



**EASTON INVESTMENTS LIMITED**

**Annual Report**  
**for the year ended**  
**30 June 2018**

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

## **CORPORATE DIRECTORY**

### **Directors**

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

### **Joint Company Secretaries**

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

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

Level 2, 115 Pitt Street  
SYDNEY NSW 2000

### **Communications**

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### **Share Registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

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

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

### **Bankers**

Westpac Banking Corporation  
360 Collins Street  
MELBOURNE VIC 3000

### **Auditors**

Pitcher Partners  
Level 13, 664 Collins Street  
DOCKLANDS VIC 3008

### **Legal Advisers**

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

### **Annual General Meeting**

The Easton Investments Limited Annual General Meeting will be held on 21 November 2018. 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 our Company now enjoys a unique position in the Australian accounting and wealth sectors following the acquisition of GPS Wealth in the first half of the 2017/18 financial year.

Easton is the only listed company solely focused on providing integrated accounting and wealth solutions to the Australian market, with well established, scale businesses operating across and having prominent brands in both the accounting and wealth sectors.

In order to capitalise on this position, the Company's businesses were successfully restructured during the year into two core business streams (divisions) – Wealth Solutions and Accounting Solutions.

These two divisions together presently provide resources and support to over 3,000 accounting practices, circa 100 financial planning firms and around 600 licensed advisers and their clients nationally.

Our Wealth Solutions division is now ranked in the top 10 dealer (financial planning) groups in Australia by the number of advisers.

Our Accounting Solutions division, with Knowledge Shop as a primary component, continued to grow its subscriber base to over 950 accounting firms across Australia and provided training and professional development to more than 2,500 accounting practices nationally.

Knowledge Shop now offers the broadest range of training options to the accounting market, encompassing face-to-face, web-based, on-demand (KS IQ) and in-house training formats. KS IQ is a notable recent addition to our repertoire – whilst early days and still being developed, this innovative format is capable of delivering interactive, online training across a range of experience and competency levels, from graduates to business owners.

With the addition of our corporate document businesses, the reach of the Accounting Solutions division exceeds 3,000 accounting firms (or approximately 30% of the estimated market).

As a result of this positioning and with its well established and prominent brands, Directors believe that Easton has excellent growth prospects and is uniquely placed to lead the convergence of accounting and wealth solutions in Australia over coming years.

This convergence acknowledges that the accounting sector is a primary point of access to the wealth sector and that the wealth sector in Australia continues to rise exponentially on the back of the country's growing pool of superannuation and investment funds, including self-managed super funds.

### Financial Performance

The acquisition of GPS Wealth during the financial year has repositioned Easton with enhanced scale and prospects, as well as significantly strengthening its servicing capability in the wealth sector where Easton engages with both financial planners and accountants.

Group revenue increased to \$50.79m for the 12-months to 30 June 2018 (2017: \$17.23m), which underpinned a stronger operating result with Underlying Profit up 32% to \$4.36m (2017: \$3.31m).

The result was buoyed by an excellent 2<sup>nd</sup> half where Underlying Profit rose 37% to \$2.81m compared to the prior corresponding period as the anticipated earnings, synergies and operational efficiencies across the Wealth Solutions division emerged following the acquisition of GPS Wealth in August 2017.

The Accounting Solutions division also performed well during the year despite significant investment in future growth initiatives (principally KS IQ) in the training and professional development areas where Knowledge Shop holds a leading market position.

It is gratifying to have earnings growth back on track after a period of legacy issues which hampered momentum and distracted our strategic focus.

## CHAIRMAN'S STATEMENT (continued)

### Dividend Policy Initiated – Inaugural Dividend

It is especially pleasing to report that Directors have declared an inaugural (final) dividend of 2 cents per share, fully franked on the back of the Company's higher earnings and the outlook for further profit growth. This dividend will be paid to shareholders on 20 September 2018 with a books closing date of 3 September 2018.

Going forward, the broad intention is to maintain an on-going dividend under a policy which initially encompasses a pay-out ratio of between 20% and 30% of Statutory Profit. This policy is expected to provide the Company with sufficient retained earnings to achieve its organic growth targets, but will be subject to annual review having regard to prevailing circumstances and cash demands to sustain and grow our businesses.

### Outlook

Directors remain positive about Easton's strategic direction, its market position and its growth prospects over the next 12 months and beyond given the number of significant growth opportunities currently available to the Company across both operating divisions.

In summary, the Company is well positioned to grow strongly in future years as it executes its plan to:

- ✦ Increase the number of accounting practices that engage with Knowledge Shop as full service, subscriber firms
- ✦ Increase training and professional development to the accounting sector, with a core focus on online and on-demand training
- ✦ Grow the Company's corporate document businesses, Panthercorp and Law Central
- ✦ Increase the number of financial planners and accountants operating under its licensed entities, as well as enhancing the interaction between advisers and accountants
- ✦ Broaden the CARE investment solution which performed strongly during 2017/18 with funds under management rising almost 50% to \$938m at year end, and
- ✦ More generally, leverage and capitalise on its unique position in the accounting and wealth sectors with an integrated, solutions-based approach to capture and instigate opportunities as these sectors continue to converge over time.

Over the next 12 months, the Wealth Solutions division in particular is expected to achieve higher earnings given the benefit of a full year contribution from GPS Wealth, coupled with the benefit of cost synergies progressively realised across that division over the last 10 months. CARE is also expected to make an increased contribution given its elevated base at 1 July 2018.

On the regulatory front, major changes in education requirements for advisers are scheduled to come into force on 1 January 2019 (being generally referred to as the FASEA legislation). These changes will have far reaching ramifications and are likely to strengthen demand for licensing leading up to the cut-off date. Easton is well positioned to benefit from increased business activity which may emerge from this regulatory change.

At an industry level, the current Royal Commission into misconduct in the banking, superannuation and financial services industry is already having an industry wide impact with an emerging trend for advisers to move away from larger, affiliated groups. GPS Wealth is well positioned to benefit from this trend given that it is a scale business with a strong market presence and profile, underpinned by a leading support capability in the form of client engagement tools, training and coaching, online research, investment and platform support, together with essential licensing services. At the same time however, Directors are mindful that as a result of the Royal Commission there is likely to be an increased regulatory oversight across the banking and financial services sectors, with a resultant impact on most if not all licensees.

With the integration of the GPS Wealth business largely completed, the Company will continue to remain alert to strategic acquisition opportunities over the year ahead, although the primary focus will be on organic growth given the earnings potential on the back of regulatory and industry changes, business growth, operational improvement and internal leverage.

## CHAIRMAN'S STATEMENT (continued)

### Share Price Performance

I am generally reluctant to comment on the Company's share price as it is not something that Directors can control, other than indirectly through Company performance.

However, given that Easton's share price has fallen quite significantly over the last 12 months, I feel that comment is warranted on this occasion.

There are a number of factors that have weighed on Easton's share price, some of which are Company related and some of which are sector or industry related.

At a Company level, I would draw attention to the following factors:

- Earnings growth has been interrupted in the last 2 years as noted above as a result of one-off factors relating to business simplification, divestment and discontinuation of legacy, non-core businesses. These factors, while regrettable but sensible and prudent from a longer-term perspective, are now behind us and we can confidently look to more predictable and more consistent earnings growth going forward. This outcome has allowed Directors to initiate a dividend policy and declare an inaugural dividend. This in turn makes Easton a yield, as well as a growth stock and arguably more attractive to a section of the market.
- Earnings growth has also been impacted by the lack of growth in certain of the Company's business units, in particular Law Central and Merit Wealth. In the case of Law Central, which has contributed relatively small losses over the last 2 years, slower than expected sales of online corporate documents has resulted in a lower than anticipated improvement in performance in the current year (although Knowledge Shop separately benefits from an attractive commission arrangement with Law Central). Increased focus has been given to this business in recent months and Directors remain confident that it is capable of becoming an important contributor over time given that more than 600 Knowledge Shop member firms are presently registered with Law Central and a new help-desk subscription service has been introduced. In the case of Merit Wealth, Directors are continuing to assess the most effective way to maximise the engagement of accountants and advisers where the Company has an active relationship following the termination of 3 Referral Rights Agreements during the year.
- There has been a degree of market uncertainty and perceived risk attaching to the acquisition of GPS Wealth, which represented a relatively large investment by the Company and which relied on a major uplift in earnings, together with the realisation of substantial synergies and operational efficiencies to generate the desired return on capital. As pointed out above, the GPS Wealth acquisition has already proven to be a successful and transformational transaction for the Company, as well as enhancing Easton's future opportunities and potential in an industry sector which is likely to experience significant adjustment and reform over coming years.
- As a microcap with limited liquidity, the above three factors have had an especially pronounced impact on market support for the Company. This is expected to change over time as the Company performs, as it continues to grow both organically and by acquisition and as the market begins to appreciate Easton's intrinsic value as a unique business in the financial services sector.

At a sector or industry level, the Royal Commission and related adverse media coverage has created a high level of negative sentiment towards the banking and financial services sectors, with a number of leading listed companies in our sector being impacted and re-rated by the market. At the same time, the Royal Commission has created a level of business uncertainty and concern which will linger until industry findings are finally handed down. Some companies, such as the major Banks and AMP, have already reacted, but it is highly likely that further substantive change is afoot and the current situation is undoubtedly a watershed period for the wealth sector.

Whilst outcomes are unknown at this early stage of proceedings, on balance, Easton is well positioned to benefit from the changes that are generally expected to emanate from the Royal Commission as a highly regarded service provider to advisers, accountants and their clients. As noted above, regulatory changes are also likely to add to the mix of opportunities that Directors reasonably expect will open up to Easton, albeit in an environment with more stringent surveillance and monitoring by regulators.

## CHAIRMAN'S STATEMENT (continued)

Like all shareholders, Directors are disappointed with the performance of the Company's share price, but we firmly believe and are confident that the Company is on the right path to creating sustainable value for our shareholders. We remain diligent and focused on things that we can control and which are likely to influence the Company's share price, namely underlying performance and results.

### **Acknowledgements**

I would like to acknowledge the valuable contribution made by my colleagues on the Board during the year, but especially Greg Hayes, our Managing Director, and Grahame Evans, Head of our Wealth Solutions division. Both work tirelessly and are 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 excellent growth prospects that exist at year end, as noted above, Directors are disappointed with the performance of Easton's share price over the last 12 months.

As significant investors in the Company, please rest assured that Directors remain focused on creating value for our shareholders. To this end, we re-affirm that we plan to continue to grow earnings, operating cash flow and return on capital as we leverage the value of Easton's unique position in the financial services sector. We believe that this approach, coupled with a selective, accretive acquisition strategy, will result in a re-rating of the Company on the basis of investment fundamentals and a resultant up-lift in share price over time.



**Kevin White**  
**Chairman**

Sydney  
20 August 2018

## MANAGING DIRECTOR'S REPORT

The Company resumed its growth path in the 2018 financial year. Both our Accounting Solutions and Wealth Solutions divisions experienced growth. Wealth in particular benefited significantly from the acquisition of GPS Wealth in August 2017.

Our move to position the Company into two clear divisions – Accounting Solutions and Wealth Solutions, reflects our view that accounting and wealth will continue to converge. Easton is the only listed company focused solely on providing integrated accounting and wealth solutions to the Australian market.

The current environment in which we operate, provides us with both challenges and opportunities. The Accounting and Wealth markets both face significant change which is influenced by:

- Disruption through technology
- Regulatory review
- Education requirements
- Succession

These, together with other factors are likely to drive the convergence of accounting and wealth over the coming years. As an integrated service provider to both of these markets the Company seeks to assist accountants and advisers through this change process and be a leading supplier of support services. The 2018 year saw a continuation of this journey.

### Overview

Statutory profit improved to \$1.77m (2017: \$1.48m). Underlying Profit of \$4.36m increased by 32% (2017: \$3.31m).

Our Accounting Solutions division contributed Underlying Profit of \$3.07m (2017: \$2.82m). The major contributor to this was Knowledge Shop with its continuing growth in membership and training activities.

Our Wealth Solutions division contributed Underlying Profit of \$3.07m (2017: \$1.95m). Part year earnings contribution from GPS Wealth underpinned this growth.

Corporate costs were tightly controlled but increased to \$1.78m (2017: \$1.46m) as the Company put in place infrastructure necessary to manage the expanded business and activities.

