-	-	-	-	-	45,709	-
Geoffrey J. Robinson <sup>6</sup> (to 15/03/2015)	122,227	-	-	11,062	52,500	-	185,789	-
<b>Sub-total executives</b>	<b>1,245,408</b>	<b>76,823</b>	<b>-</b>	<b>54,999</b>	<b>52,500</b>	<b>154,167</b>	<b>1,583,897</b>	
<b>Total key management personnel</b>	<b>1,714,605</b>	<b>76,823</b>	<b>-</b>	<b>107,844</b>	<b>52,500</b>	<b>188,656</b>	<b>2,140,428</b>	

1. Mr Hayes was employed by Hayes Knight (NSW) Pty Ltd, a company in which the Group at reporting date had a 30.6% interest up until 28 February 2015. Effective 1 March 2015 Mr Hayes was employed directly by the Company.

2. A company of which Mr Scarcella is a director received director fees from the Company for services as non-executive director.

3. Mr Harris commenced with the Company 27 January 2015.

4. A company of which Mr Knox is a director received fees from the Group for consulting services.

5. A company of which Mr Licciardo is a director received fees from the Company for company secretarial and corporate governance consulting services.

6. Mr Robinson resigned from the Company effective 15 March 2015 and his performance rights were cancelled. A write back for \$2,733 was made in the statement of comprehensive income in the current period.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Remuneration for the year ended 30 June 2014

	Short-term employee benefits			Post employment benefits	Termination benefits	Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation		Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
Kevin W. White	140,000	-	-	10,000	-	31,833	181,833	17%
Rodney Green	50,000	-	-	4,625	-	-	54,625	-
John G. Hayes (from 19/03/2014) <sup>1</sup>	57,343	-	9,625	5,304	-	-	72,272	-
Carl F. Scarcella (from 15/05/2014) <sup>2</sup>	5,625	-	-	-	-	-	5,625	-
Jonathan W. Sweeney (to 15/05/2014)	35,202	-	-	3,256	-	-	38,458	-
<b>Sub-total directors</b>	<b>288,170</b>	<b>-</b>	<b>9,625</b>	<b>23,185</b>	<b>-</b>	<b>31,833</b>	<b>352,813</b>	
<b>Executives' remuneration</b>								
Lisa M. Armstrong (from 01/02/2014)	76,453	-	-	7,071	-	-	83,524	-
Shane A. Bransby	331,825	-	15,000	17,775	-	-	364,600	-
Cameron R. Knox <sup>3</sup> (from 01/01/2014) <sup>3</sup>	223,285	50,000	-	-	-	20,833	294,118	24%
Mark Licciardo <sup>4</sup>	44,624	-	-	-	-	-	44,624	-
Campbell G. McComb (to 31/07/2013)	21,019	-	-	1,481	135,000	-	157,500	-
Andrew G. McKay (to 09/12/2013)	118,190	-	-	13,239	81,071	-	212,500	-
Geoffrey J. Robinson	155,606	12,000	-	14,394	-	2,733	184,733	8%
<b>Sub-total executives</b>	<b>971,002</b>	<b>62,000</b>	<b>15,000</b>	<b>53,960</b>	<b>216,071</b>	<b>23,566</b>	<b>1,341,599</b>	
<b>Total key management personnel</b>	<b>1,259,172</b>	<b>62,000</b>	<b>24,625</b>	<b>77,145</b>	<b>216,071</b>	<b>55,399</b>	<b>1,694,412</b>	

1. Mr Hayes was employed by Hayes Knight (NSW) Pty Ltd, a company in which the Group at reporting date had a 30.6% interest.

2. A company of which Mr Scarcella is a director received director fees from the Company for services as non-executive director.

3. A company of which Mr Knox is a director received fees from the Group for consulting services.

4. A company of which Mr Licciardo is a director received fees from the Company for company secretarial and corporate governance consulting services.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2015	2014	2015	2014	2015	2014
<i>Executive directors</i>						
Kevin W. White	79%	83%	-	-	21%	17%
<i>Other key management personnel of the group</i>						
Geoffrey J. Robinson (resigned 15 March 2015)	100%	92%	-	6%	-	2%
Cameron R. Knox	68%	76%	11%	17%	21%	7%

#### (h) Service agreements

##### *Executive Chairman - Mr Kevin W. White*

Mr White commenced as Managing Director on 29 May 2013 and subsequently became Executive Chairman on 1 March 2015 under a new employment agreement as announced on 24 February 2015. His remuneration is set by the Board and is governed by an employment agreement. Mr White's remuneration consists of the following components:

- base annual salary of \$100,000 (including superannuation); and
- long-term incentive consisting of 1.0 million performance rights (see page 27 for terms and conditions).

The employment agreement has no fixed term and a notice period of six months.

##### *Managing Director - Mr John G. Hayes*

Mr Hayes was appointed as Joint Managing Director on 19 March 2014 following the completion of the Hayes Knight NSW Transaction. Subsequently Mr Hayes became Managing Director on 1 March 2015 as announced on 24 February 2015. Mr Hayes was previously employed by Hayes Knight (NSW) Pty Ltd, a company in which the Group has a 30.6% interest at balance date. A new employment agreement commenced 1 March 2015 when Mr Hayes' employment was transferred directly to the Company.

Mr Hayes' remuneration consists of a base annual salary of \$275,000 (including superannuation) and is subject to review annually. For the year ending 30 June 2016, Mr Hayes will be eligible to participate in a short term incentive (STI) opportunity whereby he will be entitled to a STI payment of 2.5% of Total Remuneration (TR) for each 1% in reported Normalised EBITA per share growth over the financial year. A STI cap of 50% of TR applies. The employment agreement has no fixed term and a notice period of six months.

##### *Joint Company Secretary - Mr Mark Licciardo*

Mr Licciardo currently provides company secretarial and corporate governance services under a service arrangement between the Company and Merton Corporate Services Pty Ltd, a company associated with Mr Licciardo. The current arrangement has no predetermined termination date, with each party having the right to terminate the arrangement by giving ninety days' notice in writing to the other party.

##### *Other key management personnel of the Group*

Remuneration and other terms of employment for other key management personnel of the Group are formalised in employment agreements which specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below:

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

Name	Term of agreement	Notice period <sup>1</sup>	Base salary including superannuation <sup>2</sup>	Termination payments <sup>3</sup>
Lisa M. Armstrong Managing Director - Knowledge Shop Pty Ltd	No fixed term	Employee – 6 months Employer – 3 months	\$200,459	3 months
Shane A. Bransby Managing Director - Chesterfields Financial Services Pty Ltd	No fixed term	Employee – 6 months Employer – 5 weeks	\$250,000	5 weeks
Michael A. Harris Chief Financial Officer (from 27 January 2015)	No fixed term	3 months	\$219,000	3 months
Cameron R. Knox <sup>4</sup> Managing Director – Easton Asset Management Pty Ltd	No fixed term	Employee – 6 months Employer – 1 month	US\$413,000	N/a
Geoffrey J. Robinson Chief Financial Officer (resigned 15 March 2015)	No fixed term	3 months	\$170,000	3 months

- The notice period applies without cause equally to either party unless otherwise stated.
- Base salaries quoted are for the year ended 30 June 2015; they are reviewed annually by the Remuneration Committee.
- Base salary payable if the Group terminates employees with notice, and without cause (eg, for reasons other than unsatisfactory performance).
- Mr Knox is employed pursuant to a contractor agreement with an effective date of 1 January 2014.

#### (i) Details of share-based compensation and bonuses

##### Performance rights

Details of performance rights provided as remuneration to executive directors of the Company and other key management personnel of the Group are set out below:

	Number of performance rights granted during the year		Number of performance rights vested during the year		Number of performance rights cancelled during the year	
	2015	2014	2015	2014	2015	2014
<i>Other key management personnel</i>						
G.J. Robinson	-	20,000	-	-	20,000	-
C.R. Knox	-	500,000	-	-	-	-

The following table summarises the value of performance rights granted, vested, or cancelled during the financial year, in relation to performance rights granted to key management personnel as part of their remuneration:

	Value of performance rights granted	Value of performance rights vested	Value of performance rights cancelled	Financial years in which performance rights may vest
<i>Other key management personnel</i>				
G.J. Robinson	-	-	\$8,200	n/a

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Bonuses

For each cash bonus included in the tables on pages 22 to 23, the percentage of the available bonus that was paid or payable in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below:

Name	Current year STI entitlement	
	Awarded %	Forfeited %
G.J. Robinson <sup>1</sup>	-	100
C.R. Knox <sup>2</sup>	100	-
S.A. Bransby <sup>3</sup>	-	100

- Mr Robinson had a cash bonus eligibility of 10% of base salary including superannuation subject to an appraised rating of performance against key business process improvement projects and KPIs. Appraisals are completed annually by the Managing Director. Mr Robinson ceased employment during the year and forfeited the opportunity for his bonus entitlement.
- Mr Knox has a cash bonus eligibility calculated as 20% of an adjusted net profit before tax that exceeds \$1million in his business unit. The financial performance criteria is based on a calendar year which will be assessed in full as at 31 December 2015. The cash bonus assessed at 30 June 2015 is based on the financial performance criteria for 6 months and the bonus applied on a pro rata basis. At the reporting date, the Company has assessed that the full year financial performance criteria will be met barring unforeseen circumstances.
- For the current reporting period, Mr Bransby was not paid a cash bonus. Effective 1 July 2015 Mr Bransby will have a cash bonus eligibility calculated as 20% of revenue growth on the base year achieved for one of the business units that he is responsible for managing, Merit Planning WA. During the current period, this business unit has been in a start-up phase.

#### (j) Equity instruments held by key management personnel

##### Shareholdings

The numbers of ordinary shares in the Company held during the year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

2015 Name	Balance at the start of the year	Received on vesting of performance rights	Other changes during the year	Balance at the end of the year
K.W. White	1,724,224	-	180,173	1,904,397
R. Green	320,000	-	-	320,000
J.G. Hayes <sup>1</sup>	5,824,117	-	120,000	5,944,117
C.F. Scarcella	-	-	53,884	53,884
S.A. Bransby	852,946	-	-	852,946
C.R. Knox	780,474	-	31,000	811,474
L.M. Armstrong <sup>1</sup>	5,824,117	-	120,000	5,944,117
G.J. Robinson <sup>2</sup>	23,000	-	(23,000)	-

- J.G. Hayes and L.M. Armstrong are related parties of each other.
- G.J. Robinson resigned from the Company effective 15 March 2015.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Performance rights holdings

The numbers of performance rights over ordinary shares in the Company held during the year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

2015 Name	Balance at the start of the year	Granted as compensation during the year	Vested	Cancelled	Balance at the end of the year	Vested	Unvested
K.W. White <sup>1</sup>	1,000,000	-	-	-	1,000,000	-	1,000,000
C.R. Knox <sup>2</sup>	500,000	-	-	-	500,000	-	500,000
G.J. Robinson <sup>3</sup>	20,000	-	-	(20,000)	-	-	-
<b>Total</b>	<b>1,520,000</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>1,500,000</b>	<b>-</b>	<b>1,500,000</b>

1. Mr White's performance rights were granted on 29 May 2013 with the following terms and conditions:

- each performance right converts to one ordinary fully paid share in the Company subject to the Company's volume weighted average share price exceeding, for a minimum period of 30 consecutive days, at any time during the 3 year term from commencing employment, the following Threshold Price levels:

# of Performance Rights	Threshold Price
200,000	\$ per Share 1.00
600,000	1.25
200,000	1.50
1,000,000	

- the performance rights will be forfeited in the event of valid termination with cause or if Mr White gives notice of termination before the initial 3 year term;
- on a change of control in the Company, those performance rights, if any, will vest where the Threshold Price has been met on the date control changes or if the share price applying to the change of control is \$1.00 or higher, or otherwise at the Board's discretion; and
- the grant of performance rights was approved by shareholders at an annual general meeting held on 29 November 2013.

