



# Annual Report 2021

For the year ended  
30 June 2021

**Easton Investments Limited**  
ABN 48 111 695 357

## **CORPORATE DIRECTORY**

### **Directors**

Kevin White	Chairman
Nathan Jacobsen	Managing Director (appointed 1 February 2021)
Grahame Evans	Executive Director
John G Hayes	Non-executive Director (resigned 26 August 2021)
Carl Scarcella	Non-executive Director
Anthony McDonald	Non-executive Director (appointed 1 February 2021)

### **Joint Company Secretaries**

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

Michael Harris  
Chief Financial Officer and Joint Company Secretary  
Easton Investments Limited

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

Level 2, 115 Pitt Street  
SYDNEY NSW 2000

### **Communications**

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Email: [info@eastoninvestments.com.au](mailto:info@eastoninvestments.com.au)

### **Share Registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

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

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

### **Bankers**

Westpac Banking Corporation  
360 Collins Street  
MELBOURNE VIC 3000

### **Auditors**

BDO Audit Pty Ltd  
Level 11, 1 Margaret Street  
SYDNEY NSW 2000

### **Legal Advisers**

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

### **Annual General Meeting**

Easton Investments Limited's Annual General Meeting will be held at 10.30am (Sydney time) on 14 October 2021. Due to Government restrictions and related concessions with respect to indoor gatherings (in response to the COVID-19 pandemic), the 2021 AGM will be held online via a live ZOOM teleconference with strictly no shareholders in physical attendance. The Notice of AGM and related Proxy Form will be available on the Company's website on or before 14 September 2021.

## CONTENTS

Chairman's Statement	3
Managing Director's Report	5
Directors' Report	8
Auditor's Independence Declaration	31
<b>Financial Statements:</b>	
Consolidated statement of comprehensive income	33
Consolidated statement of financial position	34
Consolidated statement of changes in equity	35
Consolidated statement of cash flows	37
Notes to the consolidated financial statements	38
Directors' Declaration	89
Independent Auditor's Report	90
Additional Australian Securities Exchange Information	94

# CHAIRMAN'S STATEMENT

## The Year in Review

The 12 months ended 30 June 2021 has been a transformational year for our Company.

I am pleased to report that during this period, we have:

- Greatly simplified the Company by reducing our number of business interests;
- Strengthened its balance sheet and financial position (with a net cash position of \$2.26m at 30 June 2021);
- Recommended an off-market proportional takeover offer from HUB24 Limited (**HUB24**), which resulted in HUB24 becoming a substantial shareholder in Easton with a 31.5% interest;
- Entered into an important strategic relationship with HUB24, encompassing a technology and distribution agreement relating to the provision of innovative technology and data solutions, specifically focused on repositioning Easton with a competitive advantage in the delivery of efficient, cost-effective solutions and services to advisers, accountants and their clients;
- Acquired Paragem Limited (**Paragem**), a licensee entity previously owned and operated by HUB24;
- Appointed a new managing director, Mr Nathan Jacobsen, with effect from 1 February 2021;
- Strengthen our Board with the appointment of a new non-executive director, Mr Tony McDonald; and
- Reset the Company's strategic plan with a more concentrated focus on achieving a step change in scale and capability to become a market leader in the delivery of integrated services to accountants and financial planners where our Company has a highly competitive position, defined strengths and widely recognised expertise.

At the same time, our Company has continued to perform extremely well, reflecting the high quality of our continuing businesses, the recurring nature of the income derived from those business and our business diversity across the accounting and wealth sectors where Easton is a leading provider of integrated solutions and services.

Underlying Profit increased by 20% to \$6.81m, an excellent result considering the adverse impact of COVID19 on face-to-face training, the loss of earnings from divested operations, and in line with a narrower focus on core businesses and the on-going investment in online capability and operational efficiency.

Cash flow generated from operations of \$7.53m was a strong result, being broadly in line with Underlying Profit and contributed to the extinguishment of borrowings during the financial year.

A final dividend of 2.5 cents per share fully franked has been declared, bringing the full year dividend payment to 9.0 cents per share fully franked, including a special dividend of 5.0 cents per share fully franked paid in January 2021.

## Looking Ahead

Directors believe that the Company has an exciting future to build scale and expand the delivery of its core services to the accounting and wealth sectors with the support and backing of HUB24 as a significant shareholder and following the resetting of the Company's strategic plan under the guidance our new managing director.