Revenue from continuing operations increased to \$50.79m (2017: \$17.23m). The main contributor to revenue growth was the part year contribution from GPS Wealth. This business has a different revenue profile to the other Easton businesses due to its large adviser base and where adviser generated income is substantially paid to advisers after the company charges its dealer service fee.

The Company finished the year in a sound financial position. Our treasury function sweeps operating cash flow from our business units and offsets this against the continuing \$10 million credit line drawn down in 2017 to assist with the acquisition of GPS Wealth. At year end our net debt position, bank debt less cash, was \$6.78m. The balance of the facility that is undrawn provides sufficient cash reserves for operations.

### Accounting Solutions

This division includes Knowledge Shop, our two document businesses Panthercorp and Law Central together with our minority interest in the Hayes Knight (NSW) accounting practice.

Knowledge Shop continued to perform strongly in the 2018 year. The number of accounting firms engaged with the company grew by 13%. There was steady growth in membership and training hours delivered increased by 17%.

Significant time and resources were applied to the ongoing development of KS IQ, our on demand, interactive video based training product. This training format is the first of its kind for small and medium accounting practices and offers them measurable competency based training for all levels of experience. In the second half of 2018 we released the Intermediate program followed later in the year by the Principal program. Each program has ten training modules and offers the market self paced learning. There has been a positive reaction to this training format.

In January 2018 Knowledge Shop acquired a controlling interest (65%) in Taxbytes, a well regarded training company for accountants. The addition of Taxbytes provides Knowledge Shop with the broadest range of training formats in the accounting market. These include:

- Full day and half day group face to face training
- Webinars
- In office group training
- Interactive video based training

## MANAGING DIRECTOR'S REPORT (continued)

Across these formats Knowledge Shop delivered 37,632 training hours for the year. The breadth of formats offered allow accounting firms to mix and match training solutions appropriate for their teams. The provision of web-based training is particularly valuable to regional firms allowing them to access high quality training without the attendant time and cost of travel.

The development of KS IQ will continue with the completion of the Graduate and Senior program. From there the company will move to the development of specialist streams. This will likely broaden its market reach.

The document businesses, Panthercorp and Law Central, had a flat year with no material growth. This in part was caused by a contraction in the overall market during the 2018 year, together with a slower than anticipated engagement of moving accountants to online delivery formats.

Work was completed to realign cost structures. This will continue into the 2019 year, with the two businesses co locating into the same premises.

In the 4<sup>th</sup> quarter a change was made in the Law Central business model to include a subscription service, Law Central Plus. This provides accountants with a limited help desk service, access to webinars on legal issues together with newsletter and pricing benefits. Initial reaction to this service has been quite positive. Continued growth is expected over the 2019 year with this service also increasing engagement by accountants with Law Central's range of corporate documents.

Combined, our Accounting Solutions division now engages with more than 3,000 accounting firms across Australia. These firms are either members of Knowledge Shop, buy training or purchase documents from Panthercorp or Law Central. Whilst some of these firms only deal with us for one of our services, there is a strong and growing trend of firms engaging with us across the product range.

Hayes Knight (NSW), in which we hold a minority interest (33%) did not grow earnings but provided an increased dividend flow to the Company.

### Wealth Solutions

This division includes our two licensed entities, GPS Wealth and Merit Wealth, together with our minority interest in the First Financial wealth business.

The division was significantly strengthened by the acquisition of GPS Wealth in August 2017 and made a commensurately higher contribution to earnings.

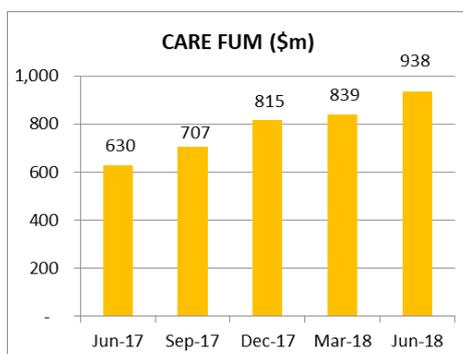
Upon completion of this acquisition the Company embarked on a 'First 100 days' program to extract the synergy savings out of the GPS Wealth and Merit Wealth businesses. The objective has been to maintain two strong brands in the market place - GPS Wealth and Merit Wealth - but to bring together the back office services into a single delivery point. This restructure was substantially completed by early 2018 with continued fine tuning over the balance of the year.

The restructure has delivered the synergy savings anticipated at the time of the acquisition. Further savings should flow into the 2019 year.

Overall adviser numbers grew by 8% for the year with 574 advisers under our AFSLs. In addition, there were a further 53 advisers under application and in transition to either the GPS Wealth or Merit Wealth licence at year end.

The combined position places the Company in the top 10 Dealer Groups by adviser numbers. This is an exciting growth path providing capacity and scale to build a significant wealth business.

The CARE investment philosophy, delivered through a portfolio of Managed Accounts grew strongly through the year.



## MANAGING DIRECTOR'S REPORT (continued)

Growth in funds under CARE grew by 49% to \$938m. CARE uses leading fund managers including Vanguard, iShares, State Street and Standard & Poors Global to build client portfolios tailored to client risk profiles and objectives.

Earnings contribution from Merit Wealth was flat for the year. The company achieved an increase in fees from its Limited Authorised Representative (LARs). This was offset however, by no contribution from new Referral Rights Agreements and with three agreements being terminated during the year. This was disappointing and unexpected, with the flow through impact on earnings and cashflow. As the wealth division restructures we continue to work on the most effective ways to maximise the engagement between advisers and accountants.

The single delivery point resourcing for Merit Wealth and GPS Wealth has resulted in more efficient deployment of resources and has allowed some of the additional capacity built into Merit Wealth to be streamlined whilst maintaining service standards. This includes certain one-off costs incurred to settle in and establish the LARs population.

The education changes and entry requirement to be a financial adviser, effective from 1 January 2019 and being introduced by the Financial Adviser Standards and Ethics Authority (FASEA) has caused an acceleration in accountants electing to become a LAR. There was a noticeable increase in both enquiry and applications from accountants seeking Limited Authorisation, during the last quarter of the year. The Company has ended the year with a strong pipeline of prospects to increase our LARs population.

First Financial Pty Ltd, in which we hold a minority interest (25%) had a solid year, providing the Company with an increased dividend flow.

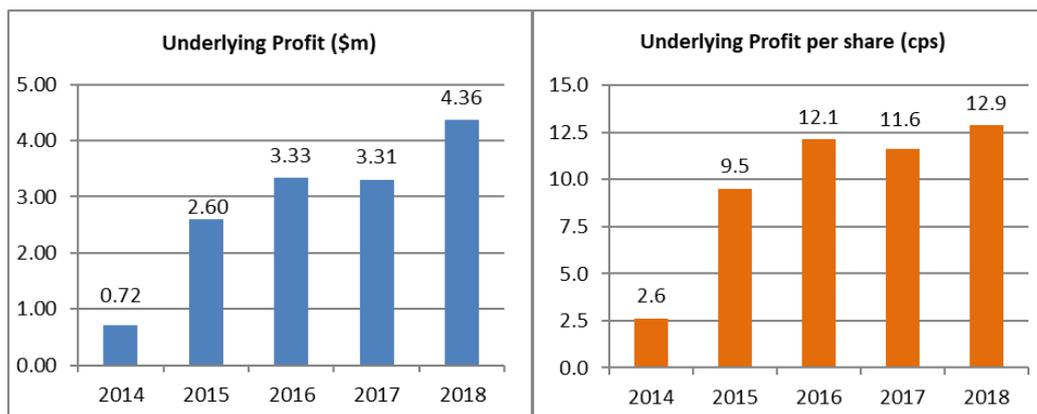
### Financial Performance

Statutory Profit (being net profit after tax) increased to \$1.77m (2017: \$1.48m), up 20%.

Underlying Profit increased to \$4.36m (2017: \$3.31m), up 32%.

The Company uses Underlying Profit, which is an unaudited, 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 12 for a reconciliation to Statutory Profit.

Underlying Profit per share increased to 12.9 cents per share (2017: 11.6 cents) up 11%.



As in previous years the Company continues to have a strong bias to 2<sup>nd</sup> half earnings contribution. This was at 64% for the 2018 year, being elevated by the part year only contribution from GPS Wealth and to a lesser extent the acquisition of Taxbytes in January 2018. The 2<sup>nd</sup> half earnings bias will continue into the coming year reflective of a number of our business units where there is a material business bias to the 2<sup>nd</sup> half together with the continuing growth of the Company.

Underlying Profit	2018	2017	Increase
	(\$m)	(\$m)	(%)
1 <sup>st</sup> Half	1.55	1.26	23
2 <sup>nd</sup> Half	2.81	2.05	37
<b>Full Year</b>	<b>4.36</b>	<b>3.31</b>	<b>32</b>

## MANAGING DIRECTOR'S REPORT (continued)

### Our Expectations Going Forward

The Company enters the new financial year with an expectation of continued growth in overall business and earnings.

In the Wealth Solutions division, a full year contribution from GPS Wealth should provide higher earnings, together with the benefit of the synergy savings put in place during 2018.

Growth is also expected to come from increasing adviser numbers, including LARs. Both full and limited advisers will benefit from the enhanced dealer services offered by the Company with a continuing focus on both the delivery of high quality client advice, together with ongoing business improvement for our advisers. The current regulatory environment only serves to increase our focus on improving both the quality and delivery of advice through our market.

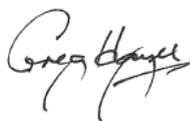
In the Accounting Solutions division, Knowledge Shop will continue to grow membership and training services. In particular we will continue to invest in the development of KS IQ to provide an expanded library of programs for the accounting profession. Once completed, focus will move to the development of specialist learning streams, which will include superannuation and SMSF. This should allow the Company to broaden its market and provide a compelling training offer to financial advisers. This will be one of the service solution elements supporting the convergence of accounting and wealth.

The division is also expected to benefit from a full year contribution from Taxbytes, together with increased market engagement with our document businesses, including the recently introduced subscription service.

Our focus remains strongly on organic growth and where there are a number of opportunities for the Company to expand and extend its service capability. Nonetheless we are mindful of the value of strategic acquisitions and where growth opportunities can be accelerated. The Company continues to look at selective and strategic acquisition opportunities particularly where they support the convergence trend across accounting and wealth.

The Company enjoys a strong and stable management team. The input of that management team is invaluable and increasingly identifies and promotes areas where value can be enhanced in the Company. Beyond the management there is a team of experienced and enthusiastic professionals across a wide range of disciplines who support and promote the direction of the Company.

The business environment in which we operate is not without its challenges. Some of these challenges flow from the speed of change that is occurring. These challenges also present continuing opportunities and the Company is well placed to execute on these opportunities. Strengths across the accounting and wealth space positions Easton uniquely in these markets and provides the opportunity to significantly grow the value of the Company.



**Greg Hayes**  
**Managing Director**  
20 August 2018

## 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 2018, and the audit report thereon.

### DIRECTORS

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

- Kevin W. White
- Rodney Green
- John G. Hayes
- Carl F. Scarcella
- Grahame D. Evans (appointed 24 August 2017)

### PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group was the provision of integrated accounting and wealth solutions to the Australian market.

### RESULTS AND DIVIDENDS

The statutory net profit after tax of the Group for the year ended 30 June 2018 was \$1,771,839 (2017: \$1,476,588).

The directors have declared the payment of an inaugural, fully franked final dividend of \$697,039 (2 cents per share). This dividend has a record date of 3 September 2018 and is to be paid on 20 September 2018.

### REVIEW OF OPERATIONS

Operating revenue from ordinary operating activities increased to \$50.79 million, up from \$17.23 million in the previous year, a rise of 195% which was largely attributable to the acquisition of GPS Wealth on 11 August 2017.

#### 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 other intangible assets.

Underlying Profit increased by 32% to \$4.36 million on the back of a stronger 2<sup>nd</sup> half where Underlying Profit rose by 37% to \$2.81 million as the anticipated earnings, synergies and operational efficiencies across the Wealth Solutions division emerged following the acquisition of GPS Wealth in the 1<sup>st</sup> half.

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

Earnings performance	2018	2017	Increase
	(\$'000)	(\$'000)	(%)
Operating revenue from ordinary operating activities	50,788	17,230	195
Statutory net profit after tax <sup>1</sup>	1,772	1,477	20
<b>Underlying Profit <sup>2</sup></b>	<b>4,361</b>	<b>3,306</b>	<b>32</b>

1. Net Profit After Tax includes profit attributable to Non-controlling Interests. Profit attributable to members is \$1,868k (2017: \$1,519k).