2. Mr Knox's performance rights were granted on 1 January 2014 with the following terms and conditions:

- financial and operational performance targets specific to Mr Knox's business unit are met;
- on a change of control in the Company, those performance rights, if any, will vest subject to the Company's shares being valued for the purposes of the change of control at a price equal to or exceeding \$1.00, or otherwise at the Board's discretion; and
- continuous employment with the Company for a period of three years commencing on the grant date.

3. Mr Robinson's performance rights were granted on 1 July 2013 and forfeited with his resignation on 15 March 2015.

#### Option holdings

There were no options issued during the year or prior year to, or options held by directors of the Company and other key management personnel of the Group.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (k) Other transactions with key management personnel

Mr J.G. Hayes and Ms L.M. Armstrong are both directors and shareholders of Hayes Knight (NSW) Pty Ltd and Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**). At 30 June 2015, the Group had a 30.6% non-controlling interest in HKNSW and received business services from HKNSW pursuant to a services agreement on normal commercial terms and conditions. The business services provided under the agreement include staff services, IT services and occupancy services. HKNSW is also the nominated tax agent for the Group and provides tax advice services on normal commercial terms and conditions.

Mr C.R. Knox, is a director and shareholder of PT Imperium Capital. PT Imperium Capital provides administrative services to the Group on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors of the Company and key management personnel of the Group are:

	2015	2014
	\$	\$
<i>Amounts recognised as revenue</i>		
Recovery of dealer group costs	15,255	4,650
Recovery of employment costs	37,958	14,006
	<b>53,213</b>	18,656
<i>Amounts recognised as expense</i>		
Administration fees	132,798	45,154
Commissions paid	207,826	53,660
Help desk and technical training support	707,160	346,412
Occupancy and infrastructure	204,539	79,000
Professional fees	263,507	239,725
Expense reimbursements	38,042	5,302
	<b>1,553,872</b>	769,253

#### *Amounts recognised as assets and liabilities*

At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:

	2015	2014
	\$	\$
Current assets (amounts receivable)	55,406	14,230
Current liabilities (amounts payable)	109,811	109,696

End of audited Remuneration Report.

This report is made in accordance with a resolution of the directors.



**Rodney Green**  
**Chairman – Remuneration Committee**

Sydney  
25 August 2015

**EASTON INVESTMENTS LIMITED**  
**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF EASTON INVESTMENTS LIMITED**

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Easton Investments Limited and the entities it controlled during the year.



N R BULL  
Partner

25 August 2015



PITCHER PARTNERS  
Melbourne

**Easton Investments Limited**  
**Annual Financial Report – 30 June 2015**  
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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Revenue from continuing operations</b>			
Services	4	<b>18,662,462</b>	10,683,543
Other revenue	4	<b>151,428</b>	269,547
		<b>18,813,890</b>	10,953,090
Other income	5	<b>500,000</b>	243,736
Share of net profit of associates accounted for using the equity method	12	<b>232,648</b>	46,233
<b>Expenses from ordinary activities</b>			
Fees and commissions		<b>(10,390,348)</b>	(5,411,598)
Salaries and employee benefits expenses	5	<b>(3,804,061)</b>	(2,946,838)
Occupancy expenses		<b>(517,700)</b>	(373,999)
Professional fees		<b>(1,130,606)</b>	(1,294,272)
Administration expenses		<b>(343,811)</b>	(375,629)
Other expenses		<b>(705,107)</b>	(483,648)
Finance costs	5	<b>(292,951)</b>	(197,538)
Depreciation and amortisation	5	<b>(400,640)</b>	(313,154)
Impairment losses	5	-	(2,037,876)
Net loss on disposal of intangible assets		-	(188,523)
Profit/(loss) before income tax		<b>1,961,314</b>	(2,380,016)
Income tax (expense)/benefit	6	<b>(718,844)</b>	749,181
Net profit/(loss) from continuing operations after income tax		<b>1,242,470</b>	(1,630,835)
Net profit/(loss) for the year		<b>1,242,470</b>	(1,630,835)
<b>Total comprehensive income/(loss) for the year</b>			
		<b>1,242,470</b>	(1,630,835)
Profit/(loss) for the year is attributable to:			
Non-controlling interests		<b>108,146</b>	78,172
Owners of the Company		<b>1,134,324</b>	(1,709,007)
		<b>1,242,470</b>	(1,630,835)
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		<b>108,146</b>	78,172
Owners of the Company		<b>1,134,324</b>	(1,709,007)
		<b>1,242,470</b>	(1,630,835)
Basic earnings per share (cents)	7	<b>4.14</b>	(8.04)
Diluted earnings per share (cents)	7	<b>4.14</b>	(8.04)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,450,253	2,590,651
Receivables	9	1,458,406	1,002,368
Other current assets	10	74,167	90,496
<b>Total current assets</b>		<b>2,982,826</b>	<b>3,683,515</b>
<b>Non-current assets</b>			
Other financial assets	11	-	86,106
Equity accounted investments	12	5,542,515	3,034,903
Plant and equipment	13	78,032	84,656
Intangible assets	14	15,159,720	15,646,047
Investments	15	163,878	-
Deferred tax assets	6	865,728	1,501,571
<b>Total non-current assets</b>		<b>21,809,873</b>	<b>20,353,283</b>
<b>TOTAL ASSETS</b>		<b>24,792,699</b>	<b>24,036,798</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	2,087,830	1,288,505
Provisions and employee benefits	17	247,058	190,096
Borrowings	18	655,490	777,121
Current tax liability	6	102,014	82,194
Provision for contingent consideration	19	560,816	1,194,518
Other liabilities	20	141,200	383,545
<b>Total current liabilities</b>		<b>3,794,408</b>	<b>3,915,979</b>
<b>Non-current liabilities</b>			
Provisions and employee benefits	17	49,005	19,728
Provision for contingent consideration	19	310,874	706,830
Deferred tax liabilities	6	402,079	421,092
<b>Total non-current liabilities</b>		<b>761,958</b>	<b>1,147,650</b>
<b>TOTAL LIABILITIES</b>		<b>4,556,366</b>	<b>5,063,629</b>
<b>NET ASSETS</b>		<b>20,236,333</b>	<b>18,973,169</b>
<b>EQUITY</b>			
Contributed equity	21	18,539,100	25,986,300
Reserves	22	266,658	83,471
Retained earnings/(accumulated losses)	23	921,195	(7,660,329)
<b>Equity attributable to owners of the Company</b>		<b>19,726,953</b>	<b>18,409,442</b>
Non-controlling interests	24	509,380	563,727
<b>TOTAL EQUITY</b>		<b>20,236,333</b>	<b>18,973,169</b>
Net tangible assets per share (cents)		16.84	8.20

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

Consolidated entity	Ordinary shares \$	Retained profits/ (accumulated losses) \$	Share based payments reserve \$	Other reserves \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>At 1 July 2014</b>	25,986,300	(7,660,329)	58,133	25,338	18,409,442	563,727	18,973,169
Profit for the year	-	1,134,324	-	-	1,134,324	108,146	1,242,470
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>1,134,324</b>	-	-	<b>1,134,324</b>	<b>108,146</b>	<b>1,242,470</b>
<b>Transactions with owners in their capacity as owners:</b>							
Capital reduction	(7,447,200)	7,447,200	-	-	-	-	-
Dividend paid	-	-	-	-	-	(162,493)	(162,493)
Employee incentive plan	-	-	183,187	-	183,187	-	183,187
<b>At 30 June 2015</b>	<b>18,539,100</b>	<b>921,195</b>	<b>241,320</b>	<b>25,338</b>	<b>19,726,953</b>	<b>509,380</b>	<b>20,236,333</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 June 2015

Consolidated entity	Ordinary shares \$	Accumulated losses \$	Share based payments reserve \$	Other reserves \$	Owners of the parent \$	Non-controlling interest \$	Total \$
<b>At 1 July 2013</b>	14,991,285	(5,951,322)	58,580	25,338	9,123,881	368,287	9,492,168
Profit/(loss) for the year	-	(1,709,007)	-	-	(1,709,007)	78,172	(1,630,835)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	-	<b>(1,709,007)</b>	-	-	<b>(1,709,007)</b>	<b>78,172</b>	<b>(1,630,835)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Issue of new equity	11,025,729	-	-	-	11,025,729	-	11,025,729
Costs associated with the issue of new equity	(30,714)	-	-	-	(30,714)	-	(30,714)
Issue of new equity to non-controlling interest	-	-	-	-	-	200,000	200,000
Dividend paid	-	-	-	-	-	(86,812)	(86,812)
Employee incentive plan	-	-	58,133	-	58,133	-	58,133
Disposal of non-controlling interest in subsidiary	-	-	-	-	-	4,080	4,080
Options cancelled on disposal of investment	-	-	(58,580)	-	(58,580)	-	(58,580)
<b>At 30 June 2014</b>	<b>25,986,300</b>	<b>(7,660,329)</b>	<b>58,133</b>	<b>25,338</b>	<b>18,409,442</b>	<b>563,727</b>	<b>18,973,169</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Fees and commissions received		19,550,836	12,097,159
Payments to suppliers and employees		(17,005,700)	(11,899,020)
<b>Cash generated from operations</b>		<b>2,545,136</b>	198,139
Interest received		40,236	92,587
Finance costs paid		(72,609)	(89,977)
Income tax paid		(82,194)	(185,040)
<b>Net cash flows from operating activities</b>	25	<b>2,430,569</b>	15,709
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		-	1,150,000
Proceeds from disposal of associate		-	65,513
Proceeds from disposal of subsidiary, net of cash disposed		-	89,555
Payments for plant and equipment		(68,094)	(3,245)
Payments for other intangible assets		-	(200,000)
Payments for acquisition of a subsidiary, net of cash acquired		(750,000)	(206,726)
Payments for separately identifiable intangible assets		-	(1,000,000)
Payments for acquisition of associate		(2,376,556)	(2,250,000)
Payments for other investments		(163,878)	-
Dividends received from associates		72,000	-
<b>Net cash flows used in investing activities</b>		<b>(3,286,528)</b>	(2,354,903)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	3,098,318
Payments for share issue costs		-	(31,461)
Loans to related parties		-	(35,000)
Proceeds from repayment of loans to related parties		-	634,487
Dividends paid to minority interest in subsidiaries		(162,493)	(86,812)
Proceeds from borrowings		-	3,000,000
Repayment of borrowings		(121,946)	(3,114,196)
<b>Net cash flows (used in)/from financing activities</b>		<b>(284,439)</b>	3,465,336
Net (decrease)/increase in cash held		(1,140,398)	1,126,142
Cash at the beginning of the financial year		2,590,651	1,464,509
<b>Cash at the end of the financial year</b>	8	<b>1,450,253</b>	2,590,651

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity (**the Group**), consisting of Easton Investments Limited (**the Company**) and the entities it controls.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Easton Investments Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 25 August 2015.

