EASTON INVESTMENTS LIMITED

Annual Report

for the year ended

30 June 2017

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357

CORPORATE DIRECTORY

Directors

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

Joint Company Secretaries
Mark Licciardo & Belinda Cleminson
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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.

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
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SYDNEY NSW 2000

Annual General Meeting
The Easton Investments Limited Annual General Meeting will be held on 22 November 2017. The venue will be advised with release of the Notice of Annual General Meeting.

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CHAIRMAN'S STATEMENT

I am pleased to report that Easton Investments Limited (**Easton** or **the Company**) has made great progress over the last 12 months and is well positioned for strong and sustained growth over coming years.

In reviewing the Company's performance and progress, I would like to draw particular attention to two important highlights.

First, there has been strong organic growth in the Company's continuing businesses during 2016/17 as foreshadowed at this time last year.

This growth, together with an initial contribution from the Panthercorp business (acquired 31 August 2016), culminated in Underlying Profit for the year of $3.31 million, being similar to the prior year. Directors consider this to be an excellent outcome following the decrease in earnings as a result of the divestment of the Chesterfields business (sold 30 October 2015) and the loss of the Harmony Distribution Agreement (terminated 31 August 2016).

Directors are particularly pleased with the 2nd half result (Underlying Profit of $2.05m), representing an increase of 24% over the prior corresponding period despite the negative impact of the two factors referred to immediately above, which have effectively been offset by a combination of organic and acquired growth.

Second, and perhaps of more importance from a longer term perspective, has been the acquisition of GPS IP Group Holdings Limited (**GPS Wealth**) which is expected to be completed in full before the end of August 2017.

Directors consider the GPS Wealth acquisition to be transformational in many respects as it repositions Easton with enhanced scale and prospects, as well as providing the Company with a significant up-lift in earnings, with Underlying Profit per share estimated to rise by approximately 50% after allowing for cost savings and synergies expected to be realised over the next 12 months.

Outlook

Directors expect strong earnings growth in 2017/18, in particular on the back of the acquisition of GPS Wealth as referred to above, together with continued organic growth in continuing businesses.

The primary focus over the next 12 months will be on consolidation and organic growth given the earnings potential from synergies, business improvement, integration and internal leverage.

Given this focus and the related timing considerations, it is expected that the full benefits of the GPS acquisition will not emerge until the following year (2018/19) as cost savings and synergies are progressively realised and as integration and leverage opportunities are captured.

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 works tirelessly and who remains committed to our Company's future success.

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.

In addition, I would like to welcome our new staff and advisers to Easton. We value our people and our relationships highly and we look forward to working with you as we strive to successfully grow and develop our businesses.

Finally, I thank shareholders for your support. Whilst Directors are pleased with the progress of the Company over the last 12 months and the strong financial position that exists at year end, please rest assured that we remain focused on creating value for our shareholders.

As you would expect, we continually monitor the performance of the Company's share price, which has broadly remained flat over the last 12 months at around $1.30, ostensibly as the Company recovers its earnings momentum following the sale of the Chesterfields business and the loss of the Harmony Distribution Agreement at the beginning of the financial year.

Directors re-affirm that we 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 continued re-rating of the Company on the basis of investment fundamentals and a resultant up-lift in share price over time.

The acquisition of the Hayes Knight businesses in 2014 and the GPS Wealth business in 2017, which are both regarded by Directors as exceptional opportunities with excellent growth potential, are consistent with this aim and approach.

Kevin White
Chairman

Sydney
23 August 2017

MANAGING DIRECTOR'S REPORT

The Company delivered a strong performance in the 2017 year. Strong organic growth together with the acquisition of Panthercorp, offset the impact of divestment of the Chesterfield business unit (30 October 2015) and loss of the Harmony Distribution Agreement (31 August 2016). Statutory Profit increased materially with underlying earnings being broadly in line with the 2016 year.

The acquisition of the GPS Wealth business, announced 26 June 2017 and to be completed in August 2017 will significantly contribute to earnings in the 2018 financial year but more importantly represents an acquisition that delivers significant scale and opportunity for the development and growth of our wealth businesses.

The 2017 year was reflective of the Company's growth strategy. Look first to develop and maximise growth opportunities within our existing business units and secondly make selective strategic acquisitions that will both enhance earnings and also deliver forward growth and leverage across our business units. The acquisition of Panthercorp (31 August 2016) and GPS Wealth represent significant additions to our wealth and distribution divisions.

Overview

Statutory Profit improved significantly to $1.48 million against the 2016 year result (Loss $0.35 million after impairment charges of $3.19 million). Underlying Profit of $3.31 million closely matched the 2016 result of $3.33 million. During this period the Company continued to invest in its operational infrastructure and in particular knowledge based assets which should deliver a continuing income stream into future years. The cost of this investment was fully expensed in the 2017 year.

Our distribution businesses, Knowledge Shop, Merit Wealth and Panthercorp, collectively were the largest contributor to earnings. In all cases they increased their earnings contribution on a year on year basis.

Earnings contribution from our professional services businesses Hayes Knight (NSW) and First Financial both increased over the year. These businesses provide a stable and growing earnings stream for the Company.

Revenue from continuing operations decreased to $17.23 million (2016: $19.46 million). The reduction in revenue is a reflection of the change in some of the businesses operated by the Company. Despite the reduction in revenue the maintenance of Underlying Profit reflects a shift to businesses generating superior margins and earnings contribution.

The Company finished the year in a sound financial position with cash on hand of $2.64 million and no debt. This together with an undrawn credit line, recently increased to $10 million, allows us to complete the GPS transaction and hold sufficient cash reserves for operations.

Growth initiatives

The Company enjoyed healthy levels of organic growth in 2017. Growth levels varied across business units with the Company pursuing opportunities that should provide longer term sustainable earnings contribution.

Limited authorisation service for accountants – 2017 was the first full year for accountants providing SMSF advice to their clients and where they were required to be either licensed or authorised under an AFSL. Merit Wealth established a limited authorisation offer and which carried features similar to the capability available to an accountant who secured their own limited licence from ASIC. Merit Wealth has grown to be one of the largest providers in the market for accountants. Whilst the take up rate through 2017 was slower than anticipated, this appears to be consistent with market activity where accountants have been slow to make a decision on their licensing option. Nonetheless Merit Wealth has increased the number of accountants authorised, month on month, and continues to grow the annuity income stream flowing from this business unit. The recent acquisition of GPS Wealth, which also provides a limited authorisation service, means that we now provide licensing services to in excess of 400 accountants, with further growth expected in the coming year.

Merit Wealth referral model – the increased engagement with accountants also led to a significant increase in referrals to our full advice business. During the year we increased the number of Referral Rights Agreements (**RRAs**) with an additional 6 RRAs being completed, taking us to a total of 14 RRAs in place. This significantly broadened the geographic coverage of Merit Wealth. Based on the current model where there are only 30 RRAs anticipated nationally, we expect to achieve this coverage by the end of 2019. Revenue increased by 36% across the year. As the engagement between accountants under our limited authorisation and full advisers increases this should provide a continuing uplift in wealth advice revenue.

Web based training – Knowledge Shop continued to build its training offer to the accounting profession. Merit Wealth also increased its training capability for advisers and limited authorised representatives. Face to face training capability was maintained with an increasing focus on web based training. Going forward we will continue to provide both training mediums although the majority of growth is anticipated to come from online delivery. Overall, we delivered 32,171 hours of training to the accounting profession (a 42% increase over the 2016 year). All of the online training in 2017 was live events. During the year significant resources were applied to build a suitable pay on demand training model. This was completed to operating stage by year end and will form a part of the expanded training model in the 2018 year. As we build out our training library this should provide an increasing contribution to our training revenue at a higher gross contribution margin, as a result of the lower fixed cost model.

Online document service – On 31 August 2016 the Company acquired Panthercorp, a profitable Perth based document business. As part of this transaction we acquired the shares they held in Law Central, increasing our holding in Law Central to 56%. Panthercorp provides a similar suite of products to Law Central, although both companies have products not provided by the other and which creates synergy opportunities. Whilst having an online capability Panthercorp delivers the greater proportion of its product in hard form. The acquisition provides us with increased scale in the document business and also allows us to cater to accounting firms who prefer hard copy documents to online delivery. It also captures a customer base that will likely move to online over time. It is anticipated that there will be continuing synergy benefits between Law Central and Panthercorp. In addition Knowledge Shop promoted this enhanced capability to its customer base and at June 30 had introduced 484 new accounting firms. Because much of the current customer base of Law Central and Panthercorp is west coast based, there is a significant opportunity to introduce these businesses to the much larger east coast market.

GPS Wealth – On 26 June 2017 we announced agreement to purchase a majority interest in GPS Wealth. Subsequently agreement was reached with the minority shareholders to purchase their interests which will allow us to move to a wholly owned position. A significant amount of time was involved in the negotiation of this transaction and we were delighted to be able to announce completion with the majority shareholders prior to the end of the financial year.

The funding of this acquisition ($20 million) through an equal mix of debt and equity should ensure an alignment of interests between the vendors and the Company, and at the same time maximise continuing shareholder value.

There are significant synergies between the GPS Wealth, Merit Wealth and Knowledge Shop businesses. We expect to take out a number synergies over the coming 12 months. Further, the additional scale provided by the GPS Wealth business allows us to more efficiently deliver wealth services and provides us with a broader product offer.

Our combined businesses will have:

- more than $3.4 billion in funds under advice
- annual risk premiums of $48 million
- an adviser force (both full advisers and limited authorised representatives) in excess of 500

This will provide us with a significant footprint in the wealth space and one of the largest accounting aligned wealth businesses in the country.

Financial performance

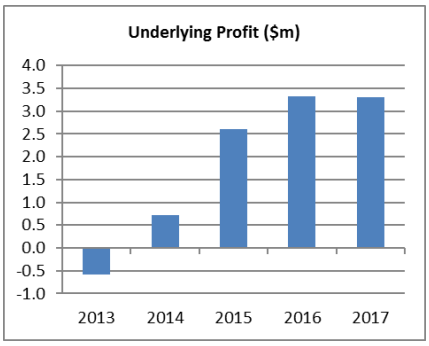
Statutory Profit (**net profit after tax**) increased to $1.48 million (2016: loss $0.35 million after impairment charges of $3.19 million), up 520%.

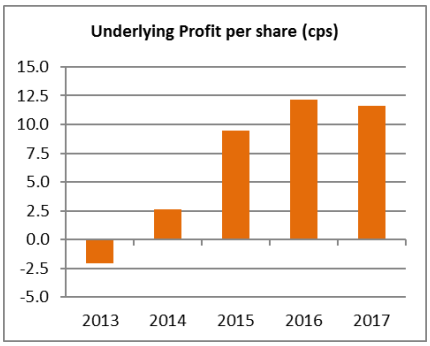
"Underlying Profit" remained consistent to prior year at $3.31 million (2016: $3.33 million), down 0.8%.

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.

MANAGING DIRECTOR'S REPORT (continued)

Underlying Profit per share fell slightly to 11.6 cents per share, primarily due to the issue of additional shares in May 2016. (2016: 12.1 cents per share).





In my report to the Annual General Meeting last year I foreshadowed a trend with our businesses whereby there was a distinct bias to 2nd half earnings performance. For different reasons the majority of our current business units have this bias to the 2nd half. For the 2017 year the bias was 38% to 62% from 1st half to 2nd half. Whilst the actual percentage may vary, it is expected that this bias will continue. In part it reflects underlying growth within business units but more particularly seasonal trends that exist in their products and services.

Underlying Profit	2017	2016	Increase/(decrease)
	($m)	($m)	($m)
1st Half	1.26	1.68	(0.42)
2nd Half	2.05	1.65	0.40
Full Year	**3.31**	**3.33**	**(0.02)**

Our expectations going forward

The Company enters the new financial year with a significantly increased business base, and from which we expect a strong uplift in our earnings. Our primary focus will be to manage the integration of the GPS Wealth business and to maximise the synergy value available to the Company, together with continuing to develop the organic growth opportunities across our business units. These initiatives should allow the Company to maximise the earnings potential of our businesses and provide continuing and meaningful earnings per share growth.

Supporting this work, we will continue to look for strategic acquisitions that are complementary to our business strategy and direction. We will continue to be highly selective in our approach to transactions.