2. Underlying Profit is an unaudited, 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.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

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

	30 June 2018	30 June 2017
	\$'000	\$'000
<b>Normalised EBITA for the year</b>	<b>4,361</b>	3,306
Add/(deduct) normalisation adjustments:		
Equity accounted adjustments for interest, tax and amortisation <sup>1</sup>	(209)	(483)
Restructure and acquisition costs	(269)	(225)
Net loss on disposal of intangible assets	(154)	(70)
Prior year revenue adjustment	(37)	(21)
Write back of contingent consideration	-	31
Share based payments benefit	-	13
<b>Statutory EBITA for the year</b>	<b>3,692</b>	2,551
Deduct: Amortisation	(833)	(474)
Net interest expense	(431)	(41)
Notional interest on contingent consideration	-	(34)
<b>Statutory operating profit before tax for the year</b>	<b>2,428</b>	2,002
Income tax expense	(656)	(525)
<b>Statutory profit after tax for the year</b>	<b>1,772</b>	1,477
Deduct: Net loss attributable to Non-controlling interests	(96)	(42)
<b>NPAT attributable to members</b>	<b>1,868</b>	1,519

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 allows wholly owned and partially owned businesses to be compared on a like for like basis. In addition to gross up adjustments, in 2018 First Financial sold its Lending and Finance division and recognised a \$1.26 million gain on sale which the Group's 25% share has been excluded from normalised EBITA. Equity accounting ceased for Law Central after 29 August 2016 at which time the Group took a controlling interest and the results were consolidated thereafter.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

#### Analysis by segment

During the year, a strategic review of the reportable segments was undertaken following the acquisition of GPS Wealth. Reporting segments have been recategorised into two business segments (divisions) to shift focus to who the Group's direct customers are, rather than the products provided to the end user. Broadly the Group provides solutions to wealth advisers (**Wealth Solutions**) and solutions to accounting practices (**Accounting Solutions**). It is recognised that there is a strong trend emerging with the convergence of the wealth and accounting sectors. This puts the Group in a strong strategic position with a portfolio of businesses operating in both sectors that are able to provide integrated services to accountants and advisers.

Comments on each of these segments are set out below.

#### 1. Wealth Solutions

The Group's Wealth Solutions division at financial year end is composed of:

- GPS Wealth Ltd (**GPS**) – 100%
- Merit Wealth Pty Ltd (**MW**) – 100%
- Hayes Knight Referral Services Pty Ltd (**HKRS**) – 100%
- Easton Wealth Protection Pty Ltd (**EWP**) – 100%
- First Financial Pty Ltd (**First Financial**) – 25%

The performance of the Wealth Solutions division during 2017/18 is summarised below:

Wealth Solutions	2017/18	2016/17	Increase
	(\$'000)	(\$'000)	(%)
Revenue from ordinary operating activities	40,268	7,747	420
Segment result – Normalised EBITA	3,068	1,949 <sup>1</sup>	57

1. Includes \$304k from the Harmony Distribution Agreement which was terminated on 31 August 2016.

GPS Wealth was acquired effective 11 August 2017. During the period, the business has performed as planned and key cost synergies have been achieved. Continued integration and cross-leveraging with other parts of the Group remain an important focus for management. In particular, operational synergies with Merit Wealth continue to be implemented along with consolidation of aligned services. CARE has grown strongly with funds under management of \$938 million at 30 June 2018, up from \$630 million at 30 June 2017, while the number of authorised representatives has continued to grow at a modest rate.

Merit Wealth has continued to pursue opportunities to grow the number of Limited Authorised Representatives (**LARs**). Net LAR annuity revenue of \$0.83 million increased by 23% due to the benefit of full year contributions from those joining progressively through the 2017 year. With the inclusion of LARs that came on with GPS Wealth, total LAR net revenue rose to \$1.35 million. Merit Wealth anticipates strong growth in LAR numbers in the next 6 months on the back of changes in education and training requirements for advisers. The Financial Adviser Standards and Ethics Authority (**FASEA**) will implement this change with the first key date being 1 January 2019. Merit Wealth expects that an increased number of accountants will look to be authorised in advance of this date.

A similar pattern has applied to full adviser revenue, including from advisers operating under Referral Rights Agreements (**RRAs**), with an increase in net adviser revenue of 9% compared to the 2017 year. The number of RRAs reduced from 14 to 11 during the year due to the termination of 3 RRAs. Funds were repaid in accordance with the claw-back provisions applying under the RRAs, with a resultant adverse impact on cashflow from operations, as well as a reduction of \$400k in the balance of deferred revenue. These terminations will not impact net adviser revenue going forward as income contributions were minor.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

First Financial, the Group's 25% owned equity accounted investment, performed well and to expectation during the year. Underlying Profit has been relatively level with the 2017 year despite the sale of its Lending and Finance division part way through the current year. Overall, this business remains a strong investment and has continued to pay consistent fully franked dividends.

#### 2. Accountings solutions

The Group's Accounting Solutions division at financial year end is composed of:

- Knowledge Shop Pty Ltd (**Knowledge Shop**) – 100%
- Tax Bytes Pty Ltd (**Taxbytes**) – 65%
- Panthercorp CST Pty Ltd (**Panthercorp**) – 100%
- Law Central Co. Pty Ltd (**Law Central**) – 60.2%
- Hayes Knight NSW Pty Ltd (**HKNSW**) – 33.3%

The performance of the Accounting Solutions segment during 2017/18 is summarised below:

Accounting Solutions	2017/18	2016/17	Increase
	(\$'000)	(\$'000)	(%)
Revenue from ordinary operating activities	10,520	9,462	11
Segment result – Normalised EBITA	3,067	2,821	9

Knowledge Shop subscriber numbers continued to increase over the year and its training capability remains a key strategic growth area. During the year, the Group invested a considerable amount of time into the production of the first suite of pay-on-demand modules which has been branded and marketed as KS IQ, an interactive video-based learning medium. Embedded within KS IQ is a system to track an individual's progress and achievement of key stages within the program. The Group regards this as a significant revenue opportunity which will complement the existing face to face and webinar programs that are topic focused. Knowledge Shop has contributed an 8% uplift in underlying earnings over the 2017 year, notwithstanding that significant attention was given to developing KS IQ for the benefit of future periods.

On 11 January 2018, the Group acquired a 65% controlling interest in Taxbytes, a business which specialises in in-house tax training to accounting firms nationally and which is a complementary business to Knowledge Shop. This business has performed to expectation and has made a positive part year contribution to underlying earnings.

Panthercorp and Law Central, providers of legal documents to the accounting sector, continued to fulfil a key offering in the Group's accounting solutions strategy.

Panthercorp provides a traditional service format of legal documentation and has an active client base of over 300 accounting firms, predominantly located in Western Australia. The business performed in line with a somewhat subdued West Australian market for new company incorporations. While revenues and earnings were marginally lower than the 2017 year, recovery in the market emerged in the second half of the year. Stronger demand for corporate registry services provided by Panthercorp has to some extent offset lower revenue from company incorporations, and the registry service remains a focus of the business going forward.

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

### **REVIEW OF OPERATIONS (continued)**

Law Central, which operates an online format of delivery in the legal documents market, continues to be considered a strategic leverage opportunity for the Group. The number of accounting firms introduced to Law Central by Knowledge Shop under referral arrangements continued to climb with 634 firms registered with Law Central at the end of the year. Despite this healthy up-take, document sales, while improving, remained relatively low. Repositioning Law Central as the supplier of choice to Knowledge Shop member firms remains an objective for the Group and additional resources have recently been deployed in this area. In addition, in May 2018 Law Central launched a new subscription service to Knowledge Shop members. The service provides access to subscribers to a legal help desk in a similar way Knowledge Shop has been successful in developing its member subscriber service. It is expected with this add-on offering, not only will there be a new revenue stream, it will also stimulate a modified document purchasing behaviour for Law Central.

HKNSW, the Group's 33% equity accounted investment performed marginally below the 2017 year. Despite the lower earnings, HKNSW increased its dividend payments to shareholders. HKNSW continues to be an important strategic investment which provides technical support services to the Group.

#### **Cashflow**

Cashflow has been impacted by a number of timing differences largely relating to deferred revenue whereby cash was collected upfront in the prior year. In addition, other contributing factors included the reimbursement of monies following the termination of 3 RRAs, a higher final company tax payment for the 2017 year after the utilisation of carried forward tax losses, together with higher 2018 tax instalments and interest payments in relation to bank borrowings for the acquisition of GPS Wealth. As a result, net cash inflow from operating activities for the year was \$0.38 million (2017: \$1.58 million).

During the year, a net \$9.97 million in cash was paid out for the acquisition of GPS Wealth, \$0.41 million for the finalisation of contingent consideration for Panthercorp and \$0.36 million for the acquisition of a majority interest in the Taxbytes business. These investments were settled from existing cash reserves and bank borrowings. At balance date, bank borrowings amounted to \$7.24 million and cash reserves were \$0.45 million (2017: \$2.64 million). An undrawn debt facility of \$2.83 million remains in place.

#### **Deferred consideration**

During the year, the final component of contingent consideration of \$412,500 was paid to the vendors of the Panthercorp business upon achieving the 12 month revenue target required under the relevant sale agreement.

No further deferred consideration remains outstanding in relation to acquisitions.

#### **Outlook**

The directors expect continued underlying earnings growth in core businesses. Focus is to be directed to opportunities that exist and will arise through the convergence of the accounting and wealth sectors.

In the Accounting Solutions division, Knowledge Shop is expected to grow its member base and training services. It will continue to invest in the development of KS IQ which will expand from specialist accounting streams into wealth streams such as superannuation and SMSF. In addition, focus is on developing the link between the Knowledge Shop accounting member base with the other parts of the Group.

In the Wealth Solutions division growth is expected to continue by increasing both full and limited authorised adviser numbers.

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.

### **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.

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

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

There are no matters or circumstances that have arisen since 30 June 2018 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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

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

### **ENVIRONMENTAL REGULATION**

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

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

<b>Kevin W. White B.Eng (civil), M.Eng.Sci., M.Admin - Chairman.</b> Appointed Managing Director 29 May 2013, resigned as Joint Managing Director 1 March 2015. Appointed Chairman 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	None	
Former directorships in last 3 years	Non-executive Director and Chairman of Royal Automobile Club of Victoria (RACV) Limited and related entities	
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	3,009,954

<b>Rodney Green B.Com, ACA - Non-executive Director, Deputy Chairman.</b> Appointed 26 April 2012, 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	420,000

<b>John G. Hayes B.Bus, FCPA, CTA, FAIM - Managing Director.</b> Appointed Joint Managing Director 19 March 2014. Appointed Managing Director 1 March 2015.		
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	5,766,942

## DIRECTORS' REPORT (continued)

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

<b>Grahame D. Evans, MBA, Dip SM, GAICD</b> Appointed 24 August 2017.		
Experience and expertise	Grahame has been extensively involved with the financial services industry for over 30 years. He has held a variety of board positions including Chairman of Australian, Canadian, Singaporean & Chinese investment & advice businesses and also as a director of Malaysian and New Zealand companies. He is a regular speaker at conferences both in Australia and overseas and holds an MBA from the prestigious Australian Graduate School of Management. Grahame's executive roles have included CEO Investments for Tower Australia, Managing Director, AMP Consulting and Group Managing Director of Centrepoint Wealth.	
Other current directorships	Chairman & NED of DomaCom Limited	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	999,910

<b>Carl F. Scarcella B.Com, FCPA - Non-executive Director.</b> 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	130,000

#### 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 an experienced Chairman and 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' REPORT (continued)

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

#### DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Kevin W. White	10	10	5	5	4	4
Rodney Green	10	10	5	5	4	4
John G. Hayes	10	10	5*	5*	2*	2*
Grahame D. Evans	8	7	3*	2*	-	-
Carl F. Scarcella	10	10	5	5	4	4

\*In attendance ex-officio.

#### COMMITTEE MEMBERSHIP

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

- Carl F. Scarcella – Chairman
- Rodney Green
- 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 10 year period can be extended where certain proceedings or investigations commence before the ten year period expires.

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

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

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

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

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

#### **SHARES UNDER OPTION**

##### **Unissued shares**

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

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

#### **PROCEEDINGS ON BEHALF OF THE COMPANY**

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

#### **NON-AUDIT SERVICES**

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

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](http://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).