Directors confirm their intent to pursue a step change in scale and capability in line with the Company's reset strategic plan, mindful that Easton today has some excellent businesses but is a relatively small listed company with limited liquidity.

The Company will continue to explore opportunities over the coming year that are considered capable of enhancing scale. Directors plan to build on the progress made over the last 12 months in terms of capability with a focus on operational efficiency and client engagement, including through access to HUB24's technology solutions and data capability.

In summary, whilst Directors are extremely pleased with the progress that the Company has made over the last 12 months and the improvement in the Company's share price over this period, Directors continue to be of the view that our share price does not fully reflect the underlying value of our Company or its businesses. The pricing of recent transactions for comparable businesses, especially in the wealth sector, reinforces this view having regard to valuation benchmarks and metrics.

## Acknowledgements

In October 2020, Mr Greg Hayes, stepped down as the Company's managing director after some 6 years in the role. On behalf of the Board and shareholders, I would like to thank Greg for his tremendous contribution and tireless efforts over this period. Greg stepped down with the Company in good shape, on a strong financial footing and with excellent growth prospects.

## CHAIRMAN'S STATEMENT (continued)

Greg has continued to play a valuable role as a non-executive director until his retirement from the Board in August 2021.

As mentioned above, Mr Nathan Jacobsen joined the Company as its new managing director in February 2021. We feel extremely fortunate to have attracted Nathan to our Company to lead Easton through its next growth phase. Easton today has some high-quality businesses and we are confident that Nathan has the requisite experience, knowledge and skills to develop and further enhance the value of those businesses, identify new business opportunities as part of a broad-based strategic plan to achieve a step change in scale and to create future value for our shareholders.

Prior to joining Easton, Nathan was a senior executive with HUB24 with the dual roles of managing director of Paragem and Group Executive of HUB24's Advice and Technology Solutions. He is a capable and experienced executive with relevant knowledge and leadership capability to capitalise on both the opportunities presented by the strategic partnership with HUB24 and Easton's broader integrated growth strategy across the accounting and wealth sectors.

On behalf of the Board and shareholders, I would also like to welcome Mr Tony McDonald to the Easton Board. Tony joined our Board as a non-executive director in February 2021 and our Company will benefit from his broad background, qualifications, knowledge and experience in both the financial services sector and the listed company environment. His appointment as a nominee of HUB24 is expected to reinforce the strategic partnership with HUB24 and will further strengthen the Easton Board.

I would like to especially acknowledge and thank our executive team and staff for their hard work, efforts and commitment during an extremely difficult and taxing year. Their dedication and accomplishments have underpinned the continued growth and success of our Company and our businesses in a time of great uncertainty and on-going disruption to our lives, our community and the way we work and communicate.

In particular, a special welcome to all staff and advisers who have joined our Company as a result of the Paragem acquisition. I am pleased to say that it has been a smooth transition due in no small part to the level of planning and hard work that has been contributed by all concerned.

Finally, I thank shareholders for your support. Directors remain committed to creating value for our shareholders through both organic and inorganic opportunities.



**Kevin White**  
**Chairman**

Sydney  
26 August 2021

## MANAGING DIRECTOR'S REPORT

It is with great pleasure I present my first Managing Director's report for Easton Investments Limited (**Easton**). Easton is already a market leading service provider to the accounting and financial advice industries, providing these services to around 3,000 accounting firms, 150 financial planning firms and 529 financial advisers. The business today is composed of four core functions across two business lines:

1. Accounting Solutions – member technical services and training
2. Wealth Solutions – licensing & related services and CARE managed portfolios

Easton has delivered a record year of growth in FY21 and is aiming to triple Net Revenue in the next three years. Achievements over the course of the past 12 months can largely be attributed to:

- Material growth in Net Revenue and Underlying Profit, driven by momentum in both business segments
- Elimination of all debt and material improvement in free cashflow
- Backing of a new significant shareholder and appetite to invest for growth.