#### (i) Compliance with IFRS

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

#### (ii) Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (iii) Critical accounting estimates

The preparation of these financial statements requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in note 2.

These financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

#### (iv) New and amended standards adopted by the Group

No new and amended accounting standards effective for the financial year beginning 1 July 2014 affected any amounts recorded in the current or prior year.

#### (v) New standards and interpretations not operative at 30 June 2015

*AASB 9 Financial Instruments* (effective from 1 January 2018)

*AASB 9 Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of *AASB 139 Financial instruments: Recognition and Measurement*. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the group has no available for sale financial assets which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The consolidated entity has a provision for contingent consideration that is recorded at fair value using present value assumptions, (refer note 19). The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. There will be no material impact on the consolidated entity's accounting for financial liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*AASB 15 Revenue from contracts with customers* (effective for annual reporting periods beginning on or after 1 January 2017).

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The Group is still in the process of assessing the impact of AASB15 on its financial statements.

There are no other new standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### (b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (**the Group**) as at and for the period ended 30 June each year.

#### (i) Subsidiaries

The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intragroup balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held within the Group are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

#### (iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entity's share in the associate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (iv) *Non-controlling interests*

Non-controlling interests are allocated their share of net profit or loss after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

### (v) *Changes in ownership interests*

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

### (c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Further details on the segment reporting policy is provided in note 3.

### (d) **Foreign currency translation and balances**

#### (i) *Functional and presentation currency*

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ii) Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

### (e) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and specific criteria have been met for each of the Group's activities. All revenue is stated net of the amount of goods and services tax (GST). The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Rendering of services

Revenue from the provision of services to customers is recognised upon delivery of the services to the customers.

#### (ii) Referral rights

Revenue received from the execution of Referral Rights Agreements is recognised over an 18 month period in accordance with the termination provisions embedded in the Referral Rights Agreements. Revenue is recognised in profit or loss in accordance with the following schedule:

Upon execution of the agreement	25% of the upfront fee
6 months following the date of the agreement	25% of the upfront fee
12 months following the date of the agreement	30% of the upfront fee
18 months following the date of the agreement	20% of the upfront fee

#### (iii) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset

#### (iv) Dividends and distributions

Dividends and distributions are recognised when the Group's right to receive the payment is established. Dividends received from associates are accounted for in accordance with the equity method.

#### (v) Revenue Disclosure

During the year ended 30 June 2015, the Group adopted a change in accounting policy with respect to the disclosure of commission and distribution fee income and associated direct costs. Previously the Group disclosed these items on a net basis. On review the directors believe it is more appropriate to disclose this on a gross basis as it gives a more accurate representation of the underlying commercial substance and associated risk exposure to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Had this change in policy not occurred, for the period ending 30 June 2015, in the consolidated statement of comprehensive income, there would be a reduction in Services revenue offset by a corresponding reduction in Fees and Commissions expense of \$10,390,349, (June 2014: \$5,411,598).

#### (f) Other income

Other income includes recognition of gains on transactions which are non-operational or non-core in nature such as gains on disposal of investments, subsidiaries or other intangible assets. Income is brought to account after deduction of any applicable cost base from consideration proceeds received.

#### (g) Income tax and other taxes

##### (i) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

#### (ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (iii) Tax consolidation

The Group has applied tax consolidation legislation to form one tax-consolidated group. The Company being the head entity, and the subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the head entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances only; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as intercompany payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

#### (h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Finance leases*

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

### *Operating leases*

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **(i) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs, other than the costs to issue debt or equity securities, are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability will be recognised in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*, in profit or loss. When the contingent consideration is classified as equity, it should not be remeasured and any subsequent settlement is accounted for within equity.

### **(j) Impairment of non-financial assets**

Non-financial assets other than goodwill, indefinite life intangibles and intangible assets not yet ready for use are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### (l) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", or "available-for-sale financial assets". The classification depends on the nature and purpose for which the investments were acquired or originated.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### **Classification**

Investments held for trading comprises securities held for short term trading purposes. They are classified as "financial assets at fair value through profit or loss". Meanwhile, investment in a managed investment scheme is held for long term capital growth and dividend income purposes. It is classified as "available-for-sale financial assets".

#### **Recognition and derecognition**

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the Group transfers substantially all the risks and rewards of the financial assets. If the Group neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

#### **Subsequent measurement**

##### *(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Financial assets held for trading are revalued with reference to the reporting date and closing bid prices. Gains or losses on such financial assets are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

##### *(ii) Loans and receivables*

Loans and receivables including loans to an associate are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (iii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

### (iv) Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

### (v) Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (vi) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Refer to note 31(f) for classification of financial assets and liabilities by fair value.

### (m) Plant and equipment

#### *Cost and valuation*

All classes of plant and equipment are stated at cost less depreciation and any accumulated impairment losses. Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

#### *Depreciation*

The depreciable amounts of all fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of asset are:

- Office and computer equipment 2 to 5 years
- Furniture, fittings and leasehold improvements 2 to 10 years

### *Derecognition*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### (n) Goodwill and intangibles

#### *Goodwill*

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with *AASB 8 Operating Segments*.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### *Intangibles*

Intangible assets acquired separately or in a business combination at fair value are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 1(j) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight line method to allocate the cost of separately identifiable intangible assets over their estimated useful lives as follows:

- Client contracts and related client relationships not exceeding 15 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

### (o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (p) Borrowings

All loans and borrowings are initially measured at fair value, net of transaction cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognises borrowings when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### *Borrowing costs*

All borrowing costs are expensed in the period they occur unless they relate to a qualifying asset in which case they are capitalised until the asset is ready for its intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Provisions and employee benefits

#### *Provisions*

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

#### *Employee benefits*

##### *(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### *(ii) Long-term employee benefit obligations*

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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

##### *(iii) Retirement benefit obligations*

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

##### *(iv) Share-based payments*

The consolidated entity operates a share-based payment employee share ownership scheme via the Easton Investments Share Ownership Plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options or performance rights that are expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

##### *(v) Bonus plans*

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (vi) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

### (r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, options or performance rights are shown in equity as a deduction, net of tax, from the proceeds.

### (s) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

## 2. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies described in note 1, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 2. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may be recognised.

The carrying amount of goodwill at 30 June 2015 was \$9,263,061 (30 June 2014: \$9,253,061) after an impairment loss of \$nil was recognised during the year ended 30 June 2015 (2014: \$1,129,826). Details of impairment testing are set out in note 14.

#### *Impairment of non-financial assets other than goodwill*

All non-financial assets are assessed for impairment at each reporting date or when there may be indicators of impairment by evaluating whether their carrying amount is in excess of their recoverable amount.

Value-in-use calculations are based on projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future.

The carrying amount of non-financial assets other than goodwill at 30 June 2015 was \$5,896,659 (30 June 2014: \$6,392,986) after an impairment loss of \$nil was recognised during 2015 (2014: \$873,050). Refer to note 14.

#### *Income tax*

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

The Group has only brought to account the tax losses incurred in those entities for which the directors believe that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised.

#### *Fair value measurements*

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to note 31(f).

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair value assessment includes the probability of non-market conditions being met. Refer to note 27.

The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 3. SEGMENT INFORMATION

#### (a) Description of segments

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (**CODMs**). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors, the Managing Director and the Chief Financial Officer.

The consolidated entity has four reportable segments as described below:

- (i) Wealth and asset management (comprising the Chesterfields Financial Services, Easton Wealth Protection, Easton Asset Management and First Financial) which provide financial planning and risk insurance advice to high net worth individuals, self-managed superannuation funds and corporate clients and a distribution platform for managed funds in Asia;
- (ii) Distribution services (comprising the Knowledge Shop, Merit Wealth, Hayes Knight Referral Services and Law Central) which provide professional support services and dealer group services primarily to the accounting profession;
- (iii) Accounting and tax (comprising the Hayes Knight (NSW) business) which is a traditional accounting practice; and
- (iv) Corporate which comprises the parent entity (Easton Investments Limited) and includes revenue from its treasury function and corporate costs.

#### *Geographical Segments*

The consolidated entity operated only in Australia during the current and prior reporting period.

#### (b) Basis of accounting for purposes of reporting by operating segments

##### *(i) Accounting policies adopted*

Unless stated otherwise, all amounts reported to the CODMs with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group except for normalised adjustments. Normalised adjustments are applied to earnings before interest, taxation, depreciation and amortisation (EBITA) to derive "Normalised EBITA". Normalised EBITA typically excludes the effects of non-recurring costs such as restructuring costs and impairments and also excludes the effects of share-based payments and unrealised gains or losses on financial instruments. The CODMs view Normalised EBITA as the best reflection of underlying business performance.

##### *(ii) Intersegment transactions*

All intersegment transactions are at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements. Corporate costs are allocated to and recovered from reporting segments where there is a consumption of shared resources. Intersegment payables and receivables are initially recognised at the consideration received/to be received and are paid on account.

##### *(iii) Segment assets and liabilities*

Total assets and liabilities are generally presented to the CODM for decision making on a more granular basis than by total segment and therefore are not presented on a segment basis in this report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

#### (c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2015 is as follows:

Consolidated 2015	Wealth and asset management \$	Distribution services \$	Accounting and tax \$	Corporate \$	Total \$
<b>Revenue from continuing operations</b>					
Services	10,311,212	8,351,250	-	-	18,662,462
Other revenue	19,421	49,077	-	82,930	151,428
Total revenue from continuing operations	<b>10,330,633</b>	<b>8,400,327</b>	-	<b>82,930</b>	<b>18,813,890</b>
Share of profits from associates	17,002	-	215,646	-	232,648
<b>Normalised EBITA – (non IFRS)</b>	<b>2,442,902</b>	<b>1,086,059</b>	<b>327,543</b>	<b>(1,258,181)</b>	<b>2,598,323</b>
<i>Normalisation adjustments</i>					
Restructuring costs					(204,614)
Write back of contingent consideration					500,000
Equity accounted adjustments for interest and tax					(120,573)
Prior year revenue adjustment on referral rights agreement					(50,000)
Share based payments					(183,187)
<b>Statutory EBITA</b>					<b>2,539,949</b>
Interest revenue					40,236
Finance costs					(292,951)
Amortisation					(325,920)
<b>Net profit before tax</b>					<b>1,961,314</b>
<i>Significant items of segment expenses</i>					
Fees and commissions	5,918,584	4,471,765	-	-	10,390,349
Salaries and employee benefits	758,352	2,054,132	-	991,578	3,804,062
Professional fees	712,643	254,430	731	162,802	1,130,606
Finance costs	45,036	247,915	-	-	292,951
Total segment assets					24,792,699
<i>Total segment assets include:</i>					
Investments in associates					5,542,515
Total segment liabilities					4,556,366

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

The segment information provided on reportable segments for the year ended 30 June 2014 is as follows:

Consolidated 2014	Wealth and asset management \$	Distribution services \$	Accounting and tax \$	Corporate \$	Total \$
<b>Revenue from continuing operations</b>					
Services	7,690,937	2,992,606	-	-	10,683,543
Other revenue	43,621	3,755	-	222,171	269,547
Total revenue from continuing operations	<b>7,734,558</b>	<b>2,996,361</b>	<b>-</b>	<b>222,171</b>	<b>10,953,090</b>
Share of profits from associates	-	-	46,233	-	46,233
<b>Normalised EBITA (non IFRS)</b>	<b>1,308,565</b>	<b>295,868</b>	<b>46,198</b>	<b>(934,420)</b>	<b>716,211</b>
<i>Normalisation adjustments</i>					
Restructuring costs					(758,940)
Impairment					(2,037,876)
Net refund on overpaid GST					101,936
Costs associated with tax consolidation					(24,725)
<b>Statutory EBITA</b>					<b>(2,003,394)</b>
Interest revenue					92,587
Finance costs					(197,538)
Amortisation					(271,671)
<b>Net loss before tax</b>					<b>(2,380,016)</b>
<i>Significant items of segment expenses</i>					
Fees and commissions	3,926,475	1,485,123	-	-	5,411,598
Salaries and employee benefits	1,360,435	803,626	-	782,777	2,946,838
Professional fees	502,451	127,375	-	664,446	1,294,272
Finance costs	56,913	140,621	-	4	197,538
Total segment assets					24,036,798
<i>Total segment assets include:</i>					
Investments in associates					3,034,903
Total segment liabilities					5,063,629

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 4. REVENUE

	2015	2014
	\$	\$
<b>Revenue from continuing operations</b>		
<i>Sales revenue</i>		
Fees and commissions received	18,662,462	10,683,543
Interest income	40,236	92,587
Other revenue	111,192	176,960
	<b>18,813,890</b>	<b>10,953,090</b>

### 5. OTHER INCOME AND EXPENSE ITEMS

	2015	2014
	\$	\$
Profit from continuing operations before income tax has been determined after the following specific items:		
<i>Other income</i>		
Write back of contingent consideration	500,000	-
Net gain on disposal of subsidiaries	-	93,797
Net gain on disposal of investments	-	84,426
Net gain on disposal of investment in associates	-	65,513
	<b>500,000</b>	<b>243,736</b>
<i>Employee benefits expense</i>		
Salaries and wages	2,934,377	2,472,105
Defined contribution superannuation expense	250,842	183,561
Other employee benefits	618,842	291,172
	<b>3,804,061</b>	<b>2,946,838</b>
<i>Depreciation and amortisation of non-current assets</i>		
<i>Depreciation</i>		
Office equipment	56,410	30,082
Furniture, fittings and leasehold improvements	18,310	11,401
	<b>74,720</b>	<b>41,483</b>
<i>Amortisation</i>		
Client lists and relationships	296,328	260,341
Client lists and relationships – equity accounted investments	29,592	11,330
	<b>325,920</b>	<b>271,671</b>
<i>Total depreciation and amortisation of non-current assets</i>	<b>400,640</b>	<b>313,154</b>
<i>Finance costs expensed</i>		
Bank loans and overdrafts	72,609	89,977
Notional interest charge on present value of contingent consideration	220,342	107,561
	<b>292,951</b>	<b>197,538</b>
<i>Impairment losses</i>		
Distribution rights	-	873,050
Goodwill	-	1,129,826
Other financial assets	-	35,000
	-	<b>2,037,876</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 5. OTHER INCOME AND EXPENSE ITEMS (continued)

	2015	2014
	\$	\$
<i>Other expenses</i>		
Net foreign exchange gain/(loss)	(17,896)	(6,137)
Net loss on disposal of intangible assets	-	(188,523)

### 6. INCOME TAXES

	2015	2014
	\$	\$
<b>(a) Components of tax expense/(benefit)</b>		
Current tax	102,014	82,194
Deferred tax	616,830	(814,080)
Over provision in prior years	-	(17,295)
<b>Total</b>	<b>718,844</b>	<b>(749,181)</b>

#### (b) Prima facie tax payable

The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expenses as follows:

Profit/(loss) before tax	1,961,314	(2,380,016)
Prima facie income tax on the profit/(loss) before income tax at 30% (2014: 30%)	588,394	(714,006)
Tax effect of:		
Non-allowable deductions	126,397	195,281
Amortisation of intangible assets	97,775	80,937
Impairment charges	-	611,363
Tax benefit arising from franked dividend rebate	(74,852)	(46,366)
Other non-assessable income	(141,941)	(82,870)
Other assessable income	-	137,567
Tax losses brought to account (net of de-recognised losses)	123,071	(913,792)
Over provision in prior years	-	(17,295)
<b>Income tax expense/(benefit) attributable to profit or loss</b>	<b>718,844</b>	<b>(749,181)</b>

#### (c) Current tax

Current tax relates to the following:

Current tax (liabilities)/assets		
<b>Opening balance</b>	<b>(82,194)</b>	<b>(100,716)</b>
Charged to income	(102,014)	(82,194)
Tax payments	82,194	185,040
Acquisitions/disposals	-	(101,619)
Over provision in prior years	-	17,295
<b>Closing balance</b>	<b>(102,014)</b>	<b>(82,194)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 6. INCOME TAXES (continued)

#### (d) Deferred tax

	2015	2014
	\$	\$
<b>Deferred tax relates to the following:</b>		
Deferred tax assets/(liabilities)		
Opening balance	1,080,479	210,259
Charged to income	(616,830)	814,080
Charged to equity	-	9,438
Acquisitions/disposals	-	46,702
<b>Closing balance</b>	<b>463,649</b>	<b>1,080,479</b>

Amounts recognised in the consolidated statement of financial position:

Deferred tax asset	865,728	1,501,571
Deferred tax liability	(402,079)	(421,092)
	<b>463,649</b>	<b>1,080,479</b>

Deferred income tax at 30 June relates to the following:

#### *Deferred tax assets:*

Blackhole expenditure	100,126	149,821
Accruals and provisions	150,963	168,497
DTA recognised on capital losses	66,893	66,893
DTA recognised on revenue losses	547,746	1,116,360
	<b>865,728</b>	<b>1,501,571</b>

#### *Deferred tax liabilities:*

Fair value of assets acquired in a business combination	(284,547)	(284,547)
Accrued income	(72,000)	(90,000)
Unrealised capital gain	(48,900)	(48,900)
Other	3,368	2,355
	<b>(402,079)</b>	<b>(421,092)</b>

#### **Net deferred tax assets**

**463,649**      **1,080,479**

#### (e) Tax losses

##### *Tax losses brought to account*

As at 30 June 2015, the Group has estimated un-recouped operating income tax losses of \$1,825,823 (2014: \$3,721,200). The group also has un-recouped capital tax losses of \$222,977 (2014:\$222,977).

The Group has only brought to account the tax losses incurred in those entities for which the directors believe that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised.

The benefit will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 6. INCOME TAXES (continued)

#### *Tax losses not brought to account*

As at 30 June 2015, the Group has estimated un-recouped operating income tax losses of \$1,515,232 (2014:\$1,515,232) which have been transferred into the tax consolidated group and are subject to available fraction. The benefit of these losses of \$454,570 was not brought to account but can be utilised after all group tax losses have been extinguished.

#### *Unrecognised temporary differences*

As 30 June 2015, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2014: Nil).

#### (f) Franking credit balance

	Parent	
	2015	2014
	\$	\$
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2014: 30%)	<b>288,844</b>	181,913

### 7. EARNINGS PER SHARE

	2015	2014
	Cents	Cents
<b>(a) Basic earnings per share</b>		
Total basic earnings per share attributable to the ordinary equity holders of the Company	<b>4.14</b>	(8.04)
<b>(b) Diluted earnings per share</b>		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<b>4.14</b>	(8.04)

The following reflects the income used in the basic and diluted earnings per share computations:

	2015	2014
	\$	\$
<b>(c) Earnings used in calculating earnings per share</b>		
<i>For basic earnings per share:</i>		
Net profit/(loss) attributable to ordinary equity holders of the Company	<b>1,134,324</b>	(1,709,007)
<i>For diluted earnings per share:</i>		
Net profit/(loss) attributable to ordinary equity holders of the Company	<b>1,134,324</b>	(1,709,007)
<b>(d) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	<b>27,400,330</b>	21,266,737
Effect of dilution:		
Performance rights	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>27,400,330</b>	21,266,737

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 7. EARNINGS PER SHARE (continued)

#### (e) Information on the classification of securities

Performance rights granted to directors of the Company and key management personnel of the Group as described in note 27 are considered to be potential ordinary shares. They are included in the determination of diluted earnings per share if certain vesting conditions would have been met based on the Group's performance up to reporting date and to the extent they are dilutive.

The performance rights outstanding at the end of years 30 June 2015 and 30 June 2014 have not been included in the calculation of diluted earnings per share because certain vesting conditions have not been met.

### 8. CASH AND CASH EQUIVALENTS

	2015	2014
	\$	\$
Cash at bank and on hand	<b>1,450,253</b>	2,590,651

### 9. RECEIVABLES

	2015	2014
	\$	\$
Accrued income	<b>996,300</b>	612,622
Other debtors and receivables	<b>462,106</b>	389,746
	<b>1,458,406</b>	1,002,368

### 10. OTHER CURRENT ASSETS

	2015	2014
	\$	\$
Prepayments	<b>73,353</b>	88,220
Other current assets	<b>814</b>	2,276
	<b>74,167</b>	90,496

### 11. OTHER FINANCIAL ASSETS

	2015	2014
	\$	\$
<i>Non-current</i>		
<b>Held-to-maturity investments carried at amortised cost</b>		
Term deposits <sup>1</sup>	-	86,106

1. The term deposits were pledged as security for bank undertakings in favour of the lessors of the Group's offices as disclosed in note 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 12. EQUITY ACCOUNTED INVESTMENTS

	2015	2014
	\$	\$
Equity accounted associated entities	<u>5,542,515</u>	<u>3,034,903</u>

Investments in associated entities are accounted for using the equity method in the consolidated entity and carried at cost in the respective parent entities.

#### (a) Carrying amounts

Interest is held in the following associated companies:

Name of company	Principal activity	Ownership interest		Carrying amount	
		2015	2014	2015	2014
		%	%	\$	\$
First Financial Pty Ltd <sup>1</sup>	Wealth & financial services	25	-	2,393,558	-
Hayes Knight (NSW) Pty Ltd <sup>2</sup>	Accounting & tax	30.6	30.6	3,148,957	3,034,903
				<u>5,542,515</u>	<u>3,034,903</u>

The principal place of business of the above associated companies is Australia.

- On 3 June 2015, the Group completed the acquisition of 25% of the share capital of First Financial Pty Ltd (First Financial) pursuant to a Share Sale and Purchase Deed for a cash consideration of \$2,376,556. First Financial is a pre-eminent, Melbourne based, wealth management and financial services business, offering a range of services including:
  - Financial planning and investment advice
  - Finance broking
  - Income protection and life (risk) insurance broking services
  - Self-managed super fund (SMSF) administration

The acquisition was funded through cash reserves within the Group. The Group consolidated \$17,002, as a share of net profit of equity accounted investment for the period 3 June 2015 to 30 June 2015.

- During the year ended 30 June 2014, the Group acquired a 30% interest in the following entities:
  - Hayes Knight (NSW) Pty Ltd; and
  - Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**)

The acquisition was completed as part of the Hayes Knight NSW Transaction on 19 March 2014 with an effective date of 1 February 2014. Consideration paid for this interest was \$2,760,000 on the completion date. Subsequent to this transaction, HKNSW issued new equity as the result of a tuck-in acquisition of a client book which diluted the Group's interest in HKNSW. On 30 June 2014, the Group acquired additional equity as part of a succession plan at HKNSW for consideration of \$240,000 resulting in a replenishment of its interest in to 30.6%.