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2018 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 KMP 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 2017 Annual General Meeting (AGM)
- (g) Details of remuneration of KMP
- (h) Service agreements
- (i) Details of Combined Incentive Scheme for 2018
- (j) Details of share-based compensation and bonuses
- (k) Equity instruments held by KMP
- (l) Other transactions with KMP

#### **(a) Details of KMP 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
- Grahame D. Evans      Executive Director
- Carl F. Scarcella      Non-executive Director

##### *(ii) Other KMP*

- Michael A. Harris      Chief Financial Officer
- Lisa M. Armstrong      Managing Director of Knowledge Shop Pty Ltd

##### *(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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

##### *Remuneration policy*

The policy for determining the nature and amount of remuneration of 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. 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.

During the 2018 year, the Remuneration Committee engaged an external consultancy to provide a review of the Group's executive remuneration including an industry survey of relative executive positions.

##### *Executive pay for 2018*

For the year ending 30 June 2018, the executive pay and reward framework continued to provide 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### *Combined Incentive Scheme (CIS)*

The Group presently operates a remuneration incentive scheme which combines 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 2018 financial year ranges between 20%-35% of base salary, (2017: 15% - 30%). 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 (2017: \$nil).

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

	2018	2017	2016	2015	2014
Revenue (\$'000)	\$50,788	\$17,230	\$19,458	\$17,465	\$10,953
Normalised EBITA (\$'000)	\$4,361	\$3,306	\$3,333	\$2,598	\$716
Net profit/(loss) before tax (\$'000)	\$2,428	\$2,002	(\$318)	\$1,754	(\$2,380)
Net profit/(loss) after tax (\$'000)	\$1,772	\$1,477	(\$352)	1,242	(\$1,631)
Share price at end of year	\$1.03	\$1.30	\$1.50	\$0.70	\$0.89
Basic earnings per share	5.51cps	5.35cps	(1.25)cps	4.14cps	(8.04)cps
Diluted earnings per share	5.51cps	5.35cps	(1.25)cps	4.14cps	(8.04)cps
Dividends paid or declared	2cps	-	-	-	-
Remuneration linked to share price (\$'000)	\$nil	\$nil	\$29	\$35	\$35

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

### **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 \$75,000 per annum including superannuation contributions (2017: \$70,875). Other non-executive directors were each entitled to be paid a fixed remuneration of \$50,000 per annum including superannuation contributions (2017: \$47,250).

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, (2017: \$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 2017 Annual General Meeting (AGM)**

The Company received more than 99% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (g) Details of remuneration of KMP

Remuneration for the year ended 30 June 2018

	Short-term employee benefits			Post employment benefits		Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation	Termination benefits	Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
Kevin W. White	68,493	-	-	6,507	-	-	75,000	-
Rodney Green	45,662	-	-	4,338	-	-	50,000	-
John G. Hayes	339,951	-	-	20,049	-	-	360,000	-
Grahame D. Evans <sup>1</sup>	265,385	-	-	25,212	-	-	290,597	-
Carl F. Scarcella <sup>2</sup>	50,000	-	-	-	-	-	50,000	-
<b>Sub-total directors</b>	<b>769,491</b>	<b>-</b>	<b>-</b>	<b>56,106</b>	<b>-</b>	<b>-</b>	<b>825,597</b>	<b>-</b>
<b>Executives' remuneration</b>								
Lisa M. Armstrong	234,951	20,400	-	20,049	-	-	275,400	7
Michael A. Harris	249,951	39,900	-	20,049	-	-	309,900	13
<b>Sub-total executives</b>	<b>484,902</b>	<b>60,300</b>	<b>-</b>	<b>40,098</b>	<b>-</b>	<b>-</b>	<b>585,300</b>	
<b>Total key management personnel</b>	<b>1,254,393</b>	<b>60,300</b>	<b>-</b>	<b>96,204</b>	<b>-</b>	<b>-</b>	<b>1,410,897</b>	

1. G Evans' KMP remuneration information is for the period commencing 11 August 2017 being the effective date of the GPS acquisition.

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

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Remuneration for the year ended 30 June 2017

	Short-term employee benefits			Post employment benefits		Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation	Termination benefits	Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
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 <sup>1</sup>	47,250	-	-	-	-	-	47,250	-
<b>Sub-total directors</b>	<b>468,973</b>	<b>48,450</b>	-	<b>29,864</b>	-	-	<b>547,287</b>	
<b>Executives' remuneration</b>								
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 <sup>2</sup>	161,440	-	-	-	-	(12,462) <sup>3</sup>	148,978	-
<b>Sub-total executives</b>	<b>602,208</b>	<b>41,400</b>	-	<b>39,232</b>	-	<b>(12,462)</b>	<b>670,378</b>	
<b>Total key management personnel</b>	<b>1,071,181</b>	<b>89,850</b>	-	<b>69,096</b>	-	<b>(12,462)</b>	<b>1,217,665</b>	

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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

Name	Fixed remuneration		At risk - CIS	At risk - CIS
	2018	2017	2018	2017
<b>Executive directors</b>				
John G. Hayes	100%	87%	-	13%
Grahame Evans <sup>1</sup>	100%	-	-	-
<b>Other KMP</b>				
Lisa Armstrong	93%	94%	7%	6%
Michael Harris	87%	90%	13%	10%
Cameron Knox <sup>2</sup>	-	93%	-	-

1. Grahame Evans was appointed as an Executive director on 24 August 2017.

2. Cameron Knox resigned on 31 October 2016. 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 2018 are set out below:

Name	Term of agreement	Notice period <sup>1</sup>	Base salary including superannuation <sup>2</sup>	Termination payments <sup>3</sup>
<b>Executive directors</b>				
John G. Hayes	No fixed term	Employee - 6 months Employer - 6 months	\$360,000	6 months
Grahame Evans (appointed 24 August 2017)	No fixed term	Employee - 6 months Employer - 6 months	\$328,500	6 months
<b>Other KMP</b>				
Lisa M. Armstrong	No fixed term	Employee - 6 months Employer - 3 months	\$255,000	3 months
Michael A. Harris	No fixed term	Employee - 3 months Employer - 3 months	\$285,000	3 months

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 2018; 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).

#### (i) Details of Combined Incentive Scheme for 2018

Under the 2018 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 earnings (MD & CFO) and individual business unit earnings (business unit managers), acquisition targets and operational targets. Each assessment area is weighted differently for each KMP.

## DIRECTORS' REPORT (continued)

### 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	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	BU Managers	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	All	Various specific operational and sales metrics including growth initiatives, product development, special projects and resourcing to achieve business strategy. Information technology strategic plan
Reporting	CFO	Enhanced reporting framework to enable the businesses to make informed decisions around KPIs.

For the year ending 30 June 2018, 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	35%	-	-
CFO	20%	\$39,900	70%
MD - Knowledge Shop	20%	\$20,400	40%

For the actual CIS awarded for 2018, 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 2018 financial audit or to defer 50% as part of the 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.

## DIRECTORS' REPORT (continued)

### 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	
	2018	2017	2018	2017	2018	2017
C Knox (resigned 31 October 2016.	-	-	-	-	-	500,000

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

#### (k) Equity instruments held by KMP

##### *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:

2018 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
K White	3,054,397	147,223	3,201,620
R Green	370,000	50,000	420,000
JG Hayes <sup>1</sup>	6,124,542	90,000	6,214,542
G Evans	-	999,910	999,910
C Scarcella	78,884	51,116	130,000
L Armstrong <sup>1</sup>	6,124,542	90,000	6,214,542

1. JG Hayes and L Armstrong are related parties of each other.

##### *Performance rights holdings*

There were no performance rights held over ordinary shares in the Company held during the year by KMP, including their personally related parties.

##### *Option holdings*

There were no options issued during the year or prior year, or options held by KMP, including their personally related parties.

#### (l) Other transactions with KMP

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 2018, 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

	2018	2017
	\$	\$
<i>Amounts recognised as revenue</i>		
Recovery of dealer group costs	<b>18,676</b>	18,676
	<b>18,676</b>	18,676
<i>Amounts recognised as expense</i>		
Administration fees	<b>176,998</b>	189,762
Adviser fees paid	<b>384,716</b>	401,732
Help desk and technical training support	<b>413,583</b>	796,114
Occupancy and infrastructure	<b>321,623</b>	359,751
Professional fees	<b>198,852</b>	246,510
Expense reimbursements	<b>69,763</b>	51,545
	<b>1,565,535</b>	2,045,414

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

	2018	2017
	\$	\$
<i>Amounts recognised as assets and liabilities</i>		
Current assets (amounts receivable)	<b>2,376</b>	-
Current liabilities (amounts payable)	<b>27,020</b>	88,465

End of audited Remuneration Report.

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



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

Sydney  
20 August 2018

EASTON INVESTMENTS LIMITED  
AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF EASTON INVESTMENTS LIMITED  
AND CONTROLLED ENTITIES

In relation to the independent audit for the year ended 30 June 2018, 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

20 August 2018



PITCHER PARTNERS  
Melbourne

**Easton Investments Limited**  
**Annual Financial Report – 30 June 2018**  
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Revenue from ordinary operating activities</b>			
Services		50,673	17,177
Other revenue		115	53
	2	<b>50,788</b>	17,230
Other income	3	64	31
Share of net profit after tax of associates accounted for using the equity method	9	1,148	963
<b>Expenses from ordinary operating activities</b>			
Fees and commissions		<b>(36,033)</b>	(8,472)
Salaries and employee benefits expenses	3	<b>(8,000)</b>	(4,523)
Occupancy expenses		<b>(641)</b>	(405)
Professional fees and consultants		<b>(1,223)</b>	(992)
Administration expenses		<b>(785)</b>	(389)
Corporate costs		<b>(245)</b>	(198)
IT expenses		<b>(327)</b>	(203)
Marketing expenses		<b>(308)</b>	(152)
Other expenses		<b>(381)</b>	(266)
Finance costs	3	<b>(434)</b>	(83)
Net loss on disposal of fixed assets		<b>(44)</b>	(1)
Net loss on disposal of intangible assets		<b>(218)</b>	-
Depreciation and amortisation	3	<b>(933)</b>	(538)
Total expenses from ordinary operations		<b>(49,572)</b>	(16,222)
<b>Profit before income tax</b>		<b>2,428</b>	2,002
Income tax expense	4	<b>(656)</b>	(525)
<b>Net profit for the year</b>		<b>1,772</b>	1,477
<b>Total comprehensive income for the year</b>		<b>1,772</b>	1,477
Profit/(loss) for the year is attributable to:			
Non-controlling interests		<b>(96)</b>	(42)
Owners of the Company		<b>1,868</b>	1,519
		<b>1,772</b>	1,477
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		<b>(96)</b>	(42)
Owners of the Company		<b>1,868</b>	1,519
		<b>1,772</b>	1,477
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share (cents)	5	<b>5.51</b>	5.35
Diluted earnings per share (cents)	5	<b>5.51</b>	5.35

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 2018

	Note	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	452	2,641
Receivables	7	2,595	1,394
Other current assets	8	679	231
<b>Total current assets</b>		<b>3,726</b>	<b>4,266</b>
<b>Non-current assets</b>			
Equity accounted investments	9	6,061	5,867
Plant and equipment	10	122	192
Intangible assets	11	32,289	13,960
Deferred tax assets	4	814	523
<b>Total non-current assets</b>		<b>39,286</b>	<b>20,542</b>
<b>TOTAL ASSETS</b>		<b>43,012</b>	<b>24,808</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	2,498	1,709
Provisions and employee benefits	13	1,229	386
Borrowings	14	43	-
Current tax (receivable)/liability	4	(5)	265
Provision for contingent consideration	15	-	413
Other liabilities	16	846	804
<b>Total current liabilities</b>		<b>4,611</b>	<b>3,577</b>
<b>Non-current liabilities</b>			
Provisions and employee benefits	13	153	72
Borrowings	14	7,193	-
Deferred tax liabilities	4	266	327
<b>Total non-current liabilities</b>		<b>7,612</b>	<b>399</b>
<b>TOTAL LIABILITIES</b>		<b>12,223</b>	<b>3,976</b>
<b>NET ASSETS</b>		<b>30,789</b>	<b>20,832</b>
<b>EQUITY</b>			
Contributed equity	17	26,574	18,629
Reserves	18	25	25
Retained earnings	19	3,965	2,097
<b>Equity attributable to owners of the Company</b>		<b>30,564</b>	<b>20,751</b>
Non-controlling interests	20	225	81
<b>TOTAL EQUITY</b>		<b>30,789</b>	<b>20,832</b>
Net tangible assets per share (cents)		(5.88)	23.51