There is a strong alignment between our accounting, wealth and distribution business units. This business mix is quite unique and provides the Company with a strong competitive advantage in the market. Significant and continuing leverage is available across these business units and we intend to fully develop and monetise this leverage value.

The Company enjoys a strong and stable management team. This has been expanded by the recent addition of the GPS Wealth business. The team has a clear focus on the direction of the Company and the execution requirements of our strategy.

Our increased business base, with the opportunities it presents, our continuing development of organic growth opportunities present in our business units and our ability to leverage the scale within our business should see material growth in our underlying earnings and continuing growth in shareholder value.

The year ahead is an exciting one for the Company.

Greg Hayes
Managing Director
23 August 2017

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (**the Group**), consisting of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2017, 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, distribution and accounting and taxation services.

RESULTS AND DIVIDENDS

The statutory net profit after tax of the Group for the year ended 30 June 2017 was $1,476,588 (2016: loss $351,932 after the recognition of non-cash impairment losses of $3,192,950).

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

REVIEW OF OPERATIONS

Operating revenue from continuing operations $17.23 million, down from $19.46 million in the previous year, a decrease of 11%. The fall in operating revenue was caused principally by the termination of the Harmony Distribution Agreement on 31 August 2016.

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);
- non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations; and
- share based payments expense.

Continued underlying earnings growth from the Group's core businesses and contributions from acquisitions have offset the earnings impact from the divestment of the Chesterfields business (sold 30 October 2015) and the loss of the Harmony Distribution Agreement (terminated 31 August 2016).

Underlying Profit and revenue compared to the prior year is illustrated in the following table:

Earnings performance	2017	2016	Change
	($'000)	($'000)	(%)
Operating revenue from continuing operations	17,230	19,458	(11)
Statutory net profit/(loss) after tax [1]	1,477	(352)	520
Underlying Profit [2]	**3,306**	**3,333**	**(1)**

1. Net Profit After Tax includes profit attributable to Non-controlling Interests. Profit attributable to members is $1,519k (2016: loss $343k).
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 on following page for reconciliation of Underlying Profit to Statutory Profit/(loss).

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 2017	30 June 2016
	$'000	$'000
Normalised EBITA from continuing operations	**3,306**	3,164
Normalised EBITA from discontinued operations	**-**	169
Normalised EBITA for the year	**3,306**	3,333
Add/(deduct) normalisation adjustments:		
Write back of contingent consideration	**31**	500
Equity accounted adjustments for interest, tax and amortisation[1]	**(483)**	(337)
Disposal of intangible asset	**(70)**	-
Prior year revenue adjustment[2]	**(21)**	(30)
Share based payments benefit	**13**	133
Gain on disposal of subsidiary	**-**	207
Net acquisition/restructuring costs	**(225)**	(198)
Profit from operations for the year	**2,551**	3,608
Deduct: Impairment losses	**-**	(3,193)
Statutory EBITA for the year	**2,551**	415
Deduct: Amortisation of separately identifiable intangible assets	**(474)**	(469)
Net interest expense	**(41)**	(28)
Notional interest on contingent consideration	**(34)**	(95)
Statutory operating profit/(loss) before tax for the year	**2,002**	(177)
Income tax expense	**(525)**	(175)
Statutory profit/(loss) after tax for the year	**1,477**	(352)
Deduct: Net loss attributable to Non-controlling interest	**(42)**	(9)
NPAT attributable to members	**1,519**	(343)

1. Adjustments to gross up share of profits from equity accounted investments for interest, taxation and amortisation have been applied to HKNSW, First Financial and Law Central. This adjustment is seen necessary to compare wholly owned and partially owned businesses on a like for like basis. Equity accounting ceased for Law Central after 29 August 2016 at which time the Group took a controlling interest and the results commenced being consolidated.
2. Prior year revenue adjustments relate to the writeback of accrued revenue in Merit Wealth which was recognised in prior periods.

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 Wealth Protection Pty Ltd (**EWP**) – 100%
- First Financial Pty Ltd (**First Financial**) – 25%

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

The Group holds a 25% equity interest in First Financial, a Melbourne based wealth management and financial services business with Funds Under Advice (**FUA**) of $1.4 billion and specialising in Self-managed Superannuation Funds (**SMSF**) where it advises more than 500 funds. First Financial also has a substantial finance broking book with loans written of $360 million. First Financial had a significant uplift in earnings in the current year realised through cost savings initiated in the prior year involving the internalisation of its back office which was previously outsourced.

Easton Asset Management's Harmony Distribution Agreement ceased with effect from 31 August 2016 and accordingly the earnings contribution from this business was significantly lower compared to the prior year. As previously stated, the Group did not regard this business as a core asset and the business has now been wound up and all financial obligations have been settled.

On 30 October 2015, the Group disposed of its controlling interest in Chesterfields Financial Services Pty Ltd. The Chesterfields business was considered by the directors to no longer align to the Group's core growth strategy. The results for Chesterfields, including a profit on disposal of $0.2 million are recognised to the date of disposal and are classified as a discontinued operation in the statement of comprehensive income.

The performance of the Wealth and Asset Management division during 2016/17 is summarised below:

Wealth & Asset Management	2016/17	2015/16	Decrease
	($'000)	($'000)	(%)
Revenue from continuing operations	1,822	10,362	(82)
Segment result – Normalised EBITA[1]	1,312	2,688	(51)

1. Includes discontinued operation to date of disposal after normalised adjustments including profit on sale and separation costs.

REVIEW OF OPERATIONS (continued)

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%
- Panthercorp CST Pty Ltd (**Panthercorp**) – 100%
- Law Central Co. Pty Ltd (**Law Central**) – 56%

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

The 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 firms on an ad hoc or transactional basis, mainly through training programs offered nationally. During the current year, Knowledge Shop commenced the digital transformation of some of its training programs to a pay on demand, pre-filmed presentation format which will be offered in addition to the existing live webinar and face to face programs. Knowledge Shop has engagement with more than 2,000 accounting firms.

Merit Wealth and HKRS are related entities, established by Hayes Knight NSW Pty Ltd (**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. In addition Merit Wealth provides a subscription service to accounting firms that enables those firms to provide advice on SMSF as a Limited Authorised Representative (**LAR**) of Merit Wealth. This service is provided in response to legislative changes impacting accounting firms providing advice on superannuation effective from 1 July 2016.

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. HKRS currently has 14 RRAs in place. All advisers operating under the referral service are authorised by Merit Wealth, which provides full dealer services.

On 29 August 2016, the Group increased its share ownership from 45.6% to 56.0% in Law Central. Law Central provides an extensive range of online 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.

On 31 August 2016, the Group acquired 100% of the issued share capital of Panthercorp, a Perth based company specialising in the formation of new companies, trusts, SMSF as well as the provision of corporate registry services to the accounting profession.

REVIEW OF OPERATIONS (continued)

The performance of the Distribution Services segment during 2016/17 is summarised below:

Distribution Services	2016/17	2015/16	Increase
	($'000)	($'000)	(%)
Revenue from continuing operations	15,364	9,084	69
Segment result – Normalised EBITA	2,877	1,570	83

Deferred consideration

The third and final tranche of deferred consideration of $0.5 million relating to the acquisition of HKRS was paid during the year as 6 RRAs were executed in the 12 month period ended 31 January 2017, exceeding the required hurdle of 5. The first two tranches of $0.5 million for the 12 month periods ending 31 January 2015 and 2016 were previously forfeited due to not meeting the prescribed performance criteria.

The first component of contingent consideration for the acquisition of Panthercorp which related to debtor collection was settled during the current year. A contingent amount of up to $142,468 which represented debtors that were 60+ days outstanding at acquisition date was payable to the vendors on collections up until 30 June 17. At balance date a total of $111,039 was collected in relation to those debtors and was subsequently remitted to the vendors. The remaining amount outstanding is considered collectible by Panthercorp but will not be payable as consideration to the vendors as the specified remittance date has expired. The second component of contingent consideration of $412,500 which is based on achievement of a 12 month revenue target at the end of August 2017, is considered likely to be payable.

3. Accounting and Tax

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

- Hayes Knight NSW (**HKNSW**) – 33.3%

HKNSW is an established Sydney based accounting firm offering a full range of professional accounting services. The firm has developed significant specialisation in a number of client sectors, including SMSF, mid-size, privately owned businesses and corporates.

The performance of the Accounting & Tax segment during 2016/17 is summarised below:

Accounting & Tax	2016/17	2015/16	Increase
	($'000)	($'000)	(%)
Equity accounted			
Segment result – Normalised EBITA	517	401	29

Outlook

The directors expect continued underlying earnings growth in core businesses. In addition, the Group will focus on extracting synergies by leveraging off the cross promotion of revenue streams and consolidation of back-end operations. This will include:

- further developing the link between the Knowledge Shop member base to the services provided by Law Central, Panthercorp and Merit Wealth;
- integration of GPS Wealth, a new business acquisition (refer following page), and its consolidation with parts of Merit Wealth; and
- further development of reporting systems and consolidation of compliance.

The Company will also seek to augment organic growth with acquired growth by continuing to selectively assess acquisition prospects and new opportunities which are consistent with the Company's strategic direction.

The directors believe that the Company has strong potential for sustained growth over coming years, both organic and by acquisition as it seeks to build a leveraged distribution business in the accounting and financial services channel.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than matters disclosed elsewhere, there were no significant changes in the state of affairs of the Group.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

GPS Acquisition
On 26 June 2017, a formal conditional agreement to acquire the equity interest of GPS IP Group Holdings Limited (**GPS Wealth**), from 4 majority shareholders representing 51% was executed. At the same time an offer was made to the remaining 43 minority shareholders, (**Minority Offer**) to acquire their equity interest on similar terms (together the **GPS Acquisition**).

The Minority Offer was closed on the 28 July 2017 for which there was a 100% acceptance of the offer.

The GPS Acquisition was subject to the approval of Easton shareholders at an Easton Extraordinary General Meeting held on 4 August 2017. At this meeting shareholders approved the issue of 6,451,636 Easton shares to the vendors of GPS Wealth.

Consideration payable for the GPS Acquisition is $20.0 million, payable 50% in cash ($10.0 million), and 50% in Easton shares at an issue price of $1.55 (6,451,636 Easton shares).

On 11 August 2017, the transaction with the 4 major shareholders was completed. A $4.6 million cash payment representing 45% of their share of the total purchase price was made as well as the issue of 3,268,406 Easton shares representing 50% of their share of the total purchase price. The balance of the cash component owing to the 4 major shareholders is expected to be settled in early September 2017 following meeting final conditions precedent.

Completion of the Minority Offer is expected in late August 2017.

At the time of signing this annual report, there is insufficient financial detail to complete the purchase price accounting for the GPS business combination which will be reflected in the next reporting period.

Finance Facility
On 23 June 2017, the Company received approval from Westpac Banking Corporation to increase its banking facility from $5.0 million to $10.0 million for the purposes of the GPS Acquisition. On 3 August 2017, the new finance agreement was executed on the following terms:

- Limit - $10 million
- Term - 3 years
- Security - GSA over Easton Investment Limited and wholly owned subsidiaries including GPS.
- Covenants:
    - Interest Cover Ratio - EBITDA/Gross Interest Expense greater than 4 times
    - Debt/EBITDA Ratio to be less than 3.5 times at half year end 31 December 2017, 2.5 times year end 30 June 2018.

On 11 August 2017, $3.0 million was drawn from the new finance facility to part settle with the 4 major shareholders of GPS Wealth with the remaining amount paid from existing cash reserves.

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.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Kevin W. White B.Eng (civil), M.Eng.Sci., M.Admin - Chairman. Appointed 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 and related entities	
Former directorships in last 3 years	None	
Special Responsibilities	Chair of the Board Member of the Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	2,904,397

Rodney Green B.Com, ACA - 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	370,000

John G. Hayes B.Bus, FCPA, CTA, FAIM - 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	5,676,942

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

Carl F. Scarcella B.Com, FCPA - 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, 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	78,884

Joint Company Secretaries

Mark Licciardo, B.Bus (Acc), GradDip CSP, FCSA, FCIS, GAICD - Joint Company Secretary. Appointed 6 December 2011. Mark is the founder and Managing Director of Mertons Corporate Services Pty Ltd. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. Mark is also the former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival and a current non-executive Director of a number of ASX listed public and private companies. Mark holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Governance Institute of Australia and the Institute of Company Secretaries and Administrators.