On 1 July 2015, the Group acquired 3.9% additional interest in HKNSW from a retired equity director for purchase consideration of \$184,400. After the additional interest was acquired, the Group's total interest in HKNSW is 34.5%. Refer to note 30.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 12. EQUITY ACCOUNTED INVESTMENTS (continued)

#### (b) Movements in carrying amounts

	2015 \$	2014 \$
Carrying amount at the beginning of the financial year	3,034,903	-
Acquisition of ownership interest	2,376,556	3,000,000
Share of profits or losses after income tax – refer (c) below	232,648	46,233
Amortisation of intangible assets	(29,592)	(11,330)
Dividends received	(72,000)	-
Carrying amount at the end of the financial year	5,542,515	3,034,903

#### (c) Share of associates' profits or losses

Profit before income tax	332,354	66,045
Income tax expense	(99,706)	(19,812)
Profit after income tax	232,648	46,233

#### (d) Summarised financial information for associates

The table below provides summarised financial information for the principal associates of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates for the period of ownership and not the Group's share of those amounts.

	First Financial		HKNSW	
	30 June <sup>1</sup> 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June <sup>2</sup> 2014 \$
<b>Summarised statement of financial position</b>				
Current assets	2,715,746	-	2,321,301	1,485,624
Non-current assets	9,151,650	-	3,579,169	3,400,778
Current liabilities	(2,698,232)	-	(1,201,097)	(868,720)
Non-current liabilities	(61,633)	-	(832,749)	(984,214)
Net assets	9,107,531	-	3,866,624	3,033,468
<b>Summarised statement of comprehensive income</b>				
Revenue	907,852	-	6,766,448	2,290,105
Profit from operations after income tax	68,012	-	704,726	154,298

1. First Financial information provided in the summarised statement of comprehensive income is for the period 3 June 2015 to 30 June 2015.

2. Comparative information provided in the summarised statement of comprehensive income for HKNSW is for the period 1 February 2014 to 30 June 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 13. PLANT AND EQUIPMENT

	Office equipment \$	Furniture & fittings \$	Leasehold improvements \$	Total \$
<b>Year ended 30 June 2015</b>				
Net carrying amount as at 1 July 2014	59,686	22,223	2,747	84,656
Additions	59,357	8,739	-	68,096
Depreciation charge	(56,411)	(18,172)	(137)	(74,720)
Net carrying amount as at 30 June 2015	62,632	12,790	2,610	78,032
<b>At 30 June 2015</b>				
Cost	185,316	80,386	3,446	269,148
Less accumulated depreciation	(122,684)	(67,596)	(836)	(119,116)
<b>Net carrying amount</b>	<b>62,632</b>	<b>12,790</b>	<b>2,610</b>	<b>78,032</b>

	Office equipment \$	Furniture & fittings \$	Leasehold improvements \$	Total \$
<b>Year ended 30 June 2014</b>				
Net carrying amount as at 1 July 2013	59,830	32,349	2,892	95,071
Additions	2,115	1,130	-	3,245
Acquisition through business combinations	27,823	-	-	27,823
Depreciation charge	(30,082)	(11,256)	(145)	(41,483)
Net carrying amount as at 30 June 2014	59,686	22,223	2,747	84,656
<b>At 30 June 2014</b>				
Cost	137,998	71,648	3,446	213,092
Less accumulated depreciation	(78,312)	(49,425)	(699)	(128,436)
<b>Net carrying amount</b>	<b>59,686</b>	<b>22,223</b>	<b>2,747</b>	<b>84,656</b>

### 14. INTANGIBLE ASSETS

	Distribution rights \$	Client lists & relationships \$	Goodwill \$	Total \$
<b>Year ended 30 June 2015</b>				
Net carrying amount as at 1 July 2014	2,792,950	3,600,036	9,253,061	15,646,047
Additions	-	-	10,000	10,000
Amortisation charge	-	(296,327)	-	(296,327)
Elimination of intercompany referral rights	-	(200,000)	-	(200,000)
Net carrying amount as at 30 June 2015	2,792,950	3,103,709	9,263,061	15,159,720
<b>At 30 June 2015</b>				
Cost or fair value	2,792,950	3,995,672	9,263,061	16,051,683
Less accumulated amortisation	-	(891,963)	-	(891,963)
<b>Net carrying amount</b>	<b>2,792,950</b>	<b>3,103,709</b>	<b>9,263,061</b>	<b>15,159,720</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 14. INTANGIBLE ASSETS (continued)

Year ended 30 June 2014	Distribution rights \$	Client lists & relationships \$	Goodwill \$	Total \$
Net carrying amount as at 1 July 2013	3,666,000	3,234,490	1,338,875	8,239,365
Additions through business combinations (note 33)	-	948,489	9,044,012	9,992,501
Additions	-	200,000	-	200,000
Disposals	-	(522,764)	-	(522,764)
Amortisation charge	-	(260,179)	-	(260,179)
Impairment charge	(873,050)	-	(1,129,826)	(2,002,876)
Net carrying amount as at 30 June 2014	<b>2,792,950</b>	<b>3,600,036</b>	<b>9,253,061</b>	<b>15,646,047</b>
<b>At 30 June 2014</b>				
Cost or fair value	2,792,950	4,195,672	9,253,061	16,241,683
Less accumulated amortisation	-	(595,636)	-	(595,636)
<b>Net carrying amount</b>	<b>2,792,950</b>	<b>3,600,036</b>	<b>9,253,061</b>	<b>15,646,047</b>

#### Impairment tests for goodwill and intangible assets with indefinite useful lives

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment. A segment-level summary of the goodwill allocation is presented below:

	2015 \$	2014 \$
Wealth and asset management	<b>209,049</b>	209,049
Distribution services	<b>9,054,012</b>	9,044,012
	<b>9,263,061</b>	9,253,061

The Group tests the carrying amount of goodwill and other intangible assets for impairment on an annual basis. The recoverable amount used in the impairment test is based on value-in-use calculations using projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections consider a CGU's past performance and its expectation for the future.

The following table sets out the key assumptions for those segments that have significant goodwill and other intangible assets allocated to them:

	Revenue growth rate		Expense growth rate		Pre-tax discount rate	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Wealth and asset management	<b>0 - 5.0</b>	5.0	<b>5.0</b>	5.0	<b>15.0</b>	15.0
Distribution services	<b>5.0</b>	2.5	<b>5.0</b>	5.0	<b>15.0</b>	15.0

During the year ended 30 June 2015, the Group conducted impairment tests which concluded that the carrying amounts of all intangible assets are adequately supported.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 15. INVESTMENTS

	2015	2014
	\$	\$
Shares in unlisted entities at cost	<b>163,878</b>	-
<i>Comprising:</i>		
Shares in Law Central Co. Pty Ltd	<b>163,878</b>	-

During the year the Group acquired 12.6% of the share capital of Law Central Co. Pty Ltd (**Law Central**) for a purchase consideration of \$163,878. Law Central provides an extensive range of on-line documents, including the incorporation of companies, provision of trust deeds and superannuation fund deeds, as well as a suite of business related agreements, resolutions and policies relating to employment, estate planning, and commercial practice. As part of the transaction, the Group entered into a distribution agreement for the purpose of offering Law Central documents through the broad accounting network serviced by Easton's wholly owned businesses, Knowledge Shop and Merit Wealth. In addition, the Group has been granted an option to increase its equity interest in Law Central to 30% over the next 2 years, subject to distribution performance targets being met during this time.

### 16. TRADE AND OTHER PAYABLES

	2015	2014
	\$	\$
<i>Current</i>		
Trade payables	<b>824,178</b>	606,515
Other payables and accruals	<b>1,263,652</b>	681,990
Carrying amount of trade and other payables	<b>2,087,830</b>	1,288,505

Trade and other payables are generally settled on 30 day terms. Interest rates are disclosed in note 31(c). Due to the short-term nature of these payables, their carrying value is assumed to approximate to their fair value.

### 17. PROVISIONS AND EMPLOYEE BENEFITS

	2015	2014
	\$	\$
<i>Current</i>		
Provision for annual leave	<b>171,475</b>	114,013
Provision for audit and tax fees	<b>75,583</b>	76,083
	<b>247,058</b>	190,096
<i>Non-current</i>		
Provision for long service leave	<b>49,005</b>	19,728

### 18. BORROWINGS

	2015	2014
	\$	\$
<i>Current</i>		
Bank loans (secured)	<b>655,490</b>	777,121

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 18. BORROWINGS (continued)

The Group has the following secured loan facilities provided by Westpac Banking Corporation:

- (i) Bank bill business loan facility with an initial limit of \$850,000 drawn in November 2012 by Easton Wealth Australia Pty Ltd. The purpose of this facility was to fund the acquisition of the insurance client book held by Easton Wealth Protection Pty Ltd (EWP). The loan has been subject to monthly principal and interest repayments. It is secured by a limited guarantee and indemnity provided by EWP supported by a general security agreement over all existing assets and future assets and undertakings of EWP. The total carrying value of existing assets held by EWP at 30 June 2015 is \$1,264,351 (2014: \$1,218,478). The balance of the loan outstanding at 30 June 2015 is \$646,494 (2014: \$768,540).
- (ii) Bank bill business loan facility with an initial limit of \$3,000,000 drawn in March 2014 by Easton Distribution Services Pty Ltd (EDS) and subsequently repaid. The purpose of this facility was to initially fund the acquisition of the Hayes Knight NSW businesses. It is secured by a limited debt and interest guarantee and indemnity provided by the entities acquired in the Hayes Knight NSW Transaction supported by general security agreements over all existing assets and future assets and undertakings of the Hayes Knight NSW entities and EDS. The total carrying value of existing assets held by EDS at 30 June 2015 is \$13,602,627 (2014: \$13,432,385). The balance of the loan outstanding at 30 June 2015 is \$8,996 (2014: \$8,581).

#### (a) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods. Under the terms of the borrowing facilities, the Group is required to comply with the following financial covenants:

- (i) Interest cover
- (ii) Cash available for debt servicing
- (iii) Working capital
- (iv) Gearing
- (v) Recurring revenue targets

#### (b) Loan facilities

	2015	2014
	\$	\$
Bank loan facilities	3,161,829	3,675,933
Amount utilised	655,490	777,121
Unused loan facility	2,506,339	2,898,812

### 19. PROVISION FOR CONTINGENT CONSIDERATION

	2015	2014
	\$	\$
<i>Current</i>		
Provision for contingent consideration – business combinations	560,816	1,194,518
<i>Non-current</i>		
Provision for contingent consideration – business combinations	310,874	706,830

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 19. PROVISION FOR CONTINGENT CONSIDERATION (continued)

Contingent consideration is payable to the vendors of the Hayes Knight NSW entities pursuant to a share sale and purchase deed and is subject to specific performance hurdles achieved each year in the first 3 years from the effective date of the business combination. Initially the fair value of the contingent consideration was estimated by calculating the present value of the future expected consideration payable using a discount rate of 15% and assumed probability of performance hurdles being achieved of 100%. During the year, the first year performance hurdle was achieved for the Knowledge Shop business and the first and final contingent consideration cash payment was made for \$750,000. For the Hayes Knight Referral Services business, the first of three potential contingent consideration instalments of \$500,000 was forfeited because the business did not meet its performance hurdle and accordingly \$500,000 was credited in the statement of comprehensive income in the current year.