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 2018

Consolidated entity	Ordinary shares \$'000	Retained earnings \$'000	Other reserves \$'000	Owners of the parent \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 July 2017</b>	18,629	2,097	25	20,751	81	20,832
Profit for the year	-	1,868	-	1,868	(96)	1,772
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>1,868</b>	-	<b>1,868</b>	<b>(96)</b>	<b>1,772</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of ordinary shares as part consideration for business combination	7,973	-	-	7,973	-	7,973
Transaction costs associated with issuing equity	(28)	-	-	(28)	-	(28)
Issue of new equity to Non-controlling interest	-	-	-	-	240	240
<b>At 30 June 2018</b>	<b>26,574</b>	<b>3,965</b>	<b>25</b>	<b>30,564</b>	<b>225</b>	<b>30,789</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 June 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
<b>At 1 July 2016</b>	18,629	578	13	25	19,245	-	19,245
Profit for the year	-	1,519	-	-	1,519	(42)	1,477
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>1,519</b>	-	-	<b>1,519</b>	<b>(42)</b>	<b>1,477</b>
<b>Transactions with owners in their capacity as owners:</b>							
Employee incentive plan	-	-	(13)	-	(13)	-	(13)
Non-controlling interests on business combination	-	-	-	-	-	123	123
<b>At 30 June 2017</b>	<b>18,629</b>	<b>2,097</b>	-	<b>25</b>	<b>20,751</b>	<b>81</b>	<b>20,832</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Fees and adviser revenue received		54,058	20,094
Payments to advisers, suppliers and employees		(52,565)	(18,292)
<b>Cash generated from operations</b>		<b>1,493</b>	<b>1,802</b>
Interest received		3	8
Finance costs paid		(434)	(49)
Income tax paid		(685)	(180)
<b>Net cash flows from operating activities</b>	22	<b>377</b>	<b>1,581</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(56)	(122)
Payments for other intangible assets		(116)	(45)
Payments for acquisition of a subsidiary, net of cash acquired		(10,216)	(3,157)
Dividends received from associates		718	443
<b>Net cash flows used in investing activities</b>		<b>(9,670)</b>	<b>(2,881)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		46	-
Proceeds from borrowings		7,172	-
Payments for share issue costs		(28)	-
Repayment of borrowings		(86)	-
<b>Net cash flows provided in financing activities</b>		<b>7,104</b>	<b>-</b>
Net decrease in cash held		(2,189)	(1,300)
Cash at the beginning of the financial year		2,641	3,941
<b>Cash at the end of the financial year</b>	6	<b>452</b>	<b>2,641</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

## 1. SEGMENT INFORMATION

### (a) Description of segments

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

During the year, the CODMs conducted a strategic review of the composition of reportable segments following the acquisition of GPS Wealth. The recategorisation shifts focus to who the Group's direct customers are, rather than the products provided to the end user. Broadly the Group provides solutions to wealth advisers, (**Wealth Solutions**) and solutions to accounting practices (**Accounting Solutions**). It is recognised that there is a strong trend emerging with the convergence of the wealth and accounting sectors. This puts the Group in a strong strategic position with a portfolio of businesses operating in both sectors who are able to benefit from internal synergies.

The review resulted in redefining the Group's reportable segments as follows:

- (i) **Wealth Solutions** (comprising GPS Wealth from 11 August 2017, Merit Wealth, Hayes Knight Referral Services, First Financial, Easton Wealth Protection and Easton Asset Management to 31 August 2016). In this segment the Group provides dealer group services, operating systems, managed accounts and licencing options to wealth advisers to enable them to provide services such as financial planning, risk insurance advice, broking, self-managed superannuation administration and managed funds. First Financial is a traditional financial planning business;
- (ii) **Accounting Solutions** (comprising Hayes Knight NSW, Knowledge Shop, Law Central and Panthercorp from 1 September 2016 and Taxbytes from 11 January 2018). This segment contains businesses that provide professional support, help desk and training and legal documents primarily to the accounting sector. Hayes Knight NSW is a traditional accounting firm;
- (iii) **Corporate** which comprises the parent entity (Easton Investments Limited) and includes some sundry revenue 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 1. SEGMENT INFORMATION (continued)

#### (c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2018 is as follows:

<b>Consolidated 2018</b>	<b>Wealth Solutions \$'000</b>	<b>Accounting Solutions \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>Revenue from ordinary operating activities</b>				
Services	40,198	10,475	-	50,673
Other revenue	70	45	-	115
Total revenue from ordinary operating activities	<b>40,268</b>	<b>10,520</b>	<b>-</b>	<b>50,788</b>
<b>Normalised EBITA – (non IFRS)</b>	<b>3,068</b>	<b>3,067</b>	<b>(1,774)</b>	<b>4,361</b>
<i>Normalisation adjustments</i>				
Equity accounted adjustments for interest, tax and amortisation	(78)	(131)	-	<b>(209)</b>
Restructuring & acquisition costs	(201)	(24)	(44)	<b>(269)</b>
Net loss on disposal of intangible assets	64	(218)	-	<b>(154)</b>
Prior year revenue adjustment	(37)	-	-	<b>(37)</b>
<b>Statutory EBITA</b>				<b>3,692</b>
Interest revenue				<b>3</b>
Finance costs				<b>(434)</b>
Amortisation				<b>(833)</b>
<b>Net profit before tax</b>				<b>2,428</b>
<i>Significant items of segment expenses</i>				
Commissions and other direct costs	32,501	3,532	-	<b>36,033</b>
Salaries and employee benefits	3,820	3,020	1,160	<b>8,000</b>
Professional fees	659	264	300	<b>1,223</b>
Finance costs	13	-	421	<b>434</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 1. SEGMENT INFORMATION (continued)

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

<b>Consolidated 2017 (Re-stated)</b>	<b>Wealth Solutions \$'000</b>	<b>Accounting Solutions \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>Revenue from ordinary operating activities</b>				
Services	7,747	9,430	-	17,177
Other revenue	-	32	21	53
<b>Total revenue from ordinary operating activities</b>	<b>7,747</b>	<b>9,462</b>	<b>21</b>	<b>17,230</b>
<b>Normalised EBITA – (non IFRS)</b>	<b>1,949</b>	<b>2,821</b>	<b>(1,464)</b>	<b>3,306</b>
<i>Normalisation adjustments</i>				
Equity accounted adjustments for interest, tax and amortisation	(316)	(167)	-	(483)
Restructuring costs	(176)	(49)	-	(225)
Net loss on disposal of intangible	(70)	-	-	(70)
Prior year revenue adjustment	(21)	-	-	(21)
Write back of contingent consideration	-	31	-	31
Share based payments benefit	5	-	7	13
<b>Statutory EBITA</b>				<b>2,551</b>
Interest revenue				8
Finance costs				(83)
Amortisation				(474)
<b>Net profit before tax</b>				<b>2,002</b>
<i>Significant items of segment expenses</i>				
Commissions and other direct costs	5,060	3,412	-	8,472
Salaries and employee benefits	906	2,646	971	4,523
Professional fees	572	237	183	992
Finance costs	-	-	83	83

### 2. REVENUE

	<b>2018 \$'000</b>	2017 \$'000
<b>Revenue from ordinary operating activities</b>		
<i>Sales revenue</i>		
Fees and commissions received	50,673	17,177
Interest income	3	8
Other revenue	112	45
	<b>50,788</b>	<b>17,230</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 3. OTHER INCOME AND EXPENSE ITEMS

	2018 \$'000	2017 \$'000
Profit from before income tax has been determined after the following items:		
<i>Other income</i>		
Write back of contingent consideration	-	31
Gain on disposal of intangible asset	64	-
	<b>64</b>	<b>31</b>
<i>Employee benefits expense</i>		
Salaries and wages	6,777	3,664
Defined contribution superannuation expense	573	301
Other employee benefits	650	558
	<b>8,000</b>	<b>4,523</b>
<i>Depreciation and amortisation of non-current assets</i>		
<i>Depreciation</i>		
Office equipment	46	61
Furniture, fittings and leasehold improvements	54	3
	<b>100</b>	<b>64</b>
<i>Amortisation</i>		
Client lists and relationships	449	205
Client lists and relationships – equity accounted investments	236	238
Software platforms and other intangible assets	148	31
	<b>833</b>	<b>474</b>
<i>Total depreciation and amortisation of non-current assets</i>	<b>933</b>	<b>538</b>
<i>Finance costs expensed</i>		
Bank loans and overdrafts	419	49
Finance leases	15	-
Notional interest charge on present value of contingent consideration	-	34
	<b>434</b>	<b>83</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 4. INCOME TAXES

	2018 \$'000	2017 \$'000
<b>(a) Components of tax expense</b>		
Current tax	582	282
Deferred tax	74	237
Deferred tax prior year adjustment	-	6
<b>Total</b>	<b>656</b>	<b>525</b>
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expenses as follows:		
Profit before tax	2,428	2,002
Prima facie income tax on the profit before income tax at 30% (2017: 30%)	728	601
Tax effect of:		
Non-allowable deductions	99	81
Amortisation of intangible assets	102	119
Tax benefit arising from franked dividend rebate and tax losses brought to account	(183)	(133)
Other non-assessable income	(78)	(156)
(Over)/under provision in prior year	(12)	13
<b>Income tax expense attributable to profit or loss</b>	<b>656</b>	<b>525</b>
<b>(c) Current tax</b>		
<b>Current tax relates to the following:</b>		
Current tax (receivable)/liability		
<b>Opening balance</b>	<b>(265)</b>	<b>(155)</b>
Charged to income	<b>(582)</b>	<b>(282)</b>
Utilisation of tax losses subject to available fraction	95	54
Tax payments	685	180
Acquisitions/disposals	72	(62)
<b>Closing balance</b>	<b>5</b>	<b>(265)</b>
<b>(d) Deferred tax</b>		
<b>Deferred tax relates to the following:</b>		
Deferred tax assets/(liabilities)		
Opening balance	196	433
Charged to income net of available fraction losses utilised	(169)	(281)
Acquisitions/disposals	521	44
<b>Closing balance</b>	<b>548</b>	<b>196</b>
Amounts recognised in the consolidated statement of financial position:		
Deferred tax asset	814	523
Deferred tax liability	(266)	(327)
	<b>548</b>	<b>196</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 4. INCOME TAXES (continued)

Deferred income tax at 30 June relates to the following:

	2018 \$'000	2017 \$'000
<i>Deferred tax assets:</i>		
Un-deducted expenditure	7	15
Accruals and provisions	439	178
DTA recognised on capital losses	48	67
DTA recognised on revenue and available fraction losses	320	263
	<b>814</b>	523
<i>Deferred tax liabilities:</i>		
Fair value of assets acquired in a business combination and undistributed income of associates	<b>(217)</b>	(278)
Unrealised capital gain	<b>(49)</b>	(49)
	<b>(266)</b>	(327)
<b>Net deferred tax assets</b>	<b>548</b>	196

#### (e) Tax losses

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

During the year ended 30 June 2018, the Group transferred in \$431,202 revenue losses as part of the GPS transaction which are subject to available fraction. Available fraction losses utilised during the year were \$317,320 leaving a remaining balance of \$1,182,140 of which \$882,292 (tax effect \$264,688) have been recognised as part of deferred tax assets. In addition, there is a further \$186,074 of revenue losses (tax effect \$55,822) that are recognised as part of deferred tax assets that relate to entities that have a non-controlling interest and are outside the Group's primary tax group.

The Group has recognised un-recouped capital tax losses of \$159,341 (2017: \$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.

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 2018, the Group has un-recouped operating income tax losses subject to available fraction of \$299,848 which have not been brought to account, (2017: \$303,801). A further \$523,279 un-recouped capital tax losses remain unrecognised.