Belinda Cleminson, GIA (Cert) - Joint Company Secretary. Appointed 22 September 2016. Belinda has over 15 years' experience as an Assistant Company Secretary of Australian listed companies including ASX 200 clients. Belinda previously managed the Company Secretarial team for Australian Company Secretaries representing a domestic and global client base. Prior to this Belinda held roles within the legal and banking industry.

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	11	10	5*	3*	2	2
Rodney Green	11	10	5	5	2	2
John G. Hayes	11	11	5*	5*	2*	2*
Carl F. Scarcella	11	11	5	5	2	2

*In attendance ex-officio.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

COMMITTEE MEMBERSHIP

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

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

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.

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.

There were no amounts paid or payable to the auditor (Pitcher Partners) for non-audit services provided during both the current and prior year.

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 under the Investors section.

ROUNDING OF AMOUNTS

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in financial/directors' reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest one million and one dollar (where indicated).

REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2017 remuneration report which sets out the remuneration information for the Company's non-executive directors, executive directors and other key management personnel (**KMP**) 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 2016 Annual General Meeting (AGM)
(g) Details of remuneration of key management personnel
(h) Service agreements
(i) Details of Combined Incentive Scheme for 2017
(j) Details of share-based compensation and bonuses
(k) Equity instruments held by key management personnel
(l) Other transactions with key management personnel

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

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

(i) Non-executive and Executive Directors

- Kevin W. White Chairman
- Rodney Green Non-executive Director, Deputy Chairman
- John G. Hayes Managing Director
- Carl F. Scarcella Non-executive Director

(ii) Other key management personnel

- Michael A. Harris Chief Financial Officer
- Lisa M. Armstrong General Manager of Knowledge Shop Pty Ltd
- Cameron R. Knox Managing Director of Easton Asset Management Pty Ltd (resigned 31 October 2016)

(iii) Changes since the end of the reporting period

There were no changes to KMP 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 (**KPIs**) 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.

REMUNERATION REPORT (AUDITED) (continued)

(c) Executive remuneration policy and framework

Remuneration policy
The policy for determining the nature and amount of remuneration of KMP 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 2017. The Remuneration Committee makes specific recommendations on the remuneration package and other terms of employment for the Managing Director and KMP having regard to performance, relevant comparative information, and if appropriate, independent expert advice.

For KMP, the Group can provide a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Group and KMP 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 Board has the discretion under the Employee Share Ownership Plan 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 including market and non-market 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. 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.

Executive pay for 2017
For the year ending 30 June 2017, the executive pay and reward framework had two components:

- Base pay and benefits, including superannuation; and
- Combined Incentive Scheme.

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.

REMUNERATION REPORT (AUDITED) (continued)

Combined Incentive Scheme (CIS)
Effective 1 July 2016, the Remuneration Committee restructured the composition of remuneration incentives by combining Short-term Incentives (**STI**) and Long-term Incentives (**LTI**) into a Combined Incentive Scheme (**CIS**). Certain executives are granted an annual target CIS opportunity which for the 2017 financial year ranges between 15%-30% of base salary. The actual CIS awarded each year depends on the achievement of agreed KPIs. The CIS is a cash-based incentive for which 50% of the awarded amount is paid immediately after the performance period and 50% is deferred and paid over the following two years. The deferred payment amounts are subject to shadow equity factors over the two years following the performance period. The first deferred payment amount being 25% of the awarded amount is subject to a Shadow Equity Factor 1 multiplier which is determined by the growth in share price over the 24 months from the beginning of the performance period. The second deferred payment amount being the remaining 25% of the awarded amount is subject to a Shadow Equity Factor 2 multiplier which is determined by the growth in share price 36 months from the beginning of the performance period. The shadow equity factors are applied to positive movements in the share price only, no adjustments are made for downward movements in share price.

The CIS to be awarded each year is calculated by the Remuneration Committee in conjunction with the Managing Director after assessing the achievement of the KPIs of each executive.

(d) Relationship between remuneration and Group performance

The remuneration policy has been designed to align KMP objectives with the Group business plan and long-term interests by providing a combination of fixed remuneration and combined short and long term incentives based on key performance criteria. Remuneration paid that was linked to company share price performance was $nil (2016: $29,183).

The following table shows the KPIs of the Group over the last 5 years:

	2017	2016	2015	2014	2013
Revenue ($'000)	$17,230	$19,458	$17,465	$10,953	$5,845
Normalised EBITA ($'000)	$3,306	$3,333	$2,598	$716	($577)
Net profit/(loss) before tax ($'000)	$2,002	($318)	$1,754	($2,380)	($3,585)
Net profit/(loss) after tax ($'000)	$1,477	($352)	1,242	($1,631)	($3,407)
Share price at end of year[1]	$1.30	$1.50	$0.70	$0.89	$0.75
Basic earnings per share[2]	5.35cps	(1.25)cps	4.14cps	(8.04)cps	(30.27)cps
Diluted earnings per share[2]	5.35cps	(1.25)cps	4.14cps	(8.04)cps	(30.27)cps
Remuneration linked to share price ($'000)	$nil	$29	$35	$35	-

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.

REMUNERATION REPORT (AUDITED) (continued)

(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. During the year, the Chairman was entitled to be paid a fixed remuneration of $70,875 per annum including superannuation contributions (2016: $100,000). Other non-executive directors were each entitled to be paid a fixed remuneration of $47,250 per annum including superannuation contributions (2016: $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 $300,000 per annum, (2016: $300,000) or other such maximum as determined by the Company in a general meeting. 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 directors fees in aggregate do not exceed the maximum of $300,000. 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 2016 Annual General Meeting (AGM)

The Company received more than 99% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (AUDITED) (continued)

(g) Details of remuneration of key management personnel

Remuneration for the year ended 30 June 2017

	Short-term employee benefits			Post employment benefits		Share-based payments	Total	Performance related
Directors' remuneration	**Salaries & fees $**	**Cash bonus $**	**Other $**	**Superannuation $**	**Termination benefits $**	**Performance rights $**	**$**	**%**
Kevin W. White	64,726	-	-	6,149	-	-	70,875	-
Rodney Green	43,151	-	-	4,099	-	-	47,250	-
John G. Hayes	313,846	48,450	-	19,616	-	-	381,912	13
Carl F. Scarcella[1]	47,250	-	-	-	-	-	47,250	-
Sub-total directors	**468,973**	**48,450**	**-**	**29,864**	**-**	**-**	**547,287**	
Executives' remuneration								
Lisa M. Armstrong	220,384	16,200	-	19,616	-	-	256,200	6
Michael A. Harris	220,384	25,200	-	19,616	-	-	265,200	10
Cameron R. Knox[2]	161,440	-	-	-	-	(12,462)[3]	148,978	-
Sub-total executives	**602,208**	**41,400**	**-**	**39,232**	**-**	**(12,462)**	**670,378**	
Total key management personnel	**1,071,181**	**89,850**	**-**	**69,096**	**-**	**(12,462)**	**1,217,665**	

1. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director.
2. A company of which C Knox is a director received fees from the Group for consulting services. C Knox resigned from Easton Asset Management Pty Ltd on 31 October 2016.
3. During the year these performance rights were forfeited due to not meeting the vesting conditions. Before consideration of the write back, remuneration paid to C Knox was $161,440.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration for the year ended 30 June 2016

	Short-term employee benefits			Post employment benefits		Share-based payments	Total	Performance related
Directors' remuneration	**Salaries & fees $**	**Cash bonus $**	**Other $**	**Superannuation $**	**Termination benefits $**	**Performance rights $**	**$**	**%**
Kevin W. White	91,324	-	-	8,676	-	29,183	129,183	23%
Rodney Green	43,699	-	-	1,301	-	-	45,000	-
John G. Hayes	251,142	75,248	-	23,858	-	-	350,248	21%
Carl F. Scarcella[1]	45,000	-	-	-	-	-	45,000	-
Sub-total directors	**431,165**	**75,248**	**-**	**33,835**	**-**	**29,183**	**569,431**	
Executives' remuneration								
Lisa M. Armstrong	205,692	-	-	19,308	-	-	225,000	-
Shane A. Bransby[2]	79,401	-	-	6,163	167,189	-	252,753	-
Michael A. Harris	200,000	-	-	19,000	-	-	219,000	-
Cameron R. Knox[3]	567,873	100,000	-	-	-	(162,546)[4]	505,327	(12%)
Sub-total executives	**1,052,966**	**100,000**	**-**	**44,471**	**167,189**	**(162,546)**	**1,202,080**	
Total key management personnel	**1,484,131**	**175,248**	**-**	**78,306**	**167,189**	**(133,363)**	**1,771,511**	

1. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director.
2. S Bransby ceased employment with Chesterfields Financial Services Pty Ltd (CFS) on 15 October 2015. The Group's 52.2% controlling interest in CFS was subsequently divested on 30 October 2015.
3. A company of which C Knox is a director received fees from the Group for consulting services.
4. During the year these performance rights were revalued to reflect updated expectations of meeting vesting conditions from a 70% probability to a 3% probability of vesting. Before consideration of the write back due to a change in vesting probability, remuneration paid to C Knox was $667,873.

REMUNERATION REPORT (AUDITED) (continued)

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

	Fixed remuneration		At risk - CIS	At risk – STI	At risk – LTI	
Name	**2017**	2016	**2017**	2016	**2017**	2016
Executive directors						
Kevin W. White[1]	**100%**	77%	**-**	-	-	23%
John G. Hayes	**87%**	79%	**13%**	21%	-	-
Other KMP						
Lisa Armstrong	**94%**	100%	**6%**	**-**	-	-
Shane Bransby (ceased employment 15 October 2015)	**-**	100%	**-**	**-**	-	-
Michael Harris	**90%**	100%	**10%**	-	-	-
Cameron Knox[2] (resigned 31 October 2016)	**93%**	68%	**-**	12%	7%	20%

1. K White became a Non-executive director effective 21 February 2017.
2. Percentage allocation is in absolute terms.

(h) Service agreements

Remuneration and other terms of employment for KMP are formalised in employment agreements which specify the components of remuneration, benefits and notice periods. Participation in the CIS is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration for the year ended 30 June 2017 are set out below:

Name	Term of agreement	Notice period[1]	Base salary including superannuation[2]	Termination payments[3]
Executive directors				
John G. Hayes	No fixed term	Employee - 6 months Employer - 6 months	$340,000	6 months
Other KMP				
Lisa M. Armstrong General Manager - Knowledge Shop	No fixed term	Employee - 6 months Employer - 3 months	$240,000	3 months
Michael A. Harris Chief Financial Officer	No fixed term	Employee - 3 months Employer - 3 months	$240,000	3 months
Cameron Knox[4] Managing Director - Easton Asset Management (resigned 31 October 2016)	No fixed term	Employee - 6 months Employer - 1 month	US$413,000	N/a

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are for the year ended 30 June 2017; they are reviewed annually by the Remuneration Committee.
3. Base salary payable if the Group terminates employees with notice, and without cause (eg, for reasons other than unsatisfactory performance).
4. C Knox was employed pursuant to a contractor agreement with an effective date of 1 January 2014. C Knox resigned effective 31 October 2016.

(i) Details of Combined Incentive Scheme for 2017

Under the 2017 CIS, certain employees including the following KMP were given specific KPIs that were designed to generate outcomes that are aligned to the Group's business plan which include both short and long term metrics. The CIS award is subject to performance conditions that focus on Group (MD & CFO) and operational earnings, acquisition targets and operational targets. Each assessment area is weighted differently for each KMP.

REMUNERATION REPORT (AUDITED) (continued)

The KPIs that were applied to the executive KMP are outlined in the table below, together with the key considerations relating to the assessment of performance of those KPIs.

KPI	Executive	Key considerations in achievement
Share price growth	MD, CFO	KPIs are set for pre-determined annual share price growth to achieve targeted long term total shareholder returns (TSR)
Group earnings	MD, CFO	Normalised EBITA measures are used to assess financial performance. Threshold levels are determined by reference to growth on the prior year and achievement of budget.
Operation earnings	GM	Normalised EBITA of individual business unit measures are used to assess financial performance. Threshold levels are determined by reference to growth on the prior year and achievement of budget.
Acquisitions	MD, CFO	KPIs are in place to measure the performance of executives in carrying out the Company's acquisition strategy. Performance measures include the financial contribution from acquisitions, pre-acquisition tasks including due diligence and post-acquisition integration.
Operational	GM	Various specific operational and sales metrics including growth initiatives, product development, special projects and resourcing to achieve business strategy.
Reporting	CFO	Enhanced reporting framework to enable the businesses to make informed decisions around KPIs.