### Performance Highlights – strong performance across all financial measures

- Revenue from continuing operations up 33% to \$91.71m (2020 \$69.01m)
- Net Revenue up 24% to \$27.71m (2020: \$22.43m)
- Statutory profit up 70% to \$2.98m (2020: \$1.75m)
- Underlying Profit up 20% to \$6.81m (2020: \$5.67m)
- Net cashflow from operating activities up 142% to \$6.26m (2020: \$2.59m)
- A final dividend of 2.5 cents per share, fully franked – bringing the full year dividend rate to 9 cents per share, fully franked including a special dividend of 5 cents paid in January 2021
- Strengthened balance sheet with no debt after divestment of non-core assets. (2020: Net Debt \$8.15m)

### Accounting Solutions – continued strong growth

Accounting Solutions	2021	2020	Increase
	(\$m)	(\$m)	(%)
Net Revenue from continuing operations	14.73	10.53	40
Underlying Profit from continuing operations	5.86	3.89	51

The full year contribution of TaxBanter and Knowledge Shop's continued strong membership growth delivered a record 40% growth in Net Revenue for the Accounting Solutions division. Knowledge Shop members (accounting firms subscribing to a technical service incorporating helpdesk, workpapers and training) represent a growing business line that is a highly scalable opportunity for Easton.

In addition to member services, Accounting Solutions delivered training to accountants across three brands: Knowledge Shop, TaxBanter and Taxbytes.

With a continued shift to online training due to the challenges of COVID-19 the business saw a 55% uplift in online attendees and an improvement in average margin. As workplaces and work habits continue to evolve in response to the global pandemic, and consumer expectations continue to shift as a result, we predict continued growth in online training and an ongoing margin opportunity.

This year we also continued our extension into providing training to financial advisers, responding to growing demand for assistance with preparing for the Financial Adviser Standards and Ethics Authority (FASEA) exam.

To cap the year, our Tax Director in Accounting Solutions was a finalist in the Australian Accounting Awards for Thought Leader of the Year.

## MANAGING DIRECTOR'S REPORT (continued)

### Wealth Solutions – growing leadership position

Wealth Solutions	2021	2020	Increase
	(\$'m)	(\$m)	(%)
Net Revenue from continuing operations	12.98	11.9	9
Underlying Profit from continuing operations	2.78	2.45	13

The Wealth Solutions business delivered 9% growth in Net Revenue and further improvement to EBITA margin. This division changed markedly in FY21, with implementation of a new pricing structure and the acquisition of Paragem, a boutique licensee of high quality, holistic financial advisers. This growth was partially offset by departures of limited advisers (accountants authorised for SMSF advice) due to rising industry costs and FASEA education reforms. The net outcome from this shift is a change in adviser mix towards a growing number of full advisers. The average Net Revenue per full licensed adviser improved by 17% over the year. Our service quality continues to be recognised by advisers, with the GPS license awarded 2020 Licensee of the Year by CoreData Research Australia, an industry researcher.

The CARE managed portfolios delivered 21% growth in revenue, with just under \$2b funds under management (**FUM**) and most portfolios achieving 2nd quartile portfolio performance over 5 years. The performance of the CARE portfolios were also recognised by the industry through selection as a 2021 finalist in the IMAP Licensee managed account category.

### Easton Investments today – simplified, re-focused

Following the 2019 strategic review, Easton has now completed its simplification process, with no further divestments planned. Our core businesses are all growing strongly, off the back of sustained growth, and we remain focussed on the opportunity to use our recent acquisitions and partnerships to continue to rapidly scale our capabilities and profitability.

### Advice & Accounting industry with attractive investment economics

Looking forward to the next phase of growth for Easton, our view is the financial advice and accounting industries represent highly attractive investment economics in the next 5 years, due to:

- Exit of the large institutions
- Disrupted competitors, with the transition away from product subsidised business models challenging some and benefiting others (like Easton)
- Strong underlying growth prospects for professional firms, through a rapidly growing supply and demand gap in the financial advice market and the benefits of an economy rebounding from COVID-19
- Opportunity for technology led innovation to transform how businesses like Easton and its clients operate. The sector has seen limited adoption of modern capabilities such as machine learning and process automation, with a high prevalence of manual processing.

This investment opportunity is central to our thinking and how we are positioning Easton for the next phase.