##### *Unrecognised temporary differences*

As 30 June 2018, 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 (2017: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 4. INCOME TAXES (continued)

#### (f) Franking credit balance

	Parent	
	2018	2017
	\$'000	\$'000
The amount of franking credits available for the subsequent financial year after allowing for the current year proposed dividend are:		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	<u>1,822</u>	<u>1,186</u>

### 5. EARNINGS PER SHARE

#### (a) Basic earnings per share

Total basic earnings per share attributable to the ordinary equity holders of the Company

	2018	2017
	Cents	Cents
	<u>5.51</u>	<u>5.35</u>

#### (b) Diluted earnings per share

Total diluted earnings per share attributable to the ordinary equity holders of the Company

	<u>5.51</u>	<u>5.35</u>
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The following reflects the income used in the basic and diluted earnings per share computations:

	2018	2017
	\$'000	\$'000
<b>(c) Earnings used in calculating earnings per share</b>		
<i>For basic earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<u>1,868</u>	<u>1,519</u>
<i>For diluted earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<u>1,868</u>	<u>1,519</u>
<b>(d) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	<u>33,889,152</u>	<u>28,400,330</u>

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.

### 6. CASH AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	<u>452</u>	<u>2,641</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 7. RECEIVABLES

	2018 \$'000	2017 \$'000
Accrued income	1,474	466
Other debtors and receivables	1,121	928
	<b>2,595</b>	<b>1,394</b>

### 8. OTHER CURRENT ASSETS

	2018 \$'000	2017 \$'000
Prepayments	619	215
Other current assets	60	16
	<b>679</b>	<b>231</b>

### 9. EQUITY ACCOUNTED INVESTMENTS

	2018 \$'000	2017 \$'000
Equity accounted associated entities	<b>6,061</b>	<b>5,867</b>

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	
		2018 %	2017 %	2018 \$'000	2017 \$'000
First Financial Pty Ltd <sup>1</sup>	Wealth & financial services	25.0	25.0	2,363	2,205
Hayes Knight (NSW) Pty Ltd <sup>2</sup>	Accounting & tax	33.3	33.3	3,698	3,662
				<b>6,061</b>	<b>5,867</b>

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

1. 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;
  - Income protection and life (risk) insurance broking services; and
  - SMSF administration.
2. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 9. EQUITY ACCOUNTED INVESTMENTS (continued)

#### (b) Movements in carrying amounts

	2018 \$'000	2017 \$'000
Carrying amount at the beginning of the financial year	5,867	6,207
Acquisition of ownership interest	-	150
Share of profits after income tax – refer (c) below	1,148	963
Reclassification of Law Central to consolidated entity	-	(772)
Amortisation of separately identifiable intangible assets	(236)	(238)
Dividends received	(718)	(443)
Carrying amount at the end of the financial year	<b>6,061</b>	<b>5,867</b>

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

Profit before income tax	1,640	1,375
Income tax expense	(492)	(412)
Profit after income tax	<b>1,148</b>	<b>963</b>

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

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

	First Financial		HKNSW		Law Central	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b>Summarised statement of financial position</b>						
Current assets	5,405	4,054	2,567	2,879	-	-
Non-current assets	10,075	10,463	3,771	3,752	-	-
Current liabilities	(3,076)	(3,036)	(1,012)	(1,014)	-	-
Non-current liabilities	(901)	(1,497)	(119)	(227)	-	-
Net assets	<b>11,503</b>	9,984	<b>5,207</b>	5,390	-	-
<b>Summarised statement of comprehensive income</b>						
Revenue	14,333	13,031	6,556	7,127	-	125 <sup>2</sup>
Profit from operations after income tax	3,459 <sup>1</sup>	2,422	894	1,080	-	(14) <sup>2</sup>

1. Includes a before tax gain on sale of \$1,264k in relation to the disposal of the Lending and Finance division.

2. Results are up to the end of 29 August 2016 at which point the Group acquired a controlling interest and ceased equity accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 10. PLANT AND EQUIPMENT

	Office equipment \$'000	Furniture & fittings \$'000	Total \$'000
<b>Year ended 30 June 2018</b>			
Net carrying amount as at 1 July 2017	170	22	192
Additions	79	120	199
Depreciation charge	(46)	(54)	(100)
Loss on disposal	(2)	(24)	(26)
Reclass software platforms to intangibles	(145)	2	(143)
Net carrying amount as at 30 June 2018	56	66	122

#### At 30 June 2018

Cost	530	288	818
Less accumulated depreciation	(474)	(222)	(696)
<b>Net carrying amount</b>	<b>56</b>	<b>66</b>	<b>122</b>

	Office equipment \$'000	Furniture & fittings \$'000	Total \$'000
<b>Year ended 30 June 2017</b>			
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)
<b>Net carrying amount</b>	<b>170</b>	<b>22</b>	<b>192</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 11. INTANGIBLE ASSETS

Year ended 30 June 2018	Client lists & relationships	Goodwill	Software platforms	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount as at 1 July 2017	1,375	12,089	-	496	13,960
Additions	11,478	6,574	249	701	19,002
Disposals	-	-	(218)	-	(218)
Reclassification	-	-	443	(300)	143
Amortisation charge	(449)	-	(123)	(26)	(598)
Net carrying amount as at 30 June 2018	12,404	18,663	351	871	32,289

#### At 30 June 2018

Cost	13,969	18,663	672	989	34,293
Less accumulated amortisation	(1,565)	-	(321)	(118)	(2,004)
<b>Net carrying amount</b>	<b>12,404</b>	<b>18,663</b>	<b>351</b>	<b>871</b>	<b>32,289</b>

Year ended 30 June 2017	Client lists & relationships	Goodwill	Other	Total
	\$'000	\$'000	\$'000	\$'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)
<b>Net carrying amount</b>	<b>1,375</b>	<b>12,089</b>	<b>496</b>	<b>13,960</b>

#### 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 have regard to 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.

During the year, a strategic review was undertaken which redefined the Group's reporting segments as outlined in note 1. As a result, comparative information has been restated to reflect the reallocation of CGUs to the revised reporting segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 11. INTANGIBLE ASSETS (continued)

A segment-level summary of the goodwill allocation is presented below:

	2018 \$'000	2017 \$'000
Wealth Solutions	8,101	2,082
Accounting Solutions	10,562	10,007
	<b>18,663</b>	<b>12,089</b>

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	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Wealth Solutions	(20.0) - 5.0	(20.0) - 5.0	5.0	5.0	16.0	11.5
Accounting Solutions	5.0	5.0	5.0	5.0	16.0	11.5

The above growth rate assumptions are applied to 2019 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2018, the Group conducted impairment tests on all cash generating units and concluded that their carrying amounts are adequately supported by their recoverable amounts.

### 12. TRADE AND OTHER PAYABLES

	2018 \$'000	2017 \$'000
<i>Current</i>		
Trade payables	1,173	719
Other payables and accruals	1,325	990
Carrying amount of trade and other payables	<b>2,498</b>	<b>1,709</b>

Trade and other payables are generally settled on 30 day terms. Interest rates are disclosed in note 28(c). Due to the short-term nature of these payables, their carrying value represents a reasonable approximation of their fair value.

### 13. PROVISIONS AND EMPLOYEE BENEFITS

	2018 \$'000	2017 \$'000
<i>Current</i>		
Provision for annual leave	467	246
Provision for long service leave	274	140
Provision for ASIC levy	488	-
	<b>1,229</b>	<b>386</b>
<i>Non-current</i>		
Provision for long service leave	153	72

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 14. BORROWINGS

#### (a) Borrowings

	2018 \$'000	2017 \$'000
<i>Current:</i>		
Other loans	43	-
<i>Non-current:</i>		
Westpac facility	7,172	-
Other loans	21	-
Total non-current borrowing	7,193	-
Total borrowings	7,236	-

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 purpose of acquiring GPS Wealth. On 3 August 2017, the new finance agreement was executed on the following terms:

- Limit - \$10 million
- Term - 3 years
- Security - General Security Agreement (GSA) over the Company and wholly owned subsidiaries including GPS Wealth.
- Covenants:
  - Interest cover ratio - EBITDA/Gross Interest Expense greater than 4 times
  - Debt/EBITDA Ratio to be less than 2.5 times.

The facility is secured by a limited guarantee and indemnity provided by all wholly owned entities in the Group supported by GSAs over all assets and undertakings of those entities. The facility has a 3 year term expiring 30 April 2020 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 2018 and 2017 reporting periods. Under the terms of the \$10 million facility, all covenant ratios are applied on a Group EBITDA basis.

#### (b) Loan facilities

	2018 \$'000	2017 \$'000
Bank loan facilities	10,000	5,000
Amount utilised	7,172	-
Unused loan facility	2,828	5,000

### 15. PROVISION FOR CONTINGENT CONSIDERATION

	2018 \$'000	2017 \$'000
<i>At 1 July:</i>		
<i>Current:</i>	413	466
Additions during the year at fair value	-	555
Fair value adjustments during the year	-	34
Payments/agreed payable	(413)	(611)
Write back of contingent consideration	-	(31)
Provision for contingent consideration	-	413

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

During the year ended 30 June 2018, final contingent consideration payable for Panthercorp of \$412,500 was paid upon achieving the required revenue performance hurdle for the 12 month period after acquisition date.

During the year ended 30 June 2017, contingent consideration of \$111,039 was paid out of a potential \$142,468 recognised as part of the total purchase price of Panthercorp on 31 August 2016. The payment was contingent on debtor collections that were in excess of 60 outstanding at acquisition date. An adjustment of \$31,429 was recognised in other income.

During the year ended 30 June 2017, the third and final tranche of \$500,000 was paid to the vendors of the Hayes Knight Referral Services business. The first and second contingent consideration instalments of \$500,000 were previously forfeited because the business did not meet those prior year performance hurdles.

Contingent consideration is a level 3 financial liability within the fair value hierarchy.

### 16. OTHER LIABILITIES

	2018 \$'000	2017 \$'000
Deferred revenue	846	804

### 17. CONTRIBUTED EQUITY

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

	Number of shares	\$'000
<b>Opening balance</b>	<b>28,400,330<sup>1</sup></b>	<b>18,629</b>
- 11 August 2017, consideration shares issued to the majority shareholders at an issue price of \$1.29 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,268,406	4,216
- Transaction costs for issue of ordinary shares to majority shareholders of GPS IP Group Holdings Limited		(14)
- 7 September 2017, consideration shares issued to the minority shareholders at an issue price of \$1.18 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,183,230	3,757
- Transaction costs for issue of ordinary shares to minority shareholders of GPS IP Group Holdings Limited		(14)
<b>Closing balance</b>	<b>34,851,966</b>	<b>26,574</b>

1. There were no movements in share capital in the prior year.

#### (b) 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.

#### (c) Employee share scheme

No shares have been issued under the Easton Investments Employee Share Ownership Plan in the current or prior year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 17. CONTRIBUTED EQUITY (continued)

#### (d) Performance rights

No performance rights have been granted, vested or lapsed under the Easton Investments Employee Share Ownership Plan in the current or prior year.

#### (e) Capital risk management

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

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

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

The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Notes	2018 \$'000	2017 \$'000
Total borrowings	14	(7,236)	-
Add: cash and cash equivalents	6	452	2,641
Net cash and borrowings		(6,784)	2,641
Total equity		30,789	20,832
Total capital		37,573	18,191
<b>Gearing ratio</b>		<b>18%</b>	<b>0.0%</b>

### 18. RESERVES

	Share based payments reserve \$'000	Other reserve \$'000	Total \$'000
<b>Year ended 30 June 2018</b>			
At 1 July 2017	-	25	25
At 30 June 2018	-	25	25
<b>Year ended 30 June 2017</b>			
At 1 July 2016	13	25	38
Employee incentive plan	(13)	-	(13)
At 30 June 2017	-	25	25

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

	\$'000	\$'000
Balance 1 July	2,097	578
Profit attributable to owners of the Company	1,868	1,519
Balance 30 June	<u>3,965</u>	<u>2,097</u>

### 20. NON-CONTROLLING INTERESTS

	2018 \$'000	2017 \$'000
Contributed equity	364	123
Retained profits	(139)	(42)
	<u>225</u>	<u>81</u>

#### (a) Summarised financial information

##### *Taxbytes*

On 11 January 2018, the Group acquired 65% interest in the business of Taxbytes. Refer to note 21 for details of the acquisition.

Set out below is summarised financial information for Taxbytes from the period of consolidation. The amounts disclosed are before intercompany eliminations.