For the year ending 30 June 2017, the Board assessed the performance of the MD, and the MD assessed the performance of the other KMP against their respective KPIs. The Remuneration Committee recommended and the Board approved the following CIS awards.

KMP	Maximum CIS as a % of Base Salary	Actual CIS awarded	Actual CIS awarded as a % of maximum CIS
MD	30%	$48,450	48%
CFO	15%	$25,200	70%
GM - Knowledge Shop	15%	$16,200	45%

For the actual CIS awarded for 2017, the Remuneration Committee has given the KMP the option of taking 100% of the awarded amount as an upfront cash payment following the completion of the 2017 financial audit or to defer 50% as part of the new CIS plan. It is not intended that a 100% upfront payment option will be a permanent part of the CIS but rather an initial incentive whilst the plan is being established.

REMUNERATION REPORT (AUDITED) (continued)

(j) Details of share-based compensation and bonuses

Performance rights
Details of performance rights provided as remuneration to KMP 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 forfeited during the year	
	2017	2016	**2017**	2016	**2017**	2016
K White	-	-	-	1,000,00	-	-
C Knox	-	-	-	-	500,000	-

No other bonuses other than those included in the CIS have been paid to KMP.

(k) Equity instruments held by key management personnel

Shareholdings
The numbers of ordinary shares in the Company held during the year by each KMP, including their personally related parties, are set out below:

2016 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 White	2,954,397	-	100,000	3,054,397
R Green	320,000	-	50,000	370,000
JG Hayes[1]	6,034,117	-	90,425	6,124,542
C Scarcella	53,884	-	25,000	78,884
C Knox[2]	510,666	-	(510,666)	-
L Armstrong[1]	6,034,117	-	90,425	6,124,542

1. JG Hayes and L Armstrong are related parties of each other.
2. C Knox ceased employment with the Group on 31 October 2016.

Performance rights holdings
The numbers of performance rights over ordinary shares in the Company held during the year by KMP, including their personally related parties, are set out below:

2017 Name	**Balance at the start of the year**	**Granted as compensation during the year**	**Vested**	**Forfeited**	**Balance at the end of the year**
C Knox[1]	500,000	-	-	(500,000)	-

1. C Knox's performance rights were forfeited during the year due to not meeting final vesting conditions.

Option holdings
There were no options issued during the year or prior year, or options held by directors of the Company and other KMP of the Group.

REMUNERATION REPORT (AUDITED) (continued)

(l) Other transactions with key management personnel

JG Hayes and L Armstrong are both directors and shareholders of Hayes Knight (NSW) Pty Ltd and Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**). At 30 June 2017, the Group had a 33.3% 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.

C Knox is a director and shareholder of PT Imperium Capital. PT Imperium Capital provided administrative services to the Group on normal commercial terms and conditions up until 31 October 2016.

Aggregate amounts of each of the above types of other transactions with KMP are:

	2017	2016
	$	$
Amounts recognised as revenue		
Recovery of dealer group costs	**18,676**	17,676
	18,676	17,676
Amounts recognised as expense		
Administration fees	**189,762**	239,689
Commissions paid	**401,732**	292,695
Help desk and technical training support	**796,114**	747,791
Occupancy and infrastructure	**359,751**	292,233
Professional fees	**246,510**	199,320
Expense reimbursements	**51,545**	30,721
	2,045,414	1,802,449

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

	2017	2016
Amounts recognised as assets and liabilities	**$**	$
Current assets (amounts receivable)	**-**	56,402
Current liabilities (amounts payable)	**88,465**	109,046

End of audited Remuneration Report.

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

Rodney Green
Chairman – Remuneration Committee

Sydney
23 August 2017

PITCHER PARTNERS

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 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

B J BRITTEN
Partner

23 August 2017

PITCHER PARTNERS
Melbourne

Easton Investments Limited
Annual Financial Report – 30 June 2017
Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue from continuing operations			
Services		**17,177**	19,345
Other revenue		**53**	113
	4	**17,230**	19,458
Other income	5	**31**	516
Share of net profit of associates accounted for using the equity method	11	**963**	611
Expenses from ordinary activities			
Fees and commissions		**(8,472)**	(11,684)
Salaries and employee benefits expenses	5	**(4,753)**	(3,649)
Occupancy expenses		**(437)**	(243)
Professional fees and consultants		**(798)**	(383)
Administration expenses		**(399)**	(260)
Other expenses		**(742)**	(904)
Finance costs	5	**(83)**	(135)
Depreciation and amortisation	5	**(538)**	(452)
Impairment losses	5	**-**	(3,193)
Profit/(loss) before income tax		**2,002**	(318)
Income tax expense	6	**(525)**	(180)
Net profit/(loss) from continuing operations after income tax		**1,477**	(498)
Discontinued operation			
Net profit from discontinued operation		**-**	146
Net profit/(loss) for the year		**1,477**	(352)
Total comprehensive income/(loss) for the year		**1,477**	(352)
Profit/(loss) for the year is attributable to:			
Non-controlling interests	22	**(42)**	(9)
Owners of the Company		**1,519**	(343)
		1,477	(352)
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests	22	**(42)**	(9)
Owners of the Company		**1,519**	(343)
		1,477	(352)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share (cents)	7	**5.35**	(1.78)
Diluted earnings/(loss) per share (cents)	7	**5.35**	(1.78)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share (cents)	7	**5.35**	(1.25)
Diluted earnings/(loss) per share (cents)	7	**5.35**	(1.25)

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 2017

	Note	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**2,641**	3,941
Receivables	9	**1,373**	1,753
Other current assets	10	**252**	141
Total current assets		**4,266**	5,835
Non-current assets			
Equity accounted investments	11	**5,867**	6,207
Plant and equipment	12	**192**	134
Intangible assets	13	**13,960**	10,529
Deferred tax assets	6	**523**	783
Total non-current assets		**20,542**	17,653
TOTAL ASSETS		**24,808**	23,488
LIABILITIES			
Current liabilities			
Trade and other payables	14	**1,620**	2,646
Provisions and employee benefits	15	**475**	237
Current tax liability	6	**265**	155
Provision for contingent consideration	17	**413**	466
Other liabilities	18	**804**	302
Total current liabilities		**3,577**	3,806
Non-current liabilities			
Provisions and employee benefits	15	**72**	87
Deferred tax liabilities	6	**327**	350
Total non-current liabilities		**399**	437
TOTAL LIABILITIES		**3,976**	4,243
NET ASSETS		**20,832**	19,245
EQUITY			
Contributed equity	19	**18,629**	18,629
Reserves	20	**25**	38
Retained earnings	21	**2,097**	578
Equity attributable to owners of the Company		**20,751**	19,245
Non-controlling interests	22	**81**	-
TOTAL EQUITY		**20,832**	19,245
Net tangible assets per share (cents)		**23.51**	29.16

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 2017

Consolidated entity	Ordinary shares $'000	Retained earnings $'000	Share based payments reserve $'000	Other reserves $'000	Owners of the parent $'000	Non-controlling interests $'000	Total $'000
At 1 July 2016	18,629	578	13	25	19,245	-	19,245
Profit for the year	-	1,519	-	-	1,519	(42)	1,477
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**1,519**	**-**	**-**	**1,519**	**(42)**	**1,477**
Transactions with owners in their capacity as owners:							
Employee incentive plan	-	-	(13)	-	(13)	-	(13)
Non-controlling interests on business combination	-	-	-	-	-	123	123
At 30 June 2017	**18,629**	**2,097**	**-**	**25**	**20,751**	**81**	**20,832**

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 2016

Consolidated entity	Ordinary shares $'000	Retained earnings $'000	Share based payments reserve $'000	Other reserves $'000	Owners of the parent $'000	Non-controlling interests $'000	Total $'000
At 1 July 2015	18,539	921	241	25	19,726	509	20,235
Loss for the year	-	(343)	-	-	(343)	(9)	(352)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**(343)**	**-**	**-**	**(343)**	**(9)**	**(352)**
Transactions with owners in their capacity as owners:							
Share issue costs	(6)	-	-	-	(6)	-	(6)
Employee incentive plan	96	-	(228)	-	(132)	-	(132)
Disposal of non-controlling interests	-	-	-	-	-	(500)	(500)
At 30 June 2016	**18,629**	**578**	**13**	**25**	**19,245**	**-**	**19,245**

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 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Fees and commissions received		**20,094**	21,125
Payments to suppliers and employees		**(18,292)**	(18,481)
Cash generated from operations		**1,802**	2,644
Interest received		**8**	12
Finance costs paid		**(49)**	(41)
Income tax paid		**(180)**	-
Net cash flows from operating activities	25	**1,581**	2,615
Cash flows from investing activities			
Proceeds from disposal of subsidiary, net of cash disposed		**-**	1,030
Payments for plant and equipment		**(122)**	(104)
Payments for other intangible assets		**(45)**	(245)
Payments for acquisition of a subsidiary, net of cash acquired		**(3,157)**	-
Payments for acquisition of associate		**-**	(683)
Dividends received from associates		**443**	539
Net cash flows (used in)/provided by investing activities		**(2,881)**	537
Cash flows from financing activities			
Payments for share issue costs		**-**	(6)
Repayment of borrowings		**-**	(655)
Net cash flows used in financing activities		**-**	(661)
Net (decrease)/increase in cash held		**(1,300)**	2,491
Cash at the beginning of the financial year		**3,941**	1,450
Cash at the end of the financial year	8	**2,641**	3,941

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

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 (**Easton** or **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 23 August 2017.

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

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in financial/directors' reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest one million and one dollar (where indicated).

(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.

(iv) New and amended standards adopted by the Group
The Group's assessment of the new and amended pronouncements that are relevant to the Group with mandatory application dates for the first time this financial year are set out below:

AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends AASB 116: Property, Plant and Equipment and AASB 138: Intangible Assets, to establish the principle for the basis of depreciation and amortisation.

This Standard has had no material impact on the Group's financial statements.

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends a number of Australian Accounting Standards including:

- AASB 119: Employee Benefits to clarify that the discount rates used to measure defined benefit obligations
- AASB 134: Interim Financial Reporting to clarify that certain disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

This Standard has had no material impact on the Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard makes a number of amendments regarding the application of some of the presentation and disclosure requirements in AASB 101: Presentation of Financial Statements. These amendments are in relation to disclosure of accounting policies, disaggregation of certain line items in the financial statements, presentation order of notes, rules around subtotalling and rules of materiality for some specific items.

This Standard has had no material impact on the Group's financial statements.

(v) New standards and interpretations not operative as at 30 June 2017

The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 15: Revenue from Contracts with Customers and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of a 5-step model.

The directors are yet to complete their assessment of the impact (if any) of changes in the standard above. An initial assessment suggests that potentially the revenue recognised with respect to referral rights agreements may be recognised upfront rather than over the 18 month claw back period.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case depending on the underlying asset, application of the fair value model in AASB 140: Investment Property; or the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have some impact on the Groups accounting for operating leases, it is not expected to have a material effect on the financial results.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2017-2: Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (applicable to annual reporting periods commencing on or after 1 January 2017).

This Amending Standard clarifies the scope of AASB 12: Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

This Standard is not expected to significantly impact the Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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	25% of the upfront fee
- 18 months following the date of the agreement	25% 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. These are classified as “financial assets at fair value through profit or loss”. Alternatively, investment in a managed investment schemes are held for long term capital growth and dividend income purposes. These are classified as “available-for-sale financial assets”.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition
All regular way purchases and sales of financial assets are recognised on the trade date, (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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 equipment	2 to 5 years
- Furniture and fittings	2 to 10 years
- 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*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 and any other employee benefits expected to be settled wholly 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 wholly 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 Company has 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 Group 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:

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 2017 was $12,089,335 (30 June 2016: $9,054,012). No impairment losses have been recognised against goodwill during the current or prior year. Details of impairment testing are set out in note 13.

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 2017 was $1,870,819 (30 June 2016: $1,475,669) after no impairment being recognised during 2017 (2016: $3,192,950). Refer to note 13.

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 only brings to account 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.