### Easton to pursue a market leadership position

Completion of the strategic partnership with Hub24 on 1 February 2021 provides Easton with a significant shareholder that is supportive of Easton pursuing a step change in scale. Directors confirm their intent to pursue this change in scale, capability and associated growth in shareholder value in line with the Company's reset strategic plan - which will be pursued via four strategic priorities:

1. Triple Net Revenue in 3 years
2. Grow client base in the high margin Accounting Solutions business by 40% in the next 3 years
3. Grow EBITDA margin in Wealth Solutions to 40% (on Net Revenue) within 4 years
4. Become the leading non institutional provider of services to both self-licensed and licensed advice practices

## MANAGING DIRECTOR'S REPORT (continued)

### Acknowledgements

In closing, I'd like to take the opportunity to thank (in no particular order) the Easton staff, Board, clients, investors and partners. My role as Managing Director is only possible through the commitment, determination and passion of those people. Thank you and I look forward to growing an enduring company with you over the coming years and delivering greater value to shareholders.



**Nathan Jacobsen**  
**Managing Director**  
26 August 2021

## 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 2021, 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 White
- Nathan Jacobsen (appointed 1 February 2021)
- Grahame Evans
- John G. Hayes (resigned 26 August 2021)
- Carl Scarcella
- Anthony McDonald (appointed 1 February 2021)

### PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group was the provision of integrated services to the Australian Accounting and Wealth market.

### RESULTS AND DIVIDENDS

The statutory net profit after tax of the Group for the year ended 30 June 2021 increased by 70% to \$2.98m (2020: \$1.75m). Operating revenue from continuing operations increased to \$91.71m, up from \$69.01m in the previous year, a rise of 33%.

The directors have declared the payment of a final, fully franked dividend of 2.5 cents per share. This dividend has a record date of 10 September 2021 and is to be paid on 24 September 2021. This is in addition to a 1.5 cent interim, fully franked dividend that was paid on 3 May 2021 and a special fully franked dividend of 5 cents paid 21 January 2021.

### REVIEW OF OPERATIONS

The directors are of the view that the best guide to the underlying performance of the Group at an operational level is **Net Revenue** and **Normalised EBITA** or **Underlying Profit**.

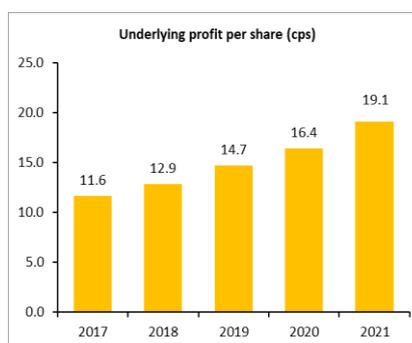
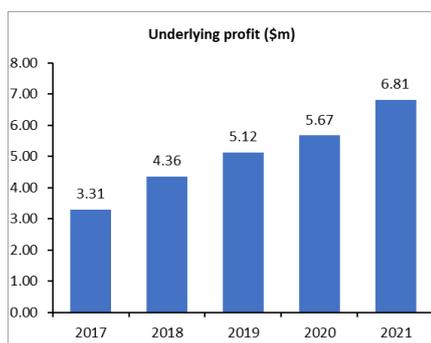
**Net Revenue** is defined as operating revenue from continuing operations less:

- Adviser revenue share; and
- Cost recoveries (ASIC levy and adviser systems)

**Underlying Profit** or **Normalised EBITA** is defined as earnings before interest, tax and amortisation (**EBITA**) excluding:

- One-off non-operational items (acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases);
- Non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

Easton delivered a substantial improvement on these two measures, with Net Revenue increasing by 24% to \$27.71m and Underlying Profit increasing by 20% to \$6.81m. This result came on the back of continued organic growth in existing businesses, a full year contribution from TaxBanter, and a part year contribution from Paragem acquired 1 February 2021. Underlying Profit per share increased to 19.1 cents per share (2020: 16.4 cents) up 16%.



## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

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

Financial performance	2021	2020	Increase
	(\$m)	(\$m)	(%)
Operating revenue from continuing operations	91.71	69.01	33
Net Revenue	27.71	22.43	24
Statutory net profit after tax <sup>1</sup>	2.98	1.75	70
Underlying Profit <sup>2</sup>	6.81	5.67	20

1. Statutory net profit after tax includes profit attributable to Non-controlling Interests. Profit attributable to members is \$2.50m (2020: \$1.48m).

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.