	30 June 2018 \$'000
<b>Summarised statement of financial position</b>	
Current assets	85
Current liabilities	(78)
<b>Current net assets</b>	<u>7</u>
Non-current assets	657
Non-current liabilities	(20)
<b>Non-current net assets</b>	<u>637</u>
<b>Net assets</b>	<u>644</u>
<b>Summarised statement of comprehensive income</b>	6 months to 30 June 2018 \$'000
Revenue	<u>283</u>
Profit after tax for the period	89
Profit allocated to NCI	31
<b>Summarised cash flows</b>	
Cash inflows from operating activities	116
Cash outflows from investing activities	(555)
Cash inflows from financing activities	475
<b>Net increase in cash and cash equivalents</b>	<u>36</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 20. NON-CONTROLLING INTERESTS (continued)

#### *Law Central*

On 29 August 2016, the Group increased its equity interest in Law Central from 45.6% to 56% and commenced consolidating all of its assets and liabilities and profit and loss with a non-controlling interest separately recognised. On 26 March 2018, the Group increased its shareholding to 60.2% through a rights issue offered on 7 December 2017.

Set out below is summarised financial information for Law Central from the period of consolidation. The amounts disclosed are before intercompany eliminations.

	30 June 2018 \$'000	30 June 2017 \$'000
<b>Summarised statement of financial position</b>		
Current assets	79	105
Current liabilities	(101)	(227)
<b>Current net liabilities</b>	<b>(22)</b>	<b>(122)</b>
Non-current assets	178	345
Non-current liabilities	(45)	(53)
<b>Non-current net assets</b>	<b>133</b>	<b>292</b>
<b>Net assets</b>	<b>111</b>	<b>170</b>
<b>Summarised statement of comprehensive income</b>		
	<b>12 months to 30 June 2018 \$'000</b>	<b>10 months to 30 June 2017 \$'000</b>
Revenue	628	551
Loss after tax for the period	(260)	(95)
Loss allocated to NCI	(127)	(42)
<b>Summarised cash flows</b>		
Cash outflows from operating activities	(112)	(21)
Cash outflows from investing activities	(13)	(1)
Cash inflows from financing activities	124	49
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1)</b>	<b>27</b>

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

On 7 December 2017, a rights issue was offered to the equity holders of Law Central to raise \$200,000 working capital. The rights issue was offered in proportion to existing shareholdings and was underwritten by Easton. The final allocation of shares issued on 26 March 2018 resulted in non-controlling interests subscribing to 4,575,264 of the 20,000,000 shares offered for \$45,753.

### 21. BUSINESS COMBINATIONS

#### (a) GPS Wealth

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 Wealth Acquisition**).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 21. BUSINESS COMBINATIONS (continued)

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

The GPS Wealth 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 Wealth Acquisition was based on a contract price of \$20.0 million, consisting of 50% cash (\$10.0 million), and 50% in Easton shares, (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 ordinary shares representing 50% of their share of the total purchase price. The shares issued are subject to a 24 month escrow.

The balance of \$507k cash payable to the majority shareholders that was subject to various warranty provisions was adjusted to \$454k and settled on 9 November 2017.

The Minority Offer was completed on 7 September 2017 with a cash payment of \$4.9 million as well as the issue of 3,183,230 Easton ordinary shares subject to a 24 month escrow.

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

#### (i) Purchase consideration:

	<b>\$'000</b>
Cash	5,014
Ordinary shares issued:	
- 11 August 2017, 3,268,406 Easton shares @ spot price of \$1.29	4,216
	<b>9,230</b>
- Non-controlling interest <sup>1</sup>	8,690
<b>Total</b>	<b>17,920</b>

1. On 7 September 2017, the Group purchased the remaining non-controlling interest for \$4,934,000 cash as well as the issuance of 3,183,230 Easton ordinary shares at a spot price of \$1.18 per share.

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

	<b>11 August 2018 \$'000</b>
Cash	505
Trade debtors	171
Other assets	70
Property, plant and equipment	142
Capitalised software	65
Current tax asset	71
Deferred tax asset	484
Trade payables	(569)
Borrowings	(183)
Revenue received in advance	(826)
Provision for employee entitlements	(278)
<b>Net identifiable assets acquired</b>	<b>(348)</b>
Add:	
Separately identifiable intangible assets	12,250
Goodwill	6,018
<b>Net assets acquired</b>	<b>17,920</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 21. BUSINESS COMBINATIONS (continued)

Goodwill is attributable to the workforce, business processes and profitability of the acquired business.

At the date of completion of these consolidated financial statements, the necessary identification and fair value assessment of the identifiable net assets acquired has not been finalised. Accordingly, the initial carrying amounts of the assets acquired and liabilities assumed as part of the acquisition have been provisionally determined.

*(iii) Revenue and profit contribution:*

The acquired company contributed revenues of \$33,879,504 and net profit before tax of \$1,589,411 to the Group for the period 12 August 2017 to 30 June 2018. If the acquisition had occurred on 1 July 2017, consolidated proforma revenue and net profit before tax for the year ended 30 June 2018 would have been \$37,850,086 and \$1,586,830 respectively. The Group's accounting policies have been applied to GPS Wealth from the date of acquisition.

#### (b) Taxbytes

On 11 January 2018, the Group executed agreements for the acquisition of a controlling interest in the business of Taxbytes, a leading provider of in-house training to the accounting profession. Under the agreement, Knowledge Shop holds 65% of the share capital of a newly incorporated entity that acquired the business of Taxbytes. Purchase consideration for 65% of the business was \$360,750. There is a put and call option to acquire the remaining 35% of the share capital, exercisable 3 years from the original date of purchase.

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

*(i) Purchase consideration:*

	<b>11 January 2018 \$'000</b>
Cash	361
Non-controlling interest	194
	<b>555</b>

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

	<b>11 January 2018 \$'000</b>
Goodwill	555
<b>Net assets acquired</b>	<b>555</b>

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 business contributed revenues of \$282,679 and net profit before tax of \$127,417 to the Group for the period 11 January 2018 to 30 June 2018. If the acquisition had occurred on 1 July 2017, consolidated proforma revenue and net profit before tax for the year ended 30 June 2018 would have been \$606,928 and \$273,571 respectively. The Group's accounting policies have been applied to the new business from the date of acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 22. CASH FLOW STATEMENT RECONCILIATION

#### (a) Reconciliation of net profit after tax to net cash flows from operating activities

	2018 \$'000	2017 \$'000
Net profit after income tax	1,772	1,477
<i>Adjustments for non-cash items:</i>		
Depreciation	100	64
Amortisation	833	474
Loss on disposal of plant and equipment	26	1
Loss on disposal of intangible assets	218	-
Non-cash employee benefits expense – share-based payment writeback	-	(13)
Share of associates' net profit	(1,149)	(963)
Notional interest charge on present value of contingent consideration	-	34
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade, other receivables and other assets	(2,194)	1,315
Decrease in deferred tax assets	231	260
Increase/(decrease) in trade and other payables	681	(1,240)
Increase in provisions and employee benefits	119	85
(Decrease)/increase in current tax liability	(199)	110
(Decrease) in deferred tax liability	(61)	(23)
<b>Net cash flows from operating activities</b>	<b>377</b>	<b>1,581</b>

#### (b) Reconciliation of cash

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

	2018 \$'000	2017 \$'000
Cash at bank (refer to note 6)	452	2,641

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 23. RELATED PARTY DISCLOSURES

#### (a) Parent entity

The parent entity within the Group is Easton Investments Limited (refer to note 29 for information relating to the parent entity).

#### (b) Subsidiaries

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

Subsidiary Name	Country of incorporation	Proportion of ownership interest and voting power held (%)	
		2018	2017
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	100.0
Pandocs Pty Ltd	Australia	80.0	78.0
Law Central Co. Pty Ltd	Australia	60.2	56.0
GPS IP Group Holdings Pty Ltd	Australia	100.0	-
GPS IP Pty Ltd	Australia	100.0	-
Accountants Insurance Services Pty Ltd	Australia	100.0	-
GSP Wealth Limited	Australia	100.0	-
Pathway to Wealth Pty Ltd	Australia	100.0	-
PTW Care Pty Ltd	Australia	100.0	-
Personal Insurance Solutions Australia Pty Ltd	Australia	100.0	-
Tax Bytes Pty Ltd	Australia	65.0	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 23. RELATED PARTY DISCLOSURES (continued)

#### (c) Key management personnel compensation

	2018	2017
	\$	\$
Short-term employment benefits	1,314,694	1,161,031
Post-employment benefits	96,203	69,096
Share-based payments	-	(12,462)
<b>Total remuneration</b>	<b>1,410,897</b>	<b>1,217,665</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 21 to 30.

#### (d) Transactions with related parties

The following transactions occurred with related parties:

	2018	2017
	\$	\$
<i>Transactions with associates<sup>1</sup></i>		
<i>Fees and other revenue received from associates</i>		
Distribution fees received – Law Central <sup>2</sup>	-	4,319
Fees associated with Referral Rights Agreement – First Financial	63,636	-
Dividend received – First Financial	484,941	342,670

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 23(e) and 23(f).

2. Law Central ceased being an associate on 29 August 2016 when the Group acquired a controlling interest.

	2018	2017
	\$	\$
<i>Transactions with associates</i>		
<i>Fees paid to associates</i>		
Adviser revenue on paid to First Financial through Merit Wealth AFSL net of commission received.	(15,689) <sup>1</sup>	-
Payments for use of office facilities - First Financial	(90,263)	(93,333)

1. Represents amount paid on to First Financial after all fees and commissions deducted. Merit Wealth earned \$3,018 for dealer services.

#### (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:

	2018	2017
	\$	\$
<i>Current payables</i>		
Entities controlled by key management personnel:		
- T&C Consulting Services Pty Ltd	-	4,331
- HKNSW	27,020	84,134
	<b>27,020</b>	<b>88,465</b>
<i>Current receivables</i>		
Entities controlled by key management personnel:		
- HKNSW	2,376	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 23. RELATED PARTY DISCLOSURES (continued)

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

##### *Expenses reimbursement*

During the year, the Company paid \$69,763 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 (2017: \$51,545).

##### *Services*

During the year, the Group paid:

- \$50,000 to T&C Consulting Services Pty Ltd, a related party of C Scarcella for services as a non-executive director (2017: \$47,250); and
- \$12,000 to Hayes Knight (NSW) Pty Ltd for accounting services to Law Central (2017 for the 10 months since being part of the consolidated entity \$14,900).

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:

- \$198,852 for professional fees relating to specialist tax advice, accounting and consulting fees (2017: \$231,610);
- \$384,716 for adviser fees paid (2017: \$401,732);
- \$413,583 for help desk and technical training support (2017: \$796,114);
- \$321,623 for occupancy and infrastructure services (2017: \$359,751); and
- \$176,998 for administration fees (2017: \$148,583).

##### *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 (2017: \$18,676); and
- \$233,101 fully franked dividends.

##### *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.

### 24. 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 current or prior year.

During the year ended 30 June 2017, 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.

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

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

During the year ended 30 June 2017 a share-based payment benefit of \$12,463 was recognised after the forfeiting of performance rights granted on 1 January 2014 due to not meeting final vesting conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 25. COMMITMENTS

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

The Group leases various offices under non-cancellable operating leases that expire between 1 and 2 years from balance date. In addition, Easton's head office has a rolling sub-tenancy arrangement with Hayes Knight NSW with a notice period of 6 months.

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

	2018 \$'000	2017 \$'000
Minimum lease payments	701	484
	<b>701</b>	<b>484</b>

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

Not later than 1 year	161	135
Later than 1 year and not later than 5 years	21	8
Later than 5 years	-	-
	<b>182</b>	<b>143</b>

#### (b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2018 (2017: Nil).

#### (c) Loan commitments

Refer to note 14, for details on borrowings

### 26. CONTINGENCIES

There were no contingent liabilities as at 30 June 2018 (2017: Nil).

### 27. EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 30 June 2018 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 28. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with and borrowings from banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries. In addition, the Group operates managed accounts under the CARE brand which are held on external investment platforms. The Group receives fees based on the performance of those funds.