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

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 **(CODM)**. The CODM, 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 Easton Wealth Protection, First Financial, Easton Asset Management to 31 August 2016 and Chesterfields Financial Services to 30 October 2015) which provide financial planning, risk insurance advice and broking, self-managed superannuation administration and a distribution platform for managed funds;
(ii) Distribution services (comprising the Knowledge Shop, Merit Wealth, Hayes Knight Referral Services, Panthercorp and Law Central) which provide professional support and dealer group services primarily to the accounting profession;
(iii) Accounting and tax (comprising Hayes Knight NSW) 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 CODM 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, impairments and share-based payments. The CODM 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 legal entity basis rather than by total segment and therefore are not presented on a segment basis in this report.

3. SEGMENT INFORMATION (continued)

(c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2017 is as follows:

Consolidated 2017	**Wealth and asset management $'000**	**Distribution services $'000**	**Accounting and tax $'000**	**Corporate $'000**	**Total $'000**
Revenue from continuing operations					
Services	1,822	15,332	23	-	17,177
Other revenue	-	32	-	21	53
Total revenue from continuing operations	**1,822**	**15,364**	**23**	**21**	**17,230**
Share of profits from associates	609	(6)	360	-	963
Normalised EBITA – (non IFRS)	**1,312**	**2,877**	**517**	**(1,400)**	**3,306**
Normalisation adjustments					
Write back of contingent consideration					31
Equity accounted adjustments for interest, tax and amortisation					(483)
Disposal of intangible asset					(70)
Prior year revenue adjustment					(21)
Share based payments benefit					13
Net acquisition/restructuring costs					(225)
Statutory EBITA					**2,551**
Interest revenue					8
Finance costs					(83)
Amortisation					(474)
Net profit before tax					**2,002**
Significant items of segment expenses					
Fees and commissions	1,322	7,150	-	-	8,472
Salaries and employee benefits	156	3,557	-	1,040	4,753
Professional fees and consultants	185	458	5	150	798
Finance costs	-	33	-	50	83

3. SEGMENT INFORMATION (continued)

The segment information provided on reportable segments for the year ended 30 June 2016 is as follows:

Consolidated 2016	**Wealth and asset management $'000**	**Distribution services $'000**	**Accounting and tax $'000**	**Corporate $'000**	**Total $'000**
Revenue from continuing operations					
Services	10,295	9,050	-	-	19,345
Other revenue	67	34	-	12	113
Total revenue from continuing operations	**10,362**	**9,084**	**-**	**12**	**19,458**
Share of profits from associates	374	(31)	268	-	611
Normalised EBITA from continuing operations	2,519	1,570	401	(1,326)	3,164
Normalised EBITA from discontinued operation	169	-	-	-	169
Normalised EBITA – (non IFRS)	**2,688**	**1,570**	**401**	**(1,326)**	**3,333**

Normalisation adjustments	
Profit on sale of subsidiary	207
Write back of contingent consideration	500
Equity accounted adjustments for interest, tax and amortisation	(337)
Prior revenue year adjustment	(30)
Share based payments benefit	133
Net acquisition/restructuring costs	(198)
Impairment losses	(3,193)
Statutory EBITA	**415**
Interest revenue	12
Finance costs	(135)
Amortisation	(469)
Net loss before tax	**(177)**
Less net profit before tax from discontinued operation	(141)
Net loss before tax from continuing operations	**(318)**

Significant items of segment expenses					
Fees and commissions	7,283	4,401	-	-	11,684
Salaries and employee benefits	629	2,208	-	812	3,649
Professional fees and consultants	-	214	-	169	383
Finance costs	11	115	-	9	135

4. REVENUE

	2017	2016
	$'000	$'000
Revenue from continuing operations		
Sales revenue		
Fees and commissions received	**17,177**	19,345
Interest income	**8**	12
Other revenue	**45**	101
	17,230	19,458

5. OTHER INCOME AND EXPENSE ITEMS

	2017	2016
	$'000	$'000
Profit from continuing operations before income tax has been determined after the following specific items:		
Other income		
Write back of contingent consideration	**31**	500
Net gain on acquisition of subsidiary	**-**	16
	31	516
Employee benefits expense		
Salaries and wages	**3,619**	3,151
Defined contribution superannuation expense	**349**	232
Other employee benefits	**785**	266
	4,753	3,649
Depreciation and amortisation of non-current assets		
Depreciation		
Office equipment	**61**	10
Furniture, fittings and leasehold improvements	**3**	21
	64	31
Amortisation		
Client lists and relationships	**236**	166
Client lists and relationships – equity accounted investments	**238**	255
	474	421
Total depreciation and amortisation of non-current assets	**538**	452
Finance costs expensed		
Bank loans and overdrafts	**49**	41
Notional interest charge on present value of contingent consideration	**34**	94
	83	135
Impairment losses		
Distribution rights	**-**	2,793
Client lists and relationships	**-**	400
	-	3,193

6. INCOME TAXES

	2017	2016
	$'000	$'000
(a) Components of tax expense		
Current tax	**282**	821
Deferred tax	**237**	(239)
Deferred tax prior year adjustment	**6**	-
Income tax benefit from losses brought to account	**-**	(407)
Total	**525**	175
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	**525**	180
Profit from discontinued operation	**-**	(5)
	525	175
(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	**2,002**	(178)
Prima facie income tax on the profit/(loss) before income tax at 30% (2016: 30%)	**601**	(53)
Tax effect of:		
Non-allowable deductions	**81**	(5)
Amortisation of intangible assets	**119**	112
Impairment losses	**-**	958
Tax benefit arising from franked dividend rebate and tax losses brought to account	**(133)**	(598)
Other non-assessable income	**(156)**	(239)
Under provision in prior year	**13**	
Income tax expense attributable to profit or loss	**525**	175
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	**(155)**	(102)
Charged to income	**(282)**	(821)
Under provision in prior year	**(13)**	-
Tax benefit arising from franked dividend rebate and tax losses	**54**	666
Tax payments	**180**	-
Acquisitions/disposals	**(49)**	102
Closing balance	**(265)**	(155)

6. INCOME TAXES (continued)

(d) Deferred tax

	2017	2016
Deferred tax relates to the following:	**$'000**	$'000
Deferred tax assets/(liabilities)		
Opening balance	**433**	464
Charged to income	**(281)**	(20)
Acquisitions/disposals	**44**	(11)
Closing balance	**196**	433
Amounts recognised in the consolidated statement of financial position:		
Deferred tax asset	**523**	783
Deferred tax liability	**(327)**	(350)
	196	433
Deferred income tax at 30 June relates to the following:		
Deferred tax assets:		
Un-deducted expenditure	**15**	47
Accruals and provisions	**178**	380
DTA recognised on capital losses	**67**	67
DTA recognised on revenue and available fraction losses	**263**	289
	523	783
Deferred tax liabilities:		
Fair value of assets acquired in a business combination and undistributed income of associates	**(278)**	(211)
Accrued income	**-**	(90)
Unrealised capital gain	**(49)**	(49)
	(327)	(350)
Net deferred tax assets	**196**	433

(e) Tax losses

Tax losses brought to account

The Group has recognised total revenue losses including available fraction losses of $875,706, (tax effect $262,712). During the year ended 30 June 2017, the Group utilised $221,122 available fraction losses. There is a remaining balance of $1,090,654 available fraction losses of which $786,853, (tax effect $236,056) has been recognised as part of deferred tax assets leaving $303,801 unrecognised.

The Group has recognised un-recouped capital tax losses of $222,977 (2016: $222,977).

The Group has only brought to account the available fraction 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 available fraction tax losses can be utilised.

6. INCOME TAXES (continued)

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.

Tax losses not brought to account
As at 30 June 2017, the Group has un-recouped operating income tax losses subject to available fraction of $303,801 which have not been brought to account, (2016: $305,940). A further $305,279 un-recouped capital tax losses remain unrecognised.

Unrecognised temporary differences
As 30 June 2017, 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 (2016: Nil).

(f) Franking credit balance

	Parent	
	2017	2016
	$'000	$'000
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% (2016: 30%)	**1,186**	623

7. EARNINGS PER SHARE

	2017	2016
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**5.35**	(1.78)
From discontinued operation	**-**	0.53
Total basic earnings per share attributable to the ordinary equity holders of the Company	**5.35**	(1.25)
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**5.35**	(1.78)
From discontinued operation	**-**	0.53
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**5.35**	(1.25)

7. EARNINGS PER SHARE (continued)

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

	2017	2016
	$'000	$'000
(c) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**1,519**	(343)
For diluted earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**1,519**	(343)
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**28,400,330**	27,482,522

The weighted average number of ordinary shares used as the denominator in the calculation for both earnings per share and diluted earnings per share are the same.

8. CASH AND CASH EQUIVALENTS

	2017	2016
	$'000	$'000
Cash at bank and on hand	**2,641**	3,941

9. RECEIVABLES

	2017	2016
	$'000	$'000
Accrued income	**465**	1,011
Other debtors and receivables	**908**	742
	1,373	1,753

10. OTHER CURRENT ASSETS

	2017	2016
	$'000	$'000
Prepayments	**252**	**141**

11. EQUITY ACCOUNTED INVESTMENTS

	2017	2016
	$'000	$'000
Equity accounted associated entities	**5,867**	6,207

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**	
		2017	2016	**2017**	2016
		%	%	**$'000**	$'000
Law Central Co Pty Ltd[1]	Distribution	**-**	45.6	**-**	630
First Financial Pty Ltd[2]	Wealth & financial services	**25**	25	**2,205**	2,145
Hayes Knight (NSW) Pty Ltd[3]	Accounting & tax	**33.3**	33.3	**3,662**	3,432
				5,867	6,207

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

1. On 25 June 2015, the Group acquired 12.6% of the share capital of Law Central Co. Pty Ltd (**Law Central**) for purchase consideration of $163,878 which was classified as an investment in the consolidated statement of financial position. On 25 January 2016, the Group acquired an additional 32% equity interest for $444,911 which resulted in a 44.5% equity interest. Effective 1 February 2016, the Group reclassified Law Central to an equity accounted investment. On 9 February 2016 Law Central undertook a capital raising from existing shareholders whereby the Group increased its equity interest by acquiring additional unsubscribed shares resulting in an equity interest of 45.6%. The Group paid $53,644 toward the capital raising including the additional unsubscribed shares acquired.

   On 29 August 2016, the Group completed the acquisition of an additional 10.4% of the issued share capital of Law Central, taking its total share holding to 56.0%. The Group now has a controlling interest and accordingly, has commenced consolidating all of the assets and liabilities and profit and loss and ceased equity accounting. The remaining 44% of shares held by members outside the Group are accounted for as a non-controlling interest (NCI).

   Law Central provides an extensive range of online 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.

2. 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; and
   - SMSF administration.

11. EQUITY ACCOUNTED INVESTMENTS (continued)

3. HKNSW is an established, full service accounting firm based in Sydney providing a suite of professional accounting services including Business Services, Specialist Tax, Superannuation, Financial Planning and Corporate Finance. Pursuant to a service agreement the Group pays fees to HKNSW for the following services:
    - Professional fees relating to taxation compliance, accounting and consulting services;
    - Financial planning fees and insurance commissions;
    - Help desk and technical training support services;
    - Occupancy and infrastructure services; and
    - Administration services.

(b) Movements in carrying amounts

	2017	2016
	$'000	$'000
Carrying amount at the beginning of the financial year	**6,207**	5,543
Acquisition of ownership interest	**150**	683
Transferred in from investments	**-**	164
Share of profits or losses after income tax – refer (c) below	**963**	611
Reclassification of Law Central to consolidated entity	**(772)**	-
Amortisation of separately identifiable intangible assets	**(238)**	(255)
Dividends received	**(443)**	(539)
Carrying amount at the end of the financial year	**5,867**	6,207

(c) Share of associates' profits or losses

Profit before income tax	**1,375**	873
Income tax expense	**(412)**	(262)
Profit after income tax	**963**	611

11. EQUITY ACCOUNTED INVESTMENTS (continued)

(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.