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

	2021	2020
	\$'000	\$'000
Normalised EBITA from continuing operations	6,384	4,400
Normalised EBITA from discontinued operations	426	1,268
<b>Normalised EBITA for the year</b>	<b>6,810</b>	<b>5,668</b>
Add/(deduct) normalisation adjustments:		
Equity accounted adjustments for interest, tax and amortisation <sup>1</sup>	-	(356)
Acquisition/divestment and recapitalisation costs <sup>2</sup>	(842)	(344)
Fair value adjustment derivative financial instrument <sup>3</sup>	-	202
Net (loss)/gain on disposal of subsidiaries and associates	(12)	8
Impairment of intangible assets <sup>4</sup>	(528)	(1,300)
Reverse impact of AASB16 – Leases	(1)	-
Fair value adjustment of contingent consideration <sup>5</sup>	471	1
Share based payment expense	(338)	-
<b>Statutory EBITA for the year including discontinued operations</b>	<b>5,560</b>	<b>3,879</b>
Add back: EBITA loss from discontinued operations	90	166
Deduct: Amortisation	(968)	(716)
Net interest expense	(203)	(446)
<b>Statutory operating profit before tax from continuing operations</b>	<b>4,479</b>	<b>2,883</b>
Income tax expense	(1,257)	(563)
<b>Statutory net profit after tax for the year</b>	<b>3,222</b>	<b>2,320</b>
Loss from discontinued operations	(240)	(571)
<b>Total comprehensive income for the year</b>	<b>2,982</b>	<b>1,749</b>
Deduct: Net profit attributable to Non-controlling interests	478	269
<b>Net profit after tax attributable to members</b>	<b>2,504</b>	<b>1,480</b>

1. Adjustments to gross up share of profits from equity accounted investments for interest, taxation and amortisation have been applied to HKNSW and First Financial.

2. Costs predominantly relate to M&A and HUB24 transaction costs including corporate advisers, legal, independent experts, PPA valuations and specialist tax advice.

3. Fair value adjustment of derivative financial instrument relating to a call option under the shareholders deed of First Financial exercised on 5 May 2020.

4. Impairment charge of \$0.5m applied to the carrying value of Panthercorp and \$28k to a client list intangible in the Wealth division. In the prior year, an impairment charge of \$1.3m applied to HKNSW and associated brand name in Hayes Knight National Group.

5. Fair value adjustment for the deferred consideration of TaxBanter (2021) and SMSF Expert (2020). Refer to note 14 in the financial report.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

#### Analysis by segment

The Group continues to service the wealth and accounting sectors through its two operating divisions, **Wealth Solutions** and **Accounting Solutions**.

Segment performance is summarised below:

Segment Result	2021	2020	Increase/ (decrease)
	(\$m)	(\$m)	(%)
<b>Net Revenue from continuing operations</b>			
Wealth Solutions	12.98	11.90	9
Accounting Solutions	14.73	10.53	40
	<b>27.71</b>	<b>22.43</b>	<b>24</b>
<b>Underlying Profit - continuing</b>			
Wealth Solutions	2.78	2.45	13
Accounting Solutions	5.86	3.89	51
	<b>8.64</b>	<b>6.34</b>	<b>36</b>
<b>Divisional results</b>			
Corporate overheads	(2.26)	(1.94)	(16)
<b>Total Underlying Profit - continuing</b>	<b>6.38</b>	<b>4.40</b>	<b>45</b>
Add – Discontinued operations	0.43	1.27	
<b>Group Underlying Profit</b>	<b>6.81</b>	<b>5.67</b>	<b>20</b>

Overall, the Group's two operating divisions achieved a strong uplift in Net Revenue from continuing operations, increasing by 24% to \$27.71m and Underlying Profit at a divisional level increased by 36% to \$8.64m.