### 20. OTHER LIABILITIES

	2015 \$	2014 \$
Deferred revenue	141,200	383,545
	<b>141,200</b>	<b>383,545</b>

### 21. CONTRIBUTED EQUITY

#### (i) Issued and paid up capital

	2015 \$	2014 \$
Ordinary shares fully paid	18,539,100	25,986,300

#### (ii) Movements in ordinary share capital

	Notes	Number of Shares	\$
<b>Year ended 30 June 2015</b>			
1 July 2014		27,400,330	25,986,300
30 June 2015		-	(7,447,200)
30 June 2015		27,400,330	18,539,100
<b>Year ended 30 June 2014</b>			
1 July 2013		64,521,880	14,991,285
6 July 2013		21,507,294	2,150,729
2 August 2013		10,000,000	1,500,000
10 December 2013		(76,823,288)	-
25 March 2014		8,194,444	7,375,000
			26,017,014
Less: Transaction costs arising on share issue			(40,152)
Add: Current tax credit recognised directly in equity			9,438
30 June 2014		27,400,330	25,986,300

- During the year, the directors of the Company resolved to apply the Company's prior year accumulated losses as a permanent reduction to the share capital of the Company under the s.258 F provisions of the Corporations Act 2001. This transfer has no impact on the number of shares issued.
- On 6 July 2013, 21,507,294 ordinary shares of \$0.10 per share were issued under a 1 for 3 rights offer.
- On 2 August 2013, 10,000,000 ordinary shares of \$0.15 per share were issued to sophisticated and professional investors to fund future acquisitions.
- On 10 December 2013, the Company completed a 1 for 5 share consolidation resulting in a reduction of 76,823,288 to the number of shares on issue.
- On 25 March 2014, 8,194,444 ordinary shares of \$0.90 per share were issued to the vendors of Hayes Knight (NSW) Pty Ltd and associated entities as part consideration for the acquisition of the Hayes Knight NSW businesses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 21. CONTRIBUTED EQUITY (continued)

#### (iii) Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held. Ordinary shares have no par value.

#### (iv) Employee share scheme

There have been no ordinary shares issued under the Easton Investments Employee Share Ownership Plan during the year.

#### (v) Options

Details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, under the Easton Investments Employee Share Ownership Plan, are set out in note 27.

#### (vi) Performance rights

Details of performance rights granted, vested and lapsed during the financial year and performance rights outstanding at the end of the financial year under the Easton Investments Employee Share Ownership Plan, are set out in note 27.

#### (vii) Capital risk management

The Group's capital risk management objective is to safeguard its ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital risk exposure by monitoring its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

	Notes	2015 \$	2014 \$
Total borrowings	18	655,490	777,121
Add: cash and cash equivalents	8	(1,450,253)	(2,590,651)
Net cash and borrowings		(794,763)	(1,813,530)
Total equity		20,236,333	18,973,169
Total capital		19,441,570	17,159,639
<b>Gearing ratio</b>		<b>0.0%</b>	<b>0.0%</b>

The Group has zero net debt due to cash balances exceeding drawn borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 22. RESERVES

	Share based payments reserve \$	Other reserve \$	Total \$
<b>Year ended 30 June 2015</b>			
At 1 July 2014	58,133	25,338	83,471
Employee incentive plan	183,187	-	183,187
At 30 June 2015	241,320	25,338	266,658
<b>Year ended 30 June 2014</b>			
At 1 July 2013	58,580	25,338	83,918
Cancellation of options on disposal of investment	(58,580)	-	(58,580)
Employee incentive plan	58,133	-	58,133
	58,133	25,338	83,471

#### *Share based payments*

The employee equity benefits reserve relates to options and performance rights granted to the key management personnel under the Easton Investments Employee Share Ownership Plan. Further information about share-based payments to key management personnel is set out in the Remuneration Report.

#### *Other reserve*

The other reserve relates to share options granted to the shareholders of API Capital as consideration for the Group's 19.9% interest in API Capital. The options granted were cancelled pursuant to an Option Cancellation Deed which was approved by shareholders at the annual general meeting on 29 November 2013.

### 23. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	2015 \$	2014 \$
Balance 1 July	(7,660,329)	(5,951,322)
Transfer to contributed equity <sup>1</sup>	7,447,200	-
Profit/(Loss) attributable to owners of the Company	1,134,324	(1,709,007)
Balance 30 June	921,195	(7,660,329)

#### 1. Capital reduction

During the year, the directors of the Company resolved to apply the Company's prior year accumulated losses as a permanent reduction to the share capital of the Company.

This transfer has no impact on the number of shares issued.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 24. NON-CONTROLLING INTERESTS (NCI)

	2015 \$	2014 \$
Contributed equity	401,234	485,800
Retained profits	108,146	77,927
	<b>509,380</b>	<b>563,727</b>

#### (i) Summarised financial information

The Group has one subsidiary with a non-controlling interest, Chesterfields Financial Services Pty Ltd (CFS), at the reporting date. Set out below is summarised financial information for CFS. The amounts disclosed are before intercompany eliminations.

	CFS	
	30 June 2015 \$	30 June 2014 \$
<b>Summarised statement of financial position</b>		
Current assets	96,985	149,979
Current liabilities	219,712	180,509
<b>Current net assets</b>	<b>(122,727)</b>	<b>(30,530)</b>
Non-current assets	1,087,726	1,109,281
<b>Non-current net assets</b>	<b>1,087,726</b>	<b>1,109,281</b>
<b>Net assets</b>	<b>964,999</b>	<b>1,078,751</b>

#### Summarised statement of comprehensive income

Revenue	1,349,471	1,254,999
Profit for the period	226,248	187,062
Profit allocated to NCI	108,146	78,172
Dividends paid to NCI	162,493	86,812

#### Summarised cash flows

Cash inflows/(outflows) from operating activities	(37,109)	(33,739)
Cash inflows/(outflows) from investing activities	(9,123)	(200,000)
Cash inflows/(outflows) from financing activities	-	141,500
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(46,232)</b>	<b>(92,239)</b>

#### (ii) Individually immaterial subsidiaries with non-controlling interests

In addition to the subsidiary disclosed above, during the year ended 30 June 2014, the Group had a 51% interest in Incito Wealth Pty Ltd which was considered to be immaterial to the Group. The Group's interest in this subsidiary was disposed of to the non-controlling interest on 30 August 2013.

#### (iii) Transactions with non-controlling interests

On 30 April 2014, CFS provided an additional 10% of issued equity to its non-controlling interest for consideration of \$200,000. This transaction had the impact of diluting the Group's controlling interest from 58.01% to 52.20% and thereby increasing the equity attributable to non-controlling interests by \$200,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 25. CASH FLOW STATEMENT RECONCILIATION

#### (a) Reconciliation of net profit/(loss) after tax to net cash flows used in operations

	2015 \$	2014 \$
Net Profit/(loss) after income tax	1,242,470	(1,630,835)
<i>Adjustments for non-cash items:</i>		
Loss/(gain) on disposal of client book	-	188,523
Gain on disposal of subsidiary	-	(93,797)
Gain on disposal of associate	-	(65,513)
Gain on disposal of investments	-	(84,425)
Fair value adjustment to intangibles acquired through business combination	(10,000)	-
Depreciation	74,720	41,483
Amortisation	325,920	271,671
Impairment of separately identifiable intangible assets	-	873,050
Impairment of goodwill	-	1,129,826
Impairment of loan to related party	-	35,000
Non-cash employee benefits expense – share-based payments	183,187	58,133
Share of associates' net profit	(232,648)	(46,233)
Notional interest charge on present value of contingent consideration	220,342	107,561
Movements in assets and liabilities on disposal of non-controlling interest in a subsidiary	-	4,080
<i>Changes in assets and liabilities</i>		
Decrease in trade, other receivables and other assets	(395,947)	173,005
Increase in deferred tax assets	635,843	(911,163)
Increase in assets and liabilities acquired through business combinations	-	(38,017)
(Decrease)/increase in trade and other payables	799,636	(137,625)
Increase/(decrease) in provisions and employee benefits	(413,761)	70,516
(Decrease)/increase in current tax liability	19,819	(17,176)
Increase in deferred tax liability	(19,012)	87,645
<b>Net cash flows from operating activities</b>	<b>2,430,569</b>	<b>15,709</b>

#### (b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2015 \$	2014 \$
Cash at bank	1,450,253	2,590,651
Closing cash balance (refer to note 8)	1,450,253	2,590,651

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 26. RELATED PARTY DISCLOSURES

#### (a) Parent entity

The parent entity within the Group is Easton Investments Limited (refer to note 32 for information relating to the parent entity).

#### (b) Subsidiaries

The consolidated financial statements include the financial statements of the parent entity and its controlled entities, both directly and indirectly owned, listed in the following table:

Subsidiary Name	Country of incorporation	Proportion of ownership interest and voting power held (%)	
		2015	2014
Easton Wealth Australia Pty Ltd	Australia	100.0	100.0
Easton Wealth Protection Pty Ltd	Australia	100.0	100.0
Easton Wealth Asia Pty Ltd	Australia	100.0	100.0
Easton Asset Management Pty Ltd	Australia	100.0	100.0
Easton Accounting & Tax Pty Ltd	Australia	100.0	100.0
Easton Distribution Services Pty Ltd	Australia	100.0	100.0
Knowledge Shop Pty Ltd <sup>1</sup>	Australia	100.0	100.0
HK Financial Services Pty Ltd	Australia	100.0	100.0
Merit Wealth Pty Ltd	Australia	100.0	100.0
Merit Planning Pty Ltd	Australia	100.0	100.0
Hayes Knight Referral Services Pty Ltd	Australia	100.0	100.0
Chesterfields Financial Services Pty Ltd	Australia	52.2	52.2
Merit Planning (WA) Pty Ltd	Australia	52.2	52.2

1. During the year, Knowledge Shop Professional Consulting Pty Ltd changed its name to Knowledge Shop Pty Ltd.

#### (c) Key management personnel compensation

	2015	2014
	\$	\$
Short-term employment benefits	1,791,428	1,345,797
Post-employment benefits	107,844	77,145
Termination benefits	52,500	216,071
Share-based payments	188,656	55,399
Total remuneration	2,140,428	1,694,412

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 26. RELATED PARTY DISCLOSURES (continued)

#### (d) Transactions with related parties

The following transactions occurred with related parties:

	2015	2014
	\$	\$
<i>(i) Transactions with associates<sup>1</sup></i>		
<i>Fees received from associates</i>		
Management fees received	-	62,500
Dealer group fees received	-	22,776
Expense recoveries received	-	45,248
Interest charged on loans to associates	-	29,360
<i>Payments made to associates</i>		
Financial planning revenue paid under an Authorised Representative Agreement	-	288,055
Loans to associates	-	35,000
<i>(ii) Transactions with other related parties</i>		
<i>Superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	<b>250,842</b>	183,561
<i>Other transactions</i>		
Subscription for new ordinary shares by key management personnel as a result of the rights issue (refer to note 21(ii))	-	909,182
Remuneration paid to non-executive directors of the ultimate parent entity	<b>96,500</b>	98,708

1. HKNSW is an associate of the Group and also a related party of two of the Group's KMP. Transactions with HKNSW are disclosed below in notes 26(e) and 26(f).