	Law Central		First Financial		HKNSW	
Summarised statement of financial position	**30 June 2017 $'000**	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Current assets	**-**	**81**	**3,954**	2,718	**2,879**	2,172
Non-current assets	**-**	**358**	**10,719**	10,465	**3,752**	3,484
Current liabilities	**-**	**(136)**	**(3,086)**	(2,636)	**(1,014)**	(1,288)
Non-current liabilities	**-**	**(22)**	**(1,548)**	(1,615)	**(227)**	(234)
Net assets	**-**	**281**	**10,039**	8,932	**5,390**	4,134
Summarised statement of comprehensive income						
Revenue	**125[1]**	**290[2]**	**13,031**	12,740	**7,127**	6,712
Profit from operations after income tax	**(14)[1]**	**(68)[2]**	**2,478**	1,461	**1,080**	790

1. Results are up to the end of 29 August 2016 at which point the Group ceased equity accounting and commenced consolidating after ownership interest increased to 56.0%.
2. Results are from commencement of equity accounting on 1 February 2016.

12. PLANT AND EQUIPMENT

Year ended 30 June 2017	**Office equipment $'000**	**Furniture & fittings $'000**	**Total $'000**
Net carrying amount as at 1 July 2016	134	-	134
Additions	97	25	122
Depreciation charge	(61)	(3)	(64)
Net carrying amount as at 30 June 2017	170	22	192
At 30 June 2017			
Cost	471	90	561
Less accumulated depreciation	(301)	(68)	(369)
Net carrying amount	**170**	**22**	**192**

12. PLANT AND EQUIPMENT (continued)

Year ended 30 June 2016	Office equipment $'000	Furniture & fittings $'000	Leasehold improvements $'000	Total $'000
Net carrying amount as at 1 July 2015	62	13	3	78
Additions	104	-	-	104
Disposals	(1)	(11)	(3)	(15)
Depreciation charge	(31)	(2)	-	(33)
Net carrying amount as at 30 June 2016	134	-	-	134
At 30 June 2016				
Cost	283	33	-	316
Less accumulated depreciation	(149)	(33)	-	(182)
Net carrying amount	**134**	**-**	**-**	**134**

13. INTANGIBLE ASSETS

Year ended 30 June 2017	Client lists & relationships $'000	Goodwill $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2016	1,269	9,054	206	10,529
Additions	311	3,035	366	3,712
Reclassification	-	-	83	83
Disposal	-	-	(68)	(68)
Amortisation charge	(205)	-	(91)	(296)
Net carrying amount as at 30 June 2017	1,375	12,089	496	13,960
At 30 June 2017				
Cost	2,484	12,089	587	15,160
Less accumulated amortisation	(1,109)	-	(91)	(1,200)
Net carrying amount	**1,375**	**12,089**	**496**	**13,960**

Year ended 30 June 2016	Distribution rights $'000	Client lists & relationships $'000	Goodwill $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2015	2,793	3,104	9,263	-	15,160
Additions	-	50	-	206	256
Disposal	-	(1,312)	(209)	-	(1,521)
Amortisation charge	-	(173)	-	-	(173)
Impairment	(2,793)	(400)	-	-	(3,193)
Net carrying amount as at 30 June 2016	-	1,269	9,054	206	10,529
At 30 June 2016					
Cost	-	2,173	9,054	206	11,433
Less accumulated amortisation	-	(904)	-	-	(904)
Net carrying amount	**-**	**1,269**	**9,054**	**206**	**10,529**

13. INTANGIBLE ASSETS (continued)

Impairment testing
The Group tests the carrying amount of goodwill and other intangible assets for impairment on an annual basis or where there has been an indication that an asset may be impaired.

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.

Goodwill is allocated to the Group's cash generating units (CGUs) identified at the time of each business combination. To date each business combination has consisted of one CGU and is unique to one segment. A segment-level summary of the goodwill allocation is presented below:

	2017	2016
	$'000	$'000
Distribution services	**12,089**	9,054

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**	
	2017	2016	**2017**	2016	**2017**	2016
	%	%	**%**	%	**%**	%
Wealth and asset management	**(20.0) - 5.0**	(20.0) - 5.0	**5.0**	5.0	**11.5**	11.5
Distribution services	**5.0**	5.0	**5.0**	5.0	**11.5**	11.5

The above growth rate assumptions are applied to 2018 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2017, the Group conducted impairment tests on all cash generating units and concluded that the carrying amounts are all adequately supported by their recoverable amount.

During the year ended 30 June 2016, the Group conducted impairment tests resulting in the impairment of two assets:

(i) Easton Asset Management distribution rights were impaired in full following a termination notice dated 18 May 2016 of the Harmony Distribution Agreement effective 31 August 2016. An impairment charge of $2,792,950 was recognised in the statement of comprehensive income.

(ii) Easton Wealth Protection holds a risk book which was impaired following an assessment of recoverable amount using projected cash flows. Prior to the impairment charge, the risk book had a carrying amount of $899,317 which required cashflows in the high range of those considered likely. Accordingly, the directors agreed to apply an impairment charge of $400,000 to align the carrying amount with its estimated recoverable amount both on a value in use and fair value basis.

14. TRADE AND OTHER PAYABLES

	2017	2016
	$'000	$'000
Current		
Trade payables	**877**	548
Other payables and accruals	**743**	2,098
Carrying amount of trade and other payables	**1,620**	2,646

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 represents a reasonable approximation of their fair value.

15. PROVISIONS AND EMPLOYEE BENEFITS

	2017	2016
	$'000	$'000
Current		
Provision for annual leave	**246**	138
Provision for long service leave	**140**	20
Provision for audit and tax fees	**89**	79
	475	237
Non-current		
Provision for long service leave	**72**	87

16. BORROWINGS

The Company has a $5,000,000 undrawn facility that was executed in March 2016 which is secured by a limited guarantee and indemnity provided by all wholly owned entities in the Group supported by general security agreements over all assets and undertakings of those entities. The facility has a 3 year term and payments are made on an interest only basis.

Compliance with loan covenants
The Group has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods. Under the terms of the $5,000,000 facility, there is one covenant being Debt to EBITDA. The ratio is applied on a consolidated Group EBITDA basis and is not to be less than 2.5 times.

Approval for additional facility
On 23 June 2017, the Company received an approval to extend on similar terms, the current $5,000,000 Westpac facility to $10,000,000 for the purposes of funding the GPS Acquisition. At balance date, no agreements have been executed in relation to this offer. Refer to note 30 for update on executed documents and GPS Acquisition.

Loan facilities

	2017	2016
	$'000	$'000
Bank loan facilities	**5,000**	5,000
Amount utilised	**-**	-
Unused loan facility	**5,000**	5,000

17. PROVISION FOR CONTINGENT CONSIDERATION

	2017	2016
	$'000	$'000
At 1 July:		
Current	466	561
Non-current	-	311
Additions during the year at fair value	**555**	-
Fair value adjustments during the year	**34**	94
Payments/agreed payable	**(611)**	-
Write back of contingent consideration	**(31)**	(500)
Provision for contingent consideration	**413**	466

The Group has recorded contingent consideration on the purchase of Panthercorp and Hayes Knight Referral Services at fair value. This contingent consideration is a level 3 financial liability within the fair value hierarchy.

The valuation technique used to fair value the provision for contingent consideration is based on the present value of expected future cash flows, and when material, discounted at a rate of 15%. If the discount rate changed by +/- 1% (100 basis points), assuming all other variables held constant the effect on pre-tax profit would not be material.

During the current year, contingent consideration was recognised as part of the total purchase price of Panthercorp on 31 August 2016. There are two components to contingent consideration potentially payable during the first 12 month period from acquisition date. The first component was payable in instalments upon the collection of debtors up to 30 June 2017, that were in excess of 60 days outstanding at acquisition date for $142,468. The second component is payable up to $412,500 upon achieving a revenue performance hurdle for the 12 month period after acquisition date which is subject to a sliding scale.

At 30 June 2017, the contingent consideration for Panthercorp has been adjusted down by $31,429 being the amount of acquisition 60+ day debtors that remain outstanding at 30 June 2017 after collecting and agreeing to pay to the vendors $111,039. The second component of contingent consideration of $412,500 remains outstanding as it is probable that the revenue performance hurdle will be achieved.

During the current year, the third and final tranche of $500,000 was paid to the vendors of the Hayes Knight Referral Services business. The first and second of three potential contingent consideration instalments of $500,000 were previously forfeited because the business did not meet the performance hurdles for the 12 month periods ending 31 January 2015 and 2016 respectively.

18. OTHER LIABILITIES

	2017	2016
	$'000	$'000
Deferred revenue	**804**	302

19. CONTRIBUTED EQUITY

(i) Issued and paid up capital

	2017	2016
	$'000	$'000
Ordinary shares fully paid	**18,629**	18,629

(ii) Movements in ordinary share capital

		Number of Shares	**$'000**
Year ended 30 June 2017			
1 July 2016	Opening balance	28,400,330	18,629
30 June 2017	Balance	**28,400,330**	**18,629**
Year ended 30 June 2016			
1 July 2015	Opening balance	27,400,330	18,539
31 May 2016	Issue of ordinary shares on vested performance rights[1]	1,000,000	96
31 May 2016	Transaction cost on issue of ordinary shares	-	(6)
30 June 2016	Balance	28,400,330	18,629

1. On 31 May 2016, 1,000,000 ordinary shares were issued under the Easton Investments Limited Employee Share Ownership Plan to K White following the satisfaction of the vesting conditions for K White's performance rights which were approved at the Annual General Meeting on 29 November 2013.

(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

During the prior year there were 1,000,000 ordinary shares issued under the Easton Investments Employee Share Ownership Plan upon the vesting of performance rights. Refer to note 27.

(v) 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.

(vi) 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.

19. CONTRIBUTED EQUITY (continued)

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 2017 and 30 June 2016 were as follows:

	Notes	**2017 $'000**	2016 $'000
Total borrowings	16	**-**	-
Add: cash and cash equivalents	8	**2,641**	3,941
Net cash and borrowings		**2,641**	3,941
Total equity		**20,832**	19,245
Total capital		**18,191**	15,304
Gearing ratio		**0.0%**	0.0%

20. RESERVES

	Share based payments reserve $'000	**Other reserve $'000**	**Total $'000**
Year ended 30 June 2017			
At 1 July 2016	13	25	38
Employee incentive plan	(13)	-	(13)
At 30 June 2017	**-**	**25**	**25**
Year ended 30 June 2016			
At 1 July 2015	241	25	266
Employee incentive plan	(228)	-	(228)
At 30 June 2016	**13**	**25**	**38**

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.

21. RETAINED EARNINGS

	2017	2016
	$'000	$'000
Balance 1 July	**578**	921
Profit/(loss) attributable to owners of the Company	**1,519**	(343)
Balance 30 June	**2,097**	578

22. NON-CONTROLLING INTERESTS

	2017
	$'000
Contributed equity	**123**
Retained profits	**(42)**
	81

(a) Summarised financial information

On 29 August 2016, the Group increased its equity interest in Law Central from 45.6% to 56% and accordingly ceased equity accounting and commenced consolidating all of its assets and liabilities and profit and loss with a non-controlling interest separately recognised. Set out below is summarised financial information for Law Central from the period of consolidation. The amounts disclosed are before intercompany eliminations.

Summarised statement of financial position	**30 June 2017**
	$'000
Current assets	**105**
Current liabilities	**(227)**
Current net liabilities	**(122)**
Non-current assets	**345**
Non-current liabilities	**(53)**
Non-current net assets	**292**
Net assets	**170**

Summarised statement of comprehensive income	**10 months to 30 June 2017**
	$'000
Revenue	**551**
Loss after tax for the period	**(95)**
Loss allocated to NCI	**(42)**
Dividends paid to NCI	**-**
Summarised cash flows	
Cash outflows from operating activities	**(21)**
Cash outflows from investing activities	**(1)**
Cash inflows from financing activities	**49**
Net increase in cash and cash equivalents	**27**

22. NON-CONTROLLING INTERESTS (continued)

(b) Transactions with non-controlling interests
The have been no transactions with non-controlling interests in Law Central, since the business combination outlined in note 23.

23. BUSINESS COMBINATIONS

(a) Panthercorp
On 31 August 2016, the Group acquired 100% of the issued share capital of Panthercorp CST Pty Ltd (**Panthercorp**). Panthercorp is a Perth based company specialising in the formation of new companies, trusts, SMFS and the provision of corporate registry services to the accounting profession. The acquisition represents another step in executing the Group's strategy to build a scaled distribution business in the accounting and financial services distribution channel.

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

(i) Purchase consideration:

	31 August 2016 $'000
Initial cash payment	**2,497**
Contingent consideration	**555**
	3,052

Details of contingent consideration is disclosed in note 17.