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:

	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	452	2,641
Trade and other receivables	2,596	1,394
<b>Total financial assets</b>	<b>3,048</b>	<b>4,035</b>
<b>Financial liabilities</b>		
Trade and other payables	2,498	1,709
Borrowings	7,236	-
Contingent consideration	-	413
<b>Total financial liabilities</b>	<b>9,734</b>	<b>2,122</b>

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 Solutions segment. The Group has also earned portfolio management 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 primarily relates to funds that are held on external platforms guided by the Group's CARE philosophy. 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 does not hold any material foreign currency denominated financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 28. 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 2018	Weighted average interest rate %	Fair value level	Fixed interest rate \$'000	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets:</b>						
Cash and cash equivalents	0.40		-	22	430	452
Trade and other receivables	-		-	-	2,596	2,596
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(2,498)	(2,498)
Borrowings	5.14		-	(7,236)	-	(7,236)
<b>Net financial assets/(liabilities)</b>			<b>-</b>	<b>(7,214)</b>	<b>528</b>	<b>(6,686)</b>

30 June 2017	Weighted average interest rate %	Fair value level	Fixed interest rate \$'000	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets:</b>						
Cash and cash equivalents	0.40		-	1,776	865	2,641
Trade and other receivables	-		-	-	1,394	1,394
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(1,709)	(1,709)
Contingent consideration	-	3	-	-	(413)	(413)
<b>Net financial assets/(liabilities)</b>			<b>-</b>	<b>1,776</b>	<b>137</b>	<b>1,913</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 28. FINANCIAL INSTRUMENTS (continued)

For the year ended 30 June 2018, 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 \$62,940 lower/higher (2017: \$20,858 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 74% of trade receivables are within approved credit terms (2017: 83%). 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 with the exception of bank borrowings held in the Company which have a maturity date of 30 April 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 28. 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 28 (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:

	2018 \$'000	2017 \$'000
At 1 July	413	466
Additions during the year at fair value	-	555
Payments/payable	(413)	(611)
Fair value adjustments during the year	-	3
At 30 June	-	413

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. (2017: \$nil lower/higher).

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

	2018 \$'000	2017 \$'000
Net financial assets and liabilities as above	(6,686)	1,913
Non financial assets and liabilities	37,475	18,919
Net assets per statement of financial position	30,789	20,832

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 29. 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 31 for a summary of the significant accounting policies relating to the Group.

<b>(a) Summarised statement of financial position</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	<b>73</b>	1,032
Non-current assets	<b>33,470</b>	17,738
Total assets	<b>33,543</b>	18,770
Current liabilities	<b>388</b>	488
Non-current liabilities	<b>12,183</b>	3,854
Total liabilities	<b>12,571</b>	4,342
<b>Net Assets</b>	<b>20,972</b>	14,428
Contributed equity	<b>26,574</b>	18,629
Accumulated losses	<b>(5,602)</b>	(4,201)
<b>Total equity</b>	<b>20,972</b>	14,428

### (b) Summarised statement of comprehensive income

(Loss)/profit of the parent entity	<b>(1,400)</b>	139
Total comprehensive (loss)/profit of the parent entity	<b>(1,400)</b>	139

### (c) Parent entity guarantees

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

### (d) Parent entity contingent liabilities

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

### (e) Parent entity contractual commitments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 30. 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.

	2018	2017
	\$	\$
<b>(a) Pitcher Partners</b>		
Audit and review of financial statements	200,000	116,000
Total remuneration of Pitcher Partners	<u>200,000</u>	<u>116,000</u>
<b>(b) Non Pitcher Partners audit firms</b>		
Audit and review of financial statements	-	17,000
Total remuneration of non-Pitcher Partners audit firms	<u>-</u>	<u>17,000</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 31. 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 20 August 2018.

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 32.

#### (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 period is set out below:

*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 has not significantly impacted the Group's financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

*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 has not significantly impacted 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.

#### (v) *New standards and interpretations not operative as at 30 June 2018*

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

Most of the requirements under this standard are consistent with the current recognition practices used in the Group except for revenue relating to referral rights agreements (RRAs), which are likely to be recognised upfront under the new standard instead of 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.

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 Group's accounting for operating leases, it is not expected to have a material effect on the financial results.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### (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.

#### (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 1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### (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.

#### (e) Revenue

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

##### (i) Rendering of services

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

##### (ii) Referral rights

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

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

##### (iii) Interest income

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

##### (iv) Dividends and distributions

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### (f) Other income

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

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

##### (i) Income tax

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

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

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

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

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

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

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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### (ii) Other taxes

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

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

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

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

#### (iii) Tax consolidation

The Group has applied tax consolidation legislation to form one tax-consolidated group for all wholly owned subsidiaries. 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.

Tax accounting for entities with a non-controlling interest are accounted for on a standalone basis.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### (i) Business combinations

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

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

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

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

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

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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

#### *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”.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

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

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

#### (vi) Impairment of financial assets

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

Refer to note 28(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

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

the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with *AASB 8 Operating Segments*.

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

Impairment losses recognised for goodwill are not subsequently reversed.

#### *Intangibles*

Intangible assets acquired separately or in a business combination at fair value are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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 31(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 31. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 31. 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.

### 32. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies described in note 31, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

### 32. 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 2018 was \$18,662,931 (30 June 2017: \$12,089,335). No impairment losses have been recognised against goodwill during the current or prior year. Details of impairment testing are set out in note 11.

#### *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 intangible assets other than goodwill at 30 June 2018 was \$13,626,052 (30 June 2017: \$1,870,819). Refer to note 11.

#### *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 28(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.

## DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 32 to 81 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 31, 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 2018 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 2018.

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

On behalf of the Board.

A handwritten signature in black ink that reads "Kevin White". The signature is written in a cursive style with a long horizontal stroke at the end.

**Kevin White**  
**Chairman**

Sydney  
20 August 2018

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

**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 2018, 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 2018 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.

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

*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
<p><b>Acquisitions resulting in a business combination</b> Refer to Note 11 ; Note 15; Note 21; Note 31 (i)</p> <p>During the year ended 30 June 2018, the Group completed the following acquisitions which resulted in business combinations:</p> <ul style="list-style-type: none"> <li>▪ Acquisition of 100% of the issued share capital of GPS Wealth Ltd for total consideration of \$17.92m being \$9.95m cash and issue of 6,451,636 shares in Easton Investments Ltd at a fair value of \$7.97m; and</li> <li>▪ Acquisition of Taxbytes for \$0.56m, resulting in a total shareholding of 65%.</li> </ul> <p>Inherent in the determination of a purchase price allocation are management judgement and estimation, which require specific audit attention.</p> <p>Factors that have led to our inclusion of acquisitions resulting in business combinations as a key audit matter include, but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ The nature of complex terms and conditions within the relevant purchase and sale agreements;</li> <li>▪ Consideration paid and intangible assets derived as a result of the purchase price allocation is significant at 30 June 2018; and</li> <li>▪ 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.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Understanding and evaluating controls surrounding business combinations;</li> <li>▪ Identifying key terms and conditions with reference to the signed sale and purchase agreement;</li> <li>▪ Identifying assets and liabilities acquired, including those not previously brought to account by the acquiree and agreeing to supporting documentation;</li> <li>▪ Challenging management's assumptions surrounding the measurement and fair valuation of assets and liabilities acquired and agreeing to purchase agreement and purchase price allocation;</li> <li>▪ Challenging management's assumptions surrounding the allocation of the purchase price between goodwill and separately identifiable intangible assets;</li> <li>▪ Assessing the adequacy of disclosures in respect of business combinations; and</li> <li>▪ Performing the procedures described under the Key Audit Matter '<i>Impairment of intangible assets</i>' included in this report.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="197 235 790 302"><b>Carrying value of intangible assets</b> Refer to Note 11; Note 31(j) &amp; (n); Note 32</p> <p data-bbox="197 302 790 392">In assessing impairment of intangible assets, management have estimated the value in use for each cash generating unit (CGU).</p> <p data-bbox="197 425 790 571">In addition to comparing the recoverable amounts to the carrying value of each CGU, management have performed sensitivity with respect to key inputs including review of observable market data, discount rates and terminal value.</p> <p data-bbox="197 604 790 761">As result of the significant judgements and estimates made by management in determining the recoverable amount of each CGU through recoverable amount analysis, no impairment charge has been assessed for the year ended 30 June 2018.</p> <p data-bbox="197 795 790 884">Factors that have led to our inclusion of impairment of goodwill as a key audit matter include, but are not limited to:</p> <ul data-bbox="255 918 790 1198" style="list-style-type: none"> <li data-bbox="255 918 790 1097">▪ Valuation of intangibles and assessment of impairment by management is subject to significant judgement and estimation risk, including but not limited to the discount rate, working capital estimate, estimated future cash flow and growth rates; and</li> <li data-bbox="255 1131 790 1198">▪ Intangible assets carried by the Group of \$32.29 million are significant at 30 June 2018.</li> </ul>	<p data-bbox="790 302 1394 336">Our procedures included, amongst others:</p> <ul data-bbox="869 358 1394 1464" style="list-style-type: none"> <li data-bbox="869 358 1394 425">▪ Understanding and evaluating controls surrounding valuation of intangible assets;</li> <li data-bbox="869 459 1394 638">▪ Assessing the basis for which CGUs have been allocated including considering how management monitors performance for internal reporting purposes and assessment of CGU groups at the lowest level that generates independent cash flows;</li> <li data-bbox="869 672 1394 761">▪ Assessing the reliability of management’s historical forecasting in comparison with actual performance;</li> <li data-bbox="869 795 1394 952">▪ Challenging management’s forecast assumptions around future cash flow and growth rates with specific reference to historical and expected performance, market conditions and corroborating events;</li> <li data-bbox="869 985 1394 1075">▪ Assessing the sufficiency of working capital and capital expenditure inputs in calculating value in use;</li> <li data-bbox="869 1108 1394 1288">▪ Performing sensitivity testing of management’s value in use models with specific attention to the discount rate applied and likelihood of achievement of Board approved forecasts and growth assumptions;</li> <li data-bbox="869 1321 1394 1464">▪ Engaging an auditor’s expert to evaluate the sensitivity of the value in use models with particular regard to observable market benchmarks, and review of terminal value and discount rate; and</li> </ul>

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

*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 2018, 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 have 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.

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

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.

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.

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

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 21 to 30 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Easton Investments Limited and controlled entities, for the year ended 30 June 2018, 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

20 August 2018

## 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 13 August 2018.

### (a) Distribution of equity securities

#### *Ordinary share capital*

As at 13 August 2018 there were 34,851,966 shares held by 441 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	31,060	161
1,001 - 5,000	156,604	53
5,001 - 10,000	316,179	39
10,001 - 100,000	4,644,550	122
100,001 - over	29,703,573	66
<b>TOTAL</b>	<b>34,851,966</b>	<b>441</b>

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:

#### Ordinary shareholders

Greg Hayes (direct and associated entities)  
Kevin White (direct and associated entities)  
Pie Funds Management Limited

Notification date	Ordinary shares held Number	%
08/09/2017	5,766,942 <sup>1</sup>	16.55
08/09/2017	3,009,954 <sup>1</sup>	8.64
11/09/2017	2,640,059 <sup>2</sup>	7.58
	<b>11,416,955</b>	<b>32.77</b>

1. Shareholding as at 13 August 2018.

2. Shareholding at date of notification.

## ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION (continued)

### (c) Twenty largest holders of quoted equity securities as at 13 August 2018

	Fully paid ordinary shares	
	Number	Held %
<b>Ordinary shareholders</b>		
Greg Hayes	2,932,072	8.41
J P Morgan Nominees Australia Limited	2,714,338	7.79
Mr Kevin White & Mrs Margaret White<White Family Super Fund A/C>	2,609,827	7.49
ACN 098 682 556 Pty Ltd	2,444,445	7.01
Mr Peter Geoffrey Hollick	1,000,000	2.87
Holman Corporation Pty Ltd <Holman Family Trust	990,852	2.84
RJM TC Pty Ltd <The McGregor Family Trust	911,133	2.61
Citicorp Nominees Pty Ltd	904,103	2.59
Mr Grahame David Evans & Mrs Catherine Jane Evans	891,754	2.56
Craig Rosen	681,036	1.95
HP Capital Pty Ltd	666,667	1.91
Mr Anthony Raymond White	563,495	1.62
HSBC Custody Nominees (Australia) Limited	546,383	1.57
Top Pocket Pty Ltd <Top Pocket Super Fund A/C>	533,334	1.53
Top Pocket Pty Ltd	530,400	1.52
Mr Alistair David Strong	520,000	1.49
Lisa Armstrong	447,600	1.28
GPSAST Pty Ltd	437,901	1.26
BNP Paribas Nominees Pty Ltd	428,334	1.23
Mini Investments Pty Ltd	420,000	1.21
Dixon Trust Pty Limited	419,900	1.20
Shane Anthony Bransby	408,904	1.17
	<u>22,002,488</u>	<u>63.13</u>

### (d) Restricted securities

As at 13 August 2018, there were 4,817,433 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.