Commentary on the Group's two operating divisions is outlined below:

#### 1. Wealth Solutions

The Group's Wealth Solutions division comprises the following entities during the year:

- GPS Wealth Ltd (**GPS**) – 100%
- Merit Wealth Pty Ltd (**MW**) – 100%
- The SMSF Expert Pty Ltd (**SMSF**) – 100%
- Paragem Pty Ltd (**Paragem**) – 100% (acquired 1 February 2021)

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

The performance of the Wealth Solutions division is summarised below:

Wealth Solutions	2021	2020	Increase/(decrease)
	(\$m)	(\$m)	(%)
Full adviser (AR) gross fees	64.14	48.13	33
Full adviser fixed licensee fees	3.52	1.84	91
Less: Adviser revenue share	(61.32)	(44.97)	(36)
AR Net Revenue	6.34	5.00	27
Limited adviser subscription revenue (LAR)	1.36	1.79	(24)
CARE & Other platform income	4.85	4.68	4
Other revenue	0.43	0.43	-
<b>Net Revenue from continuing operations</b>	<b>12.98</b>	<b>11.90</b>	<b>9</b>
Underlying profit from continuing operations	<b>2.78</b>	<b>2.45</b>	<b>13</b>
Discontinued operations	-	0.48	
<b>Segment result - Underlying Profit</b>	<b>2.78</b>	<b>2.93</b>	<b>(5)</b>

The Group's Wealth Solutions division provides a range of dealer group services to a network of more than 529 advisers nationally.

Wealth Solutions achieved Net Revenue growth of 9% and Underlying Profit from continuing operations growth of 13%. Whilst Underlying Profit from continuing operations continued to grow, Underlying Profit for the segment decreased by 5% compared to the prior year due to the loss of the net contributions from discontinued operations (First Financial and EWA Finance) of \$0.48 million.

Gross fee revenue from full authorised representatives (ARs) increased by 33% to \$64.14m. This uplift in revenue reflects continued growth in adviser practices as well as a part year contribution from Paragem acquired 1 February 2021. Growth in gross fee revenue from existing adviser practices before the addition of Paragem compared to the prior year was 7%.

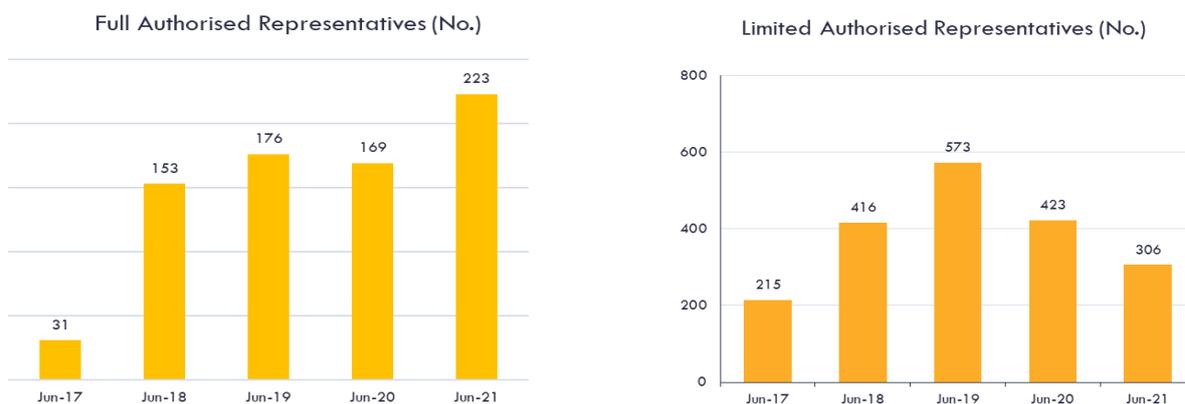
Net Revenue from ARs, after including fixed licensee fees and deducting the AR revenue share, increased by 27% to \$6.34m. Excluding the part year contribution from Paragem, Net Revenue from ARs increased by 7% from the pre-existing Wealth businesses, GPS and MW. Growth in Net Revenue from ARs was primarily attributed to the transition of the fee model to a higher fixed (licensee fixed fee) and lower variable (Adviser revenue share) components in line with industry practice. As a result of the fee transition, some of the smaller practices did not continue as authorised representatives. Net Revenue per adviser following the fee transition and with the addition of Paragem's advisers, has increased by 17% to \$34k per adviser.

Subscription revenue from Limited Authorised Representatives (LARs) fell by 24% to \$1.36 million compared to the prior year in line with a 28% decrease in the number of LARs on license to 306 at 30 June 2021. This reduction in LARs is a result of accountants reassessing their positions in light of the increasing ongoing compliance and education obligations, together with the rise in the annual ASIC levy and the impact of COVID-19 on their businesses. The impact on results with the reduction in the number of LARs is moderated due to the relatively lower average Net Revenue of circa \$4k per LAR.