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

	31 August 2016 $'000
Cash	**99**
Trade debtors	**448**
Other current assets	**6**
Property, plant and equipment	**35**
Deferred tax asset	**24**
Trade payables	**(124)**
Provision for employee entitlements	**(74)**
Provision for taxation	**(48)**
Net identifiable assets acquired	**366**
Add:	
Client lists and brand names	**269**
Goodwill	**2,417**
Net assets acquired	**3,052**

Goodwill is attributable to the workforce, business processes and profitability of the acquired business. It will not be deductible for tax purposes.

(iii) Revenue and profit contribution:
The acquired company contributed revenues of $3,512,002 and net profit before tax of $317,101 to the Group for the period 1 September 2016 to 30 June 2017. If the acquisition had occurred on 1 July 2016, consolidated proforma revenue and net profit before tax for the year ended 30 June 2017 would have been $4,264,220 and $427,563 respectively. The Group's accounting policies have been applied to the new subsidiary from the date of acquisition.

23. BUSINESS COMBINATIONS (continued)

(b) Law Central

On 29 August 2016, the Group completed the acquisition of an additional 10.4% of the issued share capital of Law Central Co. Pty Ltd (**Law Central**), taking its total share holding to 56.0%. The additional shares were acquired from Panthercorp for $150,000 prior to the completion of the Panthercorp transaction. As a result of this transaction, the Group now has a controlling interest and accordingly, has commenced consolidating all of the assets and liabilities and profit and loss of Law Central with a non-controlling interest separately recognised for the remaining 44.0% of shares held by members outside the Group. Prior to this transaction, Law Central was recognised as an equity accounted investment.

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

(i) Purchase consideration:

	29 August 2016 $'000
Cash paid	**150**
Fair value of equity accounted investment in Law Central at acquisition date	**622**
	772

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

	29 August 2016 $'000
Cash	**6**
Trade debtors	**15**
Other current assets	**30**
Property, plant and equipment	**230**
Intangible assets:	
- Legal documents	**48**
- Client lists	**42**
- Brand names	**42**
Deferred tax asset	**21**
Trade payables	**(89)**
Provision for employee entitlements	**(64)**
Net identifiable assets acquired	**281**
Less: non-controlling interest	**(124)**
Add: goodwill	**615**
Net assets acquired	**772**

Goodwill is attributable to the workforce, business processes and strategic synergies of the acquired business with the Group. It will not be deductible for tax purposes.

(iii) Revenue and loss contribution:

The acquired company contributed revenues of $551,398 and a net loss before tax of $119,766 to the Group for the period 30 August 2016 to 30 June 2017. If the acquisition had occurred on 1 July 2016, consolidated proforma revenue and net loss before tax for the year ended 30 June 2017 would have been $676,614 and $140,092 respectively. The Group's accounting policies have been applied to the new subsidiary from the date of acquisition.

24. DISPOSAL OF SUBSIDIARY

Prior year disposal
On 30 October 2015, the Group disposed on its 52.2% controlling interest in Chesterfields Financial Services Pty Ltd (CFS) for cash proceeds of $1,174,000. A gain of $206,883 relating to the disposal has been recognised in the consolidated statement of comprehensive income during the prior year.

(i) Profit from the discontinued operation is analysed as follows:

	4 months to 30 October 2015 $'000
Loss after income tax	**(61)**
Gain on disposal of subsidiary	**207**
Net profit from discontinued operation	**146**

(ii) Summarised financial information

Summarised statement of financial position	**30 Oct 2015 $'000**
Current assets	**242**
Current liabilities	**380**
Current net assets	**(138)**
Non-current assets	**1,079**
Non-current net assets	**1,079**
Net assets	**941**
NCI	**500**
Equity attributable to owners of the Company	**441**
Total equity	**941**

Summarised statement of comprehensive income	**4 months to 30 October 2015 $'000**
Revenue	**494**
Loss before income tax	**(66)**
Income tax benefit	**5**
Loss after income tax	**(61)**
Loss allocated to NCI	**(9)**
Dividends paid to NCI	**-**
Summarised cash flows	
Cash inflows/(outflows) from operating activities	**(42)**
Cash inflows/(outflows) from investing activities	**-**
Cash inflows/(outflows) from financing activities	**100[1]**
Net increase/(decrease) in cash and cash equivalents	**58**

1. At the time of disposal, the Group made a loan to CFS for $100k to assist with working capital requirements during its transition out of the Easton Group. The loan was subsequently extinguished in lieu of settlement of a referral rights agreement which was terminated effective 30 June 2016.

24. DISPOSAL OF SUBSIDIARY (continued)

(iii) Details of the sale of CFS is as follows:

	30 October 2015 $'000
Cash consideration received	**1,174**
Add:	
Non-controlling interest	**500**
Net effect of reversal of referral rights agreement previously eliminated	**72**
Less:	
Net assets of standalone entity disposed	**(941)**
Intangibles on consolidation	**(598)**
Gain on disposal	**207**

25. CASH FLOW STATEMENT RECONCILIATION

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

	2017 $'000	2016 $'000
Net profit/(loss) after income tax	**1,477**	(352)
Adjustments for non-cash items:		
Gain on disposal of subsidiary	**-**	(207)
Gain on acquisition of subsidiary	**-**	(16)
Loss on disposal of plant and equipment	**1**	-
Depreciation	**64**	32
Amortisation	**474**	469
Impairment of separately identifiable intangible assets	**-**	3,193
Non-cash employee benefits expense – share-based payment writeback	**(13)**	(133)
Share of associates' net profit	**(963)**	(611)
Notional interest charge on present value of contingent consideration	**34**	94
Changes in assets and liabilities		
Decrease/(increase) in trade, other receivables and other assets	**1,315**	(382)
Decrease in deferred tax assets	**260**	70
(Decrease)/increase in trade and other payables	**(1,240)**	804
Increase/(decrease) in provisions and employee benefits	**85**	(449)
Increase in current tax liability	**110**	155
Decrease in deferred tax liability	**(23)**	(52)
Net cash flows from operating activities	**1,581**	2,615

25. CASH FLOW STATEMENT RECONCILIATION (continued)

(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:

	2017	2016
	$'000	$'000
Cash at bank (refer to note 8)	**2,641**	3,941

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:

		Proportion of ownership interest and voting power held (%)	
Subsidiary Name	**Country of incorporation**	**2017**	2016
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	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 Wealth Finance 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
Hayes Knight National Group Pty Ltd	Australia	**100.0**	100.0
Panthercorp CST Pty Ltd	Australia	**100.0**	-
Pandocs Pty Ltd	Australia	**78.0**	-
Law Central Co. Pty Ltd	Australia	**56.0**	-

26. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel compensation

	2017	2016
	$	$
Short-term employment benefits	**1,161,031**	1,659,379
Post-employment benefits	**69,096**	78,306
Termination benefits	**-**	167,189
Share-based payments	**(12,462)**	(133,363)
Total remuneration	**1,217,665**	1,771,511

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 27.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2017	2016
Transactions with associates[1]	**$**	$
Fees received from associates		
Distribution fees received – Law Central[2]	**4,319**	**14,213**

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).
2. Law Central ceased being an associate on 29 August 2016 when the Group acquired a controlling interest. (refer to note 23)

(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:

	2017	2016
	$	$
Current payables		
Entities controlled by key management personnel:		
- T&C Consulting Services Pty Ltd	**4,331**	-
- HKNSW	**84,134**	109,046
	88,465	109,046
Current receivables		
Entities controlled by key management personnel:		
- HKNSW	**-**	56,402

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

Expenses reimbursement

During the year, the Company paid $51,545 to Hayes Knight (NSW) Pty Ltd, a related party of JG Hayes and L Armstrong for the reimbursement of out of pocket expenses at cost incurred by JG Hayes in the course of fulfilling his duties for the Group (2016: $30,721).

26. RELATED PARTY DISCLOSURES (continued)

Services
During the year, the Group paid:

- $41,178 to PT Imperium Capital Pte Ltd, a related party of C Knox for office administration services up to 31 October 2016. (2016: $128,643); and
- $47,250 to T&C Consulting Services Pty Ltd, a related party of C Scarcella for services as a non-executive director (2016: $45,000).
- $14,900 to Hayes Knight (NSW) Pty Ltd for accounting services to Law Central for the 10 months since being part of the consolidated entity.

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 JG Hayes and L Armstrong:

- $231,610 for professional fees relating to specialist tax advice, accounting and consulting fees (2016: $199,320);
- $401,732 for financial planning and insurance commissions (2016: $292,695);
- $796,114 for help desk and technical training support (2016: $747,791);
- $359,751 for occupancy and infrastructure services (2016: $292,233); and
- $148,583 for administration services (2016: $111,046).

Revenue
During the year, the Group received from Hayes Knight (NSW) Pty Ltd, a related party of JG Hayes and L Armstrong:

- $18,676 for recovery of dealer group fees (2016: $17,676).

Hayes Knight NSW transaction
During the year ended 30 June 2017 the Group paid the third and final tranche of $500,000 to the vendors of the Hayes Knight Referral Services business. The first and second of three potential contingent consideration instalments of $500,000 had been forfeited in prior years. The vendors of the Hayes Knight Referral Services business are all current and former directors of Hayes Knight NSW Pty Ltd, including JG Hayes and L Armstrong who together received $305,550.

27. SHARE BASED PAYMENTS

(a) Employee share ownership plan
No shares, options, performance rights or any other equity instruments were issued under the Easton Investments Employee Share Ownership Plan (ESOP) during the year ending 30 June 2017.

During the current year, 500,000 performance rights which were granted on 1 January 2014 to C Knox were forfeited due to not meeting final vesting conditions. A write back to the consolidated statement of comprehensive income for $12,462 was recognised in the current year.

No further performance rights are outstanding to any company director or executive in the Group.

During the prior year, 1,000,000 ordinary shares were issued under the Easton Investments Limited Employee Share Ownership Plan to K White following the satisfaction of the vesting conditions for K White's performance rights which were approved at the Annual General Meeting on 29 November 2013. Vesting conditions for full entitlement included satisfying a 3 year employment term and the Company's volume weighted average share price (VWAP) exceeding for a minimum period of 30 consecutive days, a $1.50 per share threshold share price.

(b) Recognised share-based payment benefit
A share-based payment benefit of $12,463 was recognised during the year after the forfeiting of performance rights granted on 1 January 2014 due to not meeting final vesting conditions (2016: $133,363 benefit).

28. COMMITMENTS

(a) Lease commitments – the Group as lessee

The Group has one operating lease based on a rolling sub-tenancy with HKNSW with a six month notice period. The Group's head office, Knowledge Shop, Merit Wealth and Hayes Knight Referral Services businesses operate from the same premises under the same agreement.

(i) Payments recognised as an expense

	2017	2016
	$'000	$'000
Minimum lease payments	**484**	309
Sub-lease payments received	**-**	(12)
	484	297

(ii) Non-cancellable operating lease commitments

Not later than 1 year	**135**	22
Later than 1 year and not later than 5 years	**8**	-
Later than 5 years	**-**	-
	143	22

(b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2017 (2016: 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 2017 other than the provision for contingent consideration referred to in note 17 (2016: Nil).

30. EVENTS AFTER THE BALANCE SHEET DATE

GPS Acquisition

On 26 June 2017, a formal conditional agreement to acquire the equity interest of GPS IP Group Holdings Limited (**GPS Wealth**), from 4 majority shareholders representing 51% was executed. At the same time an offer was made to the remaining 43 minority shareholders, (**Minority Offer**) to acquire their equity interest on similar terms, (together the **GPS Acquisition**).

The Minority Offer was closed on the 28 July 2017 for which there was a 100% acceptance of the offer.

The GPS Acquisition was subject to approval at an Easton Extraordinary General Meeting held on 4 August 2017. At this meeting the Easton shareholders approved the issue of 6,451,636 Easton shares to the vendors of GPS Wealth.

Consideration payable for the GPS Acquisition is $20.0 million, payable 50% in cash ($10.0 million), and 50% in Easton shares at an issue price of $1.55 (6,451,636 Easton shares).

30. EVENTS AFTER THE BALANCE SHEET DATE (continued)

On 11 August 2017, the transaction with the 4 major shareholders was completed. A $4.6 million cash payment representing 45% of their share of the total purchase price was made as well as the issue of 3,268,406 Easton shares representing 50% of their share of the total purchase price. The balance of the cash component owing to the 4 major shareholders is expected to be settled in early September 2017 following meeting final conditions precedent.