#### (e) Outstanding balances arising from related party transactions

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2015	2014
	\$	\$
<i>Current payables</i>		
Entities controlled by key management personnel:		
- HKNSW	<b>109,811</b>	<b>109,696</b>
<i>Current receivables</i>		
Entities controlled by key management personnel:		
- HKNSW	<b>55,406</b>	14,230

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 26. RELATED PARTY DISCLOSURES (continued)

#### (f) Other transactions and balances with key management personnel and their related parties

##### *Expenses reimbursement*

During the year, the Company paid \$38,042 to Hayes Knight (NSW) Pty Ltd, a related party of Mr J.G. Hayes and Ms L. Armstrong for the reimbursement of out of pocket expenses at cost incurred by Mr Hayes in the course of fulfilling his duties for the Group (2014: \$5,302).

##### *Services*

During the year, the Group paid:

- \$45,709 to Mertons Corporate Services Pty Ltd, a related party of Mr M. Licciardo for company secretarial and corporate governance consulting services (2014: \$44,624);
- \$112,798 to PT Imperium Capital Pte Ltd, a related party of Mr C. Knox for office administration services (2014: \$50,456);
- \$45,000 to T&C Consulting Services Pty Ltd, a related party of Mr C. Scarcella for services as a non-executive director (2014: \$5,625);
- During the year ended 30 June 2014, \$7,600 was paid to T&C Consulting Services Pty Ltd, a related party of Mr C. Scarcella for specialist consulting services. No equivalent services were provided in the current year.

Pursuant to a services agreement between Hayes Knight (NSW) Pty Ltd and Knowledge Shop Pty Ltd, Merit Wealth Pty Ltd and Hayes Knight Referral Services Pty Ltd, the Group paid the following fees to Hayes Knight (NSW) Pty Ltd, a related party of Mr J.G. Hayes and Ms L. Armstrong:

- \$263,507 for professional fees relating to specialist tax advice, accounting and consulting fees (2014: \$232,125);
- \$207,826 for financial planning and insurance commissions (2014: \$53,660);
- \$707,160 for help desk and technical training support (2014: \$346,412);
- \$204,539 for occupancy and infrastructure services (2014: \$79,000);
- \$20,000 for administration services (2014: nil).

##### *Revenue*

During the year, the Group received from Hayes Knight (NSW) Pty Ltd, a related party of Mr J.G. Hayes and Ms L. Armstrong:

- \$15,255 for recovery of dealer group fees (2014: \$4,650); and
- \$37,958 for recovery of employee costs (2014: \$14,006).

##### *Hayes Knight NSW transaction*

During the year the Group made a first and final contingent consideration payment for \$750,000 to Hayes Knight Limited pursuant to the Share Sale and Purchase Deed for the Knowledge Shop business. Mr J.G. Hayes and Ms L. Armstrong are both directors of Hayes Knight Limited.

### 27. SHARE BASED PAYMENTS

#### (a) Employee share ownership plan

The Easton Investments Employee Share Ownership Plan (ESOP) was re-approved by shareholders at a general meeting held on 21 November 2014. The ESOP entitles directors, executives and senior employees to purchase shares in the Company and is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 27. SHARE BASED PAYMENTS (continued)

#### *Performance rights*

Performance rights provide a right to acquire one ordinary share for nil exercise price upon the satisfaction of certain vesting conditions. Unless otherwise determined by the Board, the vesting of performance rights is conditional upon a combination of the following:

- Non-market conditions, comprising:
  - continuous employment service of 3 years commencing on the grant date;
  - financial and operational performance criteria specific to the business unit the key management personnel is responsible for.
- Market conditions, comprising:
  - share price performance.

Performance rights may vest on an accelerated basis in certain limited circumstances, including on change of control, death, redundancy or retirement. However, if a participant's employment with the Group terminates for cause or as a result of resignation, any outstanding performance rights will immediately lapse. The Board has discretion to waive certain vesting conditions pertaining to termination of employment and change of control.

As soon as practicable after vesting, the Company will issue to each participant one ordinary share in the Company for each performance right that has vested.

No performance rights vested during the current year.

Set out below is a summary of performance rights granted under the ESOP:

Grant date	Vesting date	Balance at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year	Vested at end of the year
		Number	Number	Number	Number	Number	Number
29 May 2013	28 May 2016	1,000,000	-	-	-	1,000,000	-
1 July 2013	30 June 2016	40,000	-	-	(40,000)	-	-
1 January 2014	31 December 2016	500,000	-	-	-	500,000	-
		1,540,000	-	-	(40,000)	1,500,000	-

The assessed fair value of performance rights on grant date is dependent upon the vesting conditions pertaining to those performance rights. The Company has used a modified Black-Scholes valuation model that takes into account the grant date, fair market price of the underlying share at the grant date, risk free rate of return, expected dividends, expected volatility of the underlying share price, the term of the performance rights and the vesting and performance criteria to determine the value of the performance rights granted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 27. SHARE BASED PAYMENTS (continued)

The following table summarises the value of performance rights granted, vested, or cancelled during the financial year and the fair value inputs utilised:

Grant date	Value of performance rights granted	Value of performance rights vested	Value of performance rights forfeited	Fair value per performance rights	Years in which the performance rights may vest	Volatility rate	Risk free rate	Dividend yield
	\$	\$	\$	\$				
29 May 2013	95,500	-	-	0.10	2016	40%	3.00%	-
1 July 2013	16,400	-	16,400	0.41	2016	61%	2.82%	-
1 January 2014	350,000	-	-	0.70 <sup>1</sup>	2017	46%	2.97%	-
	<u>461,900</u>	<u>-</u>	<u>16,400</u>					

1. During the year these performance rights were revalued to reflect updated expectations of meeting vesting conditions.

The value of the performance rights granted is expensed on a straight line basis over the respective vesting periods of each grant.

#### (b) Recognised share-based payment expenses

Share-based payment expense of \$183,187 was recognised for employee services received during the year (2014: \$58,133).

### 28. COMMITMENTS

#### (a) Lease commitments – the Group as lessee

Operating leases relate to leases of office premises. All office leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The Group does not have an option to purchase the leased offices at the expiry of the lease periods. With the relocation of Easton's head office to Sydney, the longest lease commitment is to January 2016 for the CFS office. Easton's head office is based on a rolling sub-tenancy with HKNSW with a six month notice period.

##### (i) Payments recognised as an expense

	2015	2014
	\$	\$
Minimum lease payments	<b>453,410</b>	382,783
Sub-lease payments received	<b>(52,102)</b>	(53,425)
	<b>401,308</b>	329,358

##### (ii) Non-cancellable operating lease commitments

Not later than 1 year	<b>78,210</b>	209,643
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>78,210</b>	209,643

CFS has sub-let part of its office space to a third party. The total of future minimum lease payments expected to be received from reporting date is \$37,088 (2014: \$38,896).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 28. COMMITTEMENTS (continued)

#### (b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2015 (2014: Nil).

#### (c) Loan commitments

The Group has not recognised any liabilities in respect of loan commitments.

### 29. CONTINGENCIES

There were no contingent liabilities as at 30 June 2015 other than the provision for contingent consideration referred to in note 19 (2014: Nil).

### 30. EVENTS AFTER THE BALANCE SHEET DATE

On 1 July 2015, the Group acquired 3.9% additional interest in Hayes Knight NSW for purchase consideration of \$184,400. The additional interest has been acquired from a recently retired equity director and is consistent with the Group's intention to actively participate in and contribute to orderly retirement and succession planning within businesses forming part of the Easton network. Easton's total interest in Hayes Knight NSW after the completion of this transaction is 34.5%.

### 31. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The Group's risk management framework considers the risk of unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is overseen by the Audit and Risk Committee which monitor financial risk as part of its risk register.

The Group holds the following financial instruments:

	2015	2014
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	1,450,253	2,590,651
Trade and other receivables	1,458,406	1,002,368
Held-to-maturity investments	163,878	86,106
<b>Total financial assets</b>	<b>3,072,537</b>	<b>3,679,125</b>
<b>Financial liabilities</b>		
Trade and other payables	2,087,830	1,288,505
Borrowings	655,490	777,121
Contingent consideration	871,690	1,901,348
<b>Total financial liabilities</b>	<b>3,615,010</b>	<b>3,966,974</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 31. FINANCIAL INSTRUMENTS (continued)

The Group's operating activities expose it to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Fair values

#### (a) Market price risk

Market price risk represents the loss that would be recognised if the value of global financial markets were to decline. The Group earns financial planning revenue which is based on fees charged for service and is not directly linked to financial markets, thereby mitigating market price risk in the Group's wealth and asset management segment. The Group also earns distribution fee revenue which is more closely linked to global equity market values and based on funds under management. The funds under management is subject to market risk in that the base will increase during periods of market growth, but decrease during periods of market decline. The Group does not directly manage equity security portfolios and has no control over diversion of portfolios in times of market decline. There are many variables that have an impact on global financial markets including a combination of price, currency and interest rate risks and the directors believe that sensitivity analysis based on movement in funds under management derived from price risk in isolation does not provide a meaningful assessment of the Group's exposure.

#### (b) Currency risk

Exposure to currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group holds the following financial instruments that are exposed to currency risk:

	2015 AUD\$	2014 AUD\$
<b>Cash and cash equivalents</b>		
US dollar cash balances	249,769	405,338
UK pound sterling cash balances	33,444	461,509
EUR dollar cash balances	45,487	-
<b>Total cash and cash equivalents</b>	<b>328,700</b>	<b>866,847</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 31. FINANCIAL INSTRUMENTS (continued)

The Group is primarily exposed to changes in USD/AUD, GBP/AUD and EUR/AUD exchange rates. Whilst a significant portion of the Group's commission revenue is denominated in USD, GBP and EUR, corresponding commission expense payments are made predominantly in those same currencies which largely offset the currency exposure. The following table provides the impact to profit or loss of exchange rate movements of +/- 10%:

	2015 AUD\$	2014 AUD\$
USD/AUD exchange rate change by +10%	20,607	(30,188)
USD/AUD exchange rate change by -10%	(25,187)	36,897
GBP/AUD exchange rate change by +10%	40,925	(39,627)
GBP/AUD exchange rate change by -10%	(50,020)	48,433
EUR/AUD exchange rate change by +10%	(4,077)	-
EUR/AUD exchange rate change by -10%	4,983	-

#### (c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Non derivative interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts.

The Group's exposure to market interest rates arises primarily from drawdowns of debt finance and commercial banks which expose the Group to variable interest rates.

The Group seeks to match the type of securities which are used as collateral with an ability for such securities to provide an income stream to assist in the servicing of the debt. Whilst the Group hopes to achieve at least a cash flow neutral outcome from this asset-liability management, there is no guarantee such an outcome will be achieved due to the equity, and thus variable distribution and dividend nature of the securities from which income is derived.

Due to the simplistic nature of the Group's debt financing, policies and procedures in relation to risk management of the debt position are generally prescribed to the Group in the form of maximum available loan amounts and rate of interest charged.

The following tables summarise interest rate risk of the Group, together with effective interest rates at balance date.