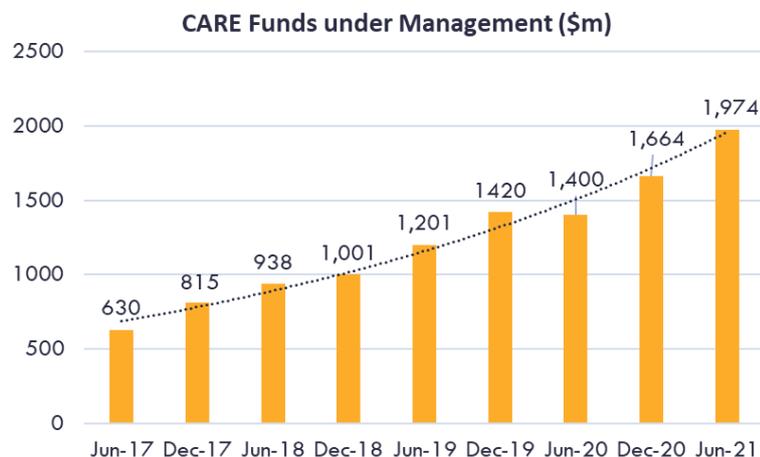
## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

Comparative information on advisers on license is illustrated below:



The Group's CARE investment philosophy, delivered through a portfolio of Managed Accounts, continued to grow with funds under management at 30 June 2021 of \$1.97 billion, up 41%. Revenue generated by CARE increased by 21% to \$4.46m.



With the voluntary removal of licensee fees payable through platforms for investment portfolios from 1st October 2020, the growth in revenue from CARE was partially offset by the removal of these fees.

#### Discontinued operations – Wealth Solutions

Underlying Profit from discontinued operations of \$0.48m in the prior year relates to the equity accounted contribution of First Financial of \$0.75m, divested 3 June 2020 and a \$0.27m loss from Easton Wealth Finance, divested effective 30 April 2020.

#### 2. Accounting Solutions

The Group's Accounting Solutions division comprises the following entities during the year:

- Knowledge Shop Pty Ltd (**Knowledge Shop or KS**) – 100%
- Tax Bytes Pty Ltd (**Taxbytes**) – 100% (previously 65% up to 15 February 2021)
- TaxBanter Pty Ltd (**TaxBanter or TBR**) – 60% acquired 23 January 2020
- Panthercorp CST Pty Ltd (**Panthercorp or PC**) – 100% (divested 1 February 2021)
- Law Central Co. Pty Ltd (**Law Central or LC**) – 60.2% (divested 14 December 2020)
- Hayes Knight NSW Pty Ltd (**HKNSW**) – 33.3% (divested 8 October 2020)

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

The performance of the Accounting Solutions segment is summarised below:

Accounting Solutions	2021	2020	Increase
	(\$m)	(\$m)	(%)
Membership subscription revenue	5.53	4.86	14
Training revenue	8.65	5.22	66
Other revenue	0.55	0.45	22
<b>Net Revenue from continuing operations</b>	<b>14.73</b>	<b>10.53</b>	<b>40</b>
Underlying profit from continuing operations	5.86	3.89	51
Discontinued operations	0.43	0.79	
<b>Segment result - Underlying Profit</b>	<b>6.29</b>	<b>4.68</b>	<b>34</b>