Completion of the Minority Offer is expected in late August 2017.

At the time of signing this annual report, there is insufficient financial detail to complete the purchase price accounting for the GPS business combination which will be reflected in the next reporting period.

Finance Facility
On 23 June 2017, the Company received approval from Westpac Banking Corporation to increase its banking facility from $5.0 million to $10.0 million for the purposes of the GPS Acquisition. On 3 August 2017, the new finance agreement was executed on the following terms:

- Limit - $10 million
- Term - 3 years
- Security - GSA over Easton Investment Limited and wholly owned subsidiaries including GPS.
- Covenants:
    - Interest cover ratio - EBITDA/Gross Interest Expense greater than 4 times
    - Debt/EBITDA Ratio to be less than 3.5 times at half year end 31 December 2017, 2.5 times year end 30 June 2018.

On 11 August 2017, $3.0 million was drawn from the new finance facility to part settle with the 4 major shareholders of GPS Wealth with the remaining amount paid from existing cash reserves.

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:

	2017	2016
	$'000	$'000
Financial assets		
Cash and cash equivalents	**2,641**	3,941
Trade and other receivables	**1,373**	1,753
Total financial assets	**4,014**	5,694
Financial liabilities		
Trade and other payables	**1,620**	2,646
Contingent consideration	**413**	466
Total financial liabilities	**2,033**	3,112

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

(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 has also earnt 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. This exposure has been significantly reduced with the termination of the Harmony Distribution Agreement. 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 previously held the following financial instruments that are exposed to currency risk:

	2017	2016
	AUD$'000	AUD$'000
Cash and cash equivalents		
US dollar cash balances	**1**	404
UK pound sterling cash balances	**-**	373
EUR dollar cash balances	**-**	107
Total cash and cash equivalents	**1**	884

The Group was primarily exposed to changes in USD/AUD, GBP/AUD and EUR/AUD exchange rates when operating through the Harmony Distribution Agreement which was terminated effective 31 August 2016. Whilst a significant portion of the commission revenue was denominated in USD, GBP and EUR, corresponding commission expense payments were 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%:

	2017	2016
	AUD$'000	AUD$'000
USD/AUD exchange rate change by +10%	**36**	(13)
USD/AUD exchange rate change by –10%	**(44)**	16
GBP/AUD exchange rate change by +10%	**32**	(35)
GBP/AUD exchange rate change by –10%	**(39)**	43
EUR/AUD exchange rate change by +10%	**9**	(6)
EUR/AUD exchange rate change by -10%	**(12)**	7

31. FINANCIAL INSTRUMENTS (continued)

(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 2017	Weighted average interest rate %	Fair value level	Fixed interest rate $'000	Floating interest rate $'000	Non interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	0.4		-	1,776	865	2,641
Trade and other receivables	-		-	-	1,373	1,373
Available for sale investment	-		-	-	-	-
Financial liabilities:						
Trade and other payables	-		-	-	(1,620)	(1,620)
Contingent consideration	-	3	-	-	(413)	(413)
Net financial assets/(liabilities)			-	1,776	205	1,981

30 June 2016	Weighted average interest rate %	Fair value level	Fixed interest rate $'000	Floating interest rate $'000	Non interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	0.79		-	2,396	1,545	3,941
Trade and other receivables	-		-	-	1,753	1,753
Available for sale investment	-		-	-	-	-
Financial liabilities:						
Trade and other payables	-		-	-	(2,646)	(2,646)
Contingent consideration	-	3	-	-	(466)	(466)
Net financial assets/(liabilities)			-	2,396	186	2,582

31. FINANCIAL INSTRUMENTS (continued)

For the year ended 30 June 2017, 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 $20,858 higher/lower (2016: $23,958 higher/lower).

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 83% of trade receivables are within approved credit terms (2016: 95%). 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. Impairment is assessed on a case by case basis by referencing the individual circumstances causing counterparties to perform outside contracted terms. This might include referring to aging reports or from a counter party becoming insolvent.

(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.

31. FINANCIAL INSTRUMENTS (continued)

(f) 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 liabilities by level.

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

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

	2017	2016
	$'000	$'000
At 1 July	**466**	872
Additions during the year at fair value	**555**	-
Payments/payable	**(611)**	-
Fair value adjustments during the year	**3**	(406)
At 30 June	**413**	466

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 impact on pre-tax profit for the year would have been $nil as the contingent consideration relating to Panthercorp is expected to be settled within 12 months and has not been discounted. (2016: $5,347 lower/higher).

(g) Reconciliation of net financial assets to net assets

	2017	2016
	$'000	$'000
Net financial assets and liabilities as above	**1,981**	2,582
Non financial assets and liabilities	**18,851**	16,663
Net assets per statement of financial position	**20,832**	19,245

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

	2017	2016
	$'000	$'000
Current assets	**1,032**	2,467
Non-current assets	**17,738**	17,651
Total assets	**18,770**	20,118
Current liabilities	**488**	5,816
Non-current liabilities	**3,854**	1
Total liabilities	**4,342**	5,817
Net Assets	**14,428**	14,301
Contributed equity	**18,629**	18,629
Share option reserve	**-**	13
Accumulated losses	**(4,201)**	(4,341)
Total equity	**14,428**	14,301

(b) Summarised statement of comprehensive income

Profit/(loss) of the parent entity	**139**	(3,082)
Total comprehensive loss of the parent entity	**139**	(3,082)

(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.

33. 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.

	2017	2016
	$	$
(a) Pitcher Partners		
Audit and review of financial statements	**116,000**	116,000
Total remuneration of Pitcher Partners	**116,000**	116,000
(b) Non Pitcher Partners audit firms		
Audit and review of financial statements	**17,000**	12,000
Total remuneration of non-Pitcher Partners audit firms	**17,000**	12,000

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 30 to 82 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 2017 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 2017.

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

On behalf of the Board.

Kevin White
Chairman

Sydney
23 August 2017

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 Audit of the Financial Report

Opinion

We have audited the financial report of Easton Investments Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357
AND CONTROLLED ENTITIES

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Acquisitions resulting in a business combination Refer to Note 1(i); Note 13; Note 17; Note 23	
During the year ended 30 June 2017, the Group completed the following acquisitions which resulted in business combinations: ▪ Acquisition of 100% of the issued share capital of Panthercorp CST Pty Ltd (Panthercorp) for gross consideration of $3.052 million; and ▪ Acquisition of additional interests in Law Central Co. Pty Ltd (Law Central) for $0.15 million, resulting in a total shareholding of 56%. Inherent in the determination of a purchase price allocation are management judgement and estimation, which, require specific audit attention. Factors that have led to our inclusion of acquisitions resulting in business combinations as a key audit matter include, but are not limited to: ▪ The nature of complex terms and conditions within the relevant purchase and sale agreements; ▪ Consideration paid and intangible assets derived as a result of the purchase price allocation is significant and material at 30 June 2017; and ▪ Accounting for business combinations is a complex transaction, specifically, accounting for non-controlling interests, deferred consideration with performance hurdles, measurement and fair value determination of net assets at acquisition, and assessing management's allocation of intangibles assets between goodwill and separately identifiable intangible assets.	Our procedures included, amongst others: ▪ Identification of the key terms and conditions with reference to the signed sale and purchase agreement; ▪ Identification of assets and liabilities acquired, including those not previously brought to account by the acquiree and with reference to supporting documentation; ▪ Challenge of management's assumptions surrounding the measurement and fair valuation of assets and liabilities acquired; ▪ Challenge of management's assumptions surrounding the allocation of the purchase price between goodwill and separately identifiable intangible assets; ▪ Verification of other fair value assumptions, including consideration transferred, deferred consideration and non-controlling interest shares; ▪ Assessment of the adequacy of disclosures in respect of business combinations; and ▪ Completion of the procedures described under the Key Audit Matter '*Impairment of intangible assets*' included in this report.

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357
AND CONTROLLED ENTITIES

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

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets Refer to Note 1(j) & (n); Note 2; Note 13	
In assessing impairment of intangible assets, management have estimated the value in use for each cash generating unit (CGU), under the following segments: ▪ Wealth and asset management; and ▪ Distribution services. In addition to comparing the recoverable amounts to the carrying value of each CGU, management have performed sensitivity with respect of key inputs. As result of the assumptions and estimates made by management in determining the recoverable amount of each CGU, no impairment charge has been assessed for the year ended 30 June 2017. Factors that have led to our inclusion of impairment of goodwill as a key audit matter include, but are not limited to: ▪ Valuation of intangibles and assessment of impairment by management is subject to significant judgement and estimation risk regarding the assumptions and estimation risk, including but not limited to the discount rate, working capital estimate, estimated future cash flow and growth rates; and ▪ Intangible assets carried by the Group of $12.086 million are significant and material at 30 June 2017.	Our procedures included, amongst others: ▪ Assessment of the basis for which CGUs have been allocated including consideration of how management monitors performance for internal reporting purposes and the interdependency of associates included within each CGU; ▪ Assessment of the reliability of management's historical forecasting in comparison with actual performance; ▪ Challenge of management's forecast assumptions around future cash flow and growth rates with specific reference to historical and expected performance, market conditions and corroborating events; ▪ Assessment of sufficiency of working capital and capital expenditure inputs in calculating value in use; ▪ Performing sensitivity testing of management's value in use models with specific attention to the discount rate applied and probability of achievement of Board approved forecasts and growth assumptions; ▪ Evaluation by an expert of the sensitivity affected value in use models used in assessing impairment with particular regard to observable market benchmarks, and review of terminal value and discount rate; and ▪ Recalculation by an expert of discount rates with consideration of cost of capital and peer comparisons.

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357
AND CONTROLLED ENTITIES

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

Information Other than the Financial Report and Auditor's Report Thereon including Chairman's Statement, Managing Director's Report and Director's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357
AND CONTROLLED ENTITIES

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PITCHER PARTNERS

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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 27 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Easton Investments Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

B J BRITTEN
Partner

PITCHER PARTNERS
Melbourne

23 August 2017

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 2017.

(a) Distribution of equity securities

Ordinary share capital
As at 21 August 2017 there were 31,668,736 shares held by 405 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	31,663	162
1,001 - 5,000	165,320	55
5,001 - 10,000	356,386	45
10,001 - 100,000	3,574,511	94
100,001 - over	27,540,856	49
TOTAL	**31,668,736**	**405**

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

(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 date	Ordinary shares held Number	%
Ordinary shareholders			
Greg Hayes	14/08/2017	5,676,942	17.93
Kevin White (direct) + Kevin and Margaret White ATF <White Family Super Fund A/C>	01/06/2016	2,904,397	9.17
		8,581,339[1]	27.10

1. Shareholding as at 23 August 2017.

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION (continued)

(c) Twenty largest holders of quoted equity securities as at 21 August 2017

	Fully paid ordinary shares	
	Number	**Held %**
Ordinary shareholders		
Citicorp Nominees Pty Limited	3,575,838	11.29
Greg Hayes	2,932,072	9.26
ACN 098 682 556 Pty Ltd	2,444,445	7.72
Mr Kevin White & Mrs Margaret White<White Family Super Fund A/C>	1,574,224	4.97
Mr Peter Geoffrey Hollick	1,000,000	3.16
Mr Kevin White	1,000,000	3.16
Holman Corporation Pty Ltd <Holman Family Trust	990,852	3.13
RJM TC Pty Ltd <The McGregor Family Trust	911,133	2.88
Mr Grahame David Evans & Mrs Catherine Jane Evans	891,754	2.82
Craig Rosen	681,036	2.15
HP Capital Pty Ltd	666,667	2.11
J P Morgan Nominees Australia Limited	662,960	2.09
Mr Anthony Raymond White	563,495	1.78
HSBC Custody Nominees (Australia) Limited	554,710	1.75
Top Pocket Pty Ltd <Top Pocket Super Fund A/C>	533,334	1.68
Top Pocket Pty Ltd	530,400	1.67
Mr Alistair David Strong	500,000	1.58
Lisa Armstrong	447,600	1.41
Dixson Trust Pty Ltd	419,900	1.33
Mr Shane Anthony Bransby	416,904	1.32
Shane Anthony Bransby <Cote D'Azure A/C>	360,426	1.14
	21,657,750	68.40

(d) Restricted securities

As at 21 August 2017, there were 3,268,406 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 ordinary securities in the Company shall have one vote and upon a poll each ordinary security shall have one vote.