30 June 2015	Weighted average interest rate %	Fair value level	Fixed interest rate \$	Floating interest rate \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>						
Cash and cash equivalents	0.51		-	507,028	943,225	1,450,253
Trade and other receivables	-		-	-	1,458,406	1,458,406
Available for sale investment	-		-	-	163,878	163,878
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(2,087,830)	(2,087,830)
Borrowings	5.13		-	(655,490)	-	(655,490)
Contingent consideration	-	3	-	-	(871,690)	(871,690)
<b>Net financial assets/(liabilities)</b>			-	(148,462)	(394,011)	(542,473)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 31. FINANCIAL INSTRUMENTS (continued)

30 June 2014	Weighted average interest rate %	Fair value level	Fixed interest rate \$	Floating interest rate \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>						
Cash and cash equivalents	0.67		-	722,916	1,867,735	2,590,651
Trade and other receivables	-		-	-	1,002,368	1,002,368
Held-to-maturity investment	3.28		86,106	-	-	86,106
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(1,288,505)	(1,288,505)
Borrowings	5.78		-	(777,121)	-	(777,121)
Contingent consideration	-	3	-	-	(1,901,348)	(1,901,348)
<b>Net financial assets/(liabilities)</b>			<b>86,106</b>	<b>(54,205)</b>	<b>(319,750)</b>	<b>(287,849)</b>

For the year ended 30 June 2015, if average interest rates had changed by +/- 1% (100 basis points), assuming all other variables held constant, the pre-tax profit for the year would have been approximately \$1,485 lower/higher (2014: \$319 lower/higher).

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximizing the return to its shareholders through the optimisation of the debt and equity ratio.

The Group's policy is to manage borrowings centrally to fund all Group acquisitions and provide funding for working capital while allowing subsidiaries to manage borrowings to fund their local capital expenditure requirements, within strict parameters imposed by the Company.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, but with an emphasis on maintaining access to the Group's debt facilities.

#### (d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

At balance date the Group does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Group. At balance date 96% of trade receivables are within approved credit terms (2014: 100%). All trade receivables that are not impaired are expected to be received in accordance with trading terms.

The Group's cash investments are managed internally under Board approved guidelines. Funds are invested for the short-term with the major Australian banks which have a Standard & Poor's short-term rating of A1+.

The maximum exposure to credit risk at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 31. FINANCIAL INSTRUMENTS (continued)

#### (e) Liquidity risk

Liquidity risk includes the risk that, as a result of the Group's operational liquidity requirements:

- the Group will not have sufficient funds to settle a transaction on the due date;
- the Group will be forced to sell financial assets at a value which is less than fair value; or
- the Group may be unable to settle or recover a financial asset at all.

To help mitigate these risks the Group attempts to ensure the entity has accessible liquidity in the form of cash and access to bank financing. All financial assets and liabilities have maturity of less than 12 months with the exception of the contingent consideration which matures in less than 2 years subject to performance hurdles (see note 33).

#### (f) Net fair values of financial assets and liabilities

Financial assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
Level 3:	Inputs for the asset or liability that are not based on observable market data

Refer to the table in note 31(c) for allocation of financial assets by level.

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

Movements in the fair value of the provision for contingent consideration are as follows:

	2015	2014
	\$	\$
At 1 July	1,901,348	-
Additions during the year at fair value	-	1,793,787
Payments made	(750,000)	-
Fair value adjustments during the year	(279,658)	107,561
At 30 June	871,690	1,901,348

The valuation technique used to fair value the provision for contingent consideration is discounted cash flow and the significant unobservable input is a discount rate of 15%. If the discount rate had changed by +/- 1% (100 basis points), assuming all other variables held constant, the pre-tax profit for the year would have been approximately \$11,722 lower/higher (2014: \$24,920).

#### (g) Reconciliation of net financial assets to net assets

	2015	2014
	\$	\$
Net financial assets and liabilities as above	(542,473)	(287,849)
Non financial assets and liabilities	20,778,806	19,261,018
Net assets per statement of financial position	20,236,333	18,973,169

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 32. INFORMATION RELATING TO EASTON INVESTMENTS LIMITED ("THE PARENT ENTITY")

The parent entity of the Group is Easton Investments Limited.

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

#### (a) Summarised statement of financial position

	2015	2014
	\$	\$
Current assets	421,215	717,050
Non-current assets	20,149,657	18,996,233
Total assets	20,570,872	19,713,283
Current liabilities	3,043,928	1,116,050
Total liabilities	3,043,928	1,116,050
<b>Net Assets</b>	<b>17,526,944</b>	<b>18,597,233</b>
Contributed equity	18,539,100	25,986,300
Share option reserve	241,321	58,133
Accumulated losses	(1,253,477)	(7,447,200)
<b>Total equity</b>	<b>17,526,944</b>	<b>18,597,233</b>

#### (b) Summarised statement of comprehensive income

Loss of the parent entity	(1,253,477)	(4,617,590)
Total comprehensive loss of the parent entity	(1,253,477)	(4,617,590)

#### (c) Parent entity guarantees

The parent has not provided any guarantees in relation to debts of its subsidiaries.

#### (d) Parent entity contingent liabilities

The parent has no contingent liabilities as at the date of this report.

#### (e) Parent entity contractual commitments

The parent has no contractual commitments for the acquisition of property, plant or equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 33. BUSINESS COMBINATIONS

#### Summary of acquisitions

##### Current year acquisitions

There were no current year acquisitions other than investments disclosed in notes 12 and 15.

##### Adjustments in the current year for business combinations of the prior year

Effective 1 February 2014, the Group completed the Hayes Knight NSW business combination pursuant to a Share Sale and Purchase Deed:

<i>Purchase consideration at acquisition date</i>	<i>\$</i>
Cash paid	1,275,000
Equity issued (7,361,111 shares issued at \$0.90 per share)	6,625,000
Contingent consideration at net present value	1,793,787
Total purchase consideration per sale agreement	<u>9,693,787</u>

Contingent consideration comprises the following (see note 19):

- \$750,000 payable under the Share Sale and Purchase Deed should Knowledge Shop exceed EBITA of \$900,000 for the period 1 February 2014 to 31 January 2015.
- \$1,500,000 payable under the Share Sale and Purchase Deed in three equal annual instalments should HKRS execute 5 Referral Rights Agreements in each year for three years commencing 1 February 2014.

During the year, the first and final \$750,000 was paid to the vendors of the Hayes Knight NSW transaction for achieving the earn out performance hurdle for the Knowledge Shop business and the first \$500,000 installment for the HKRS business was forfeited as the business did not meet its year 1 earn out performance hurdle. The first installment forfeited, (\$500,000) previously held as part of the provision for contingent consideration was realised in the statement of comprehensive income in the current year.

No adjustments to the carrying amounts of the net assets acquired were made as a result of changes in the contingent consideration.

### 34. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2015	2014
	\$	\$
<b>(a) Pitcher Partners</b>		
Audit and review of financial statements	115,240	129,630
Taxation compliance services	-	46,410
Other services	11,800	13,030
Total remuneration of Pitcher Partners	<u>127,040</u>	<u>189,070</u>
<b>(b) Non Pitcher Partners audit firms</b>		
Audit and review of financial statements	12,000	12,000
Total remuneration of non-Pitcher Partners audit firms	<u>12,000</u>	<u>12,000</u>

## DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 31 to 80 in accordance with the *Corporations Act 2001*:

- a. comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- b. as stated in note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
- c. give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Easton Investments Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the executive director and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

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

On behalf of the Board.



**Kevin White**  
**Executive Chairman**

Sydney  
25 August 2015

**EASTON INVESTMENTS LIMITED  
ABN 48 111 695 357  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
EASTON INVESTMENTS LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Easton Investments Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes 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 year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EASTON INVESTMENTS LIMITED  
ABN 48 111 695 357  
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
EASTON INVESTMENTS LIMITED

*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Easton Investments Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 18 to 28 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Easton Investments Limited and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



N R BULL  
Partner

25 August 2015



PITCHER PARTNERS  
Melbourne

## ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 21 August 2015.

### (a) Distribution of equity securities

#### *Ordinary share capital*

As at 21 August 2015 there were 27,400,330 shares held by 406 shareholders, all of which were quoted on the ASX. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range	Number Of Shares	Holders
1 - 1,000	35,424	177
1,001 - 5,000	139,566	47
5,001 - 10,000	240,617	32
10,001 - 100,000	4,052,728	102
100,001 - over	22,931,995	48
<b>TOTAL</b>	<b>27,400,330</b>	<b>406</b>

There were nil holders of less than a marketable parcel of ordinary shares.

#### *Performance rights*

1,500,000 performance rights are held by 2 individual performance rights holders.

### (b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Notification	Ordinary Shares Held	
	Date	Number	%
<b>Ordinary shareholders</b>			
GREG HAYES	29/04/2014	5,496,517	20.06
KEVIN WHITE + MARGARET WHITE <WHITE FAMILY SUPER FUND A/C>	26/03/2014	1,754,397	6.40
		<u>7,250,914<sup>1</sup></u>	<u>26.46</u>

1. Shareholding as at 21 August 2015.

## ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION (continued)

### (c) Twenty largest holders of quoted equity securities as at 21 August 2015

	Fully Paid Ordinary Shares	
	Number	Held %
<b>Ordinary shareholders</b>		
GREG HAYES	2,932,072	10.70
ACN098 682 556 Pty Ltd	2,444,445	8.92
MR KEVIN WHITE & MRS MARGARET WHITE <WHITE FAMILY SUPER FUND A/C>	1,574,224	5.75
CITICORP NOMINEES PTY LIMITED	1,340,177	4.89
ADCOCK PRIVATE EQUITY PTY LTD <ADCOCK PRIVATE EQUITY A/C>	1,270,584	4.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	862,868	3.15
MR ALLAN JAMES & MRS HEATHER BENNISON <BENNISON FAMILY S/F A/C>	851,296	3.11
CRAIG ROSEN	681,036	2.49
HP CAPITAL PTY LTD <SUPERANNUATION FUND A/C>	666,667	2.43
MR PETER GEOFFREY HOLLICK	646,377	2.36
TOP POCKET PTY LTD <TOP POCKET SUPER FUND A/C>	533,334	1.95
TOP POCKET PTY LTD	530,400	1.94
MR ANTHONY RAYMOND WHITE	483,495	1.76
LISA ARMSTRONG	447,600	1.63
HEATHER BENNISON	438,023	1.60
SHANE ANTHONY BRANSBY	416,904	1.52
MR VICTOR JOHN PLUMMER	400,000	1.46
SHANE ANTHONY BRANSBY <COTE D'AZURE A/C>	360,426	1.32
AUST EXECUTOR TRUSTEES LTD <DS CAPITAL GROWTH FUND>	350,000	1.28
MR ANTHONY WHITE & MRS DANA WHITE <T & D SUPER FUND A/C>	338,067	1.23
<b>Total Top 20 Holders of Fully Paid Ordinary Shares</b>	<b>17,567,995</b>	<b>64.12</b>

### (d) Restricted securities

As at 21 August 2015, there were no restricted ordinary shares and ordinary shares subject to voluntary escrow.

### (e) Voting rights

On a show of hands, every shareholder present in person or by proxy holding stapled securities in the Company shall have one vote and upon a poll each stapled security shall have one vote.