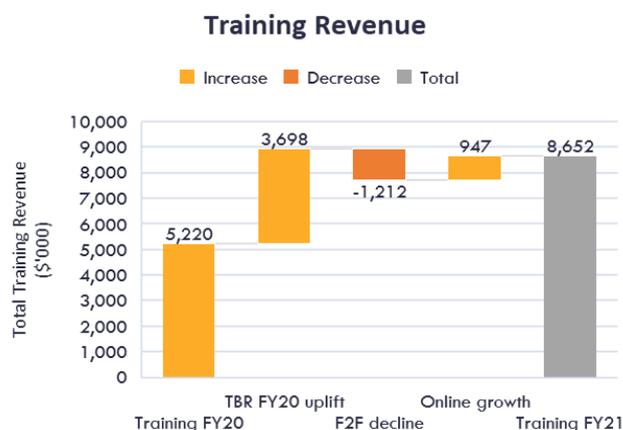
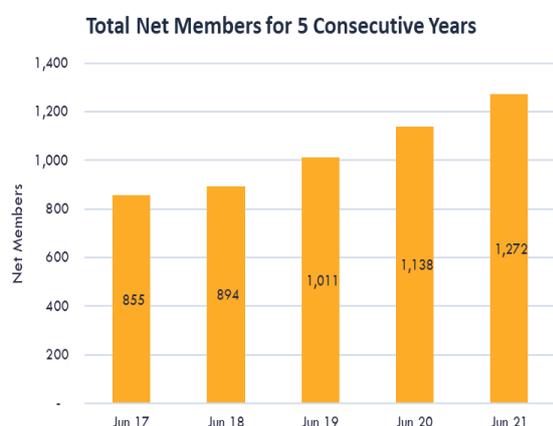
The Group's Accounting Solutions division provides a range of support services to accounting firms, including online technical support through a subscription service and training delivered by online and face to face formats. During the year, the division discontinued the provision of legal and corporate documents following the divestment of Law Central and Panthercorp.

The Accounting Solutions division continued to grow with Net Revenue increasing by 40% to \$14.73m and Underlying Profit from continuing operations increasing by 51% to \$5.86m. The result was boosted by the full year contribution from the Group's 60% interest in TaxBanter (TBR) acquired 23 January 2020 as well as strong growth and improved margins in membership and training.

Underlying Profit for the segment including discontinued operations was \$6.29m, up 34% on the prior year with part year contributions from Law Central divested 16 December 2020 and Panthercorp divested 1 February 2021.

Member subscription revenue (each member being an accounting firm), through Knowledge Shop (KS), continued to grow with a 12% increase in the number of members and a corresponding 14% increase in subscription revenue to \$5.53m.

Training revenue increased by 66% to \$8.65m, largely due to the full year contribution of TaxBanter. Following the cancellation of most face to face events in the last quarter of 2020 due to the COVID-19 pandemic, the training businesses transitioned many of the training programs to an online format which has continued for the majority of the current year. Knowledge Shop increased training revenue by 12%, whilst TaxBanter fell 7% on a full year basis due to their traditional focus on face to face inhouse training being impacted by COVID-19. However, the businesses enjoyed a much higher margin from its online replacement events, which has more than offset any loss of earnings from reduced face to face events and this is expected to be a continuing trend going forward.



Expansion of training into the wealth sector continued over the year where demand has increased under the FASEA education requirements.

Other revenue of \$0.55m (2020: \$0.46m) was largely attributed to COVID-19 stimulus subsidy revenue of \$0.37m.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

#### *Discontinued operations – Accounting Solutions*

Underlying Profit from discontinued operations of \$0.43m in the current year relates to part year contributions from Law Central and Panthercorp, divested 16 December 2020 and 1 February 2021 respectively. In the prior year, Underlying Profit from discontinued operations of \$0.79m includes full year contributions from Law Central, Panthercorp as well as HKNSW divested 8 October 2020. There was no share of profits recognised from HKNSW in the current year.

#### **Cashflow and capital management**

During the year the Group significantly strengthened its financial position, resulting in positive cash reserves of \$2.26m, (2020: Net Debt \$8.15m). This strong position provides a sound footing for pursuing our growth strategy.

Net cash inflow from operating activities during the year increased by 142% to \$6.26m (2020: \$2.59m). In addition, the Group received final dividends from divested associates of \$0.59m. Increased operating cashflow is in line with acquired and organic revenue growth as well as strong working capital management.

Net proceeds from the divestment of a number of non-core assets was applied to the Group's debt facility reducing it to nil, (2020: Net Debt \$8.15m). Total net proceeds of \$6.87m were received included the divestment of subsidiaries, Law Central, \$0.15m and Panthercorp, \$1.25m and interests in equity accounted investments First Financial, \$3.02m and HKNSW, \$2.45m.

On 16 January 2021, the Group acquired the remaining 35% of Taxbytes, exercised under a put option for \$0.25m.

On 1 February 2021, the Group completed the acquisition of Paragem Pty Ltd (**Paragem**) as part of the wider HUB24 transaction. The transaction was settled by the issue of 3.33m ordinary Company shares. As part of the transaction, the Group acquired \$1.33m cash held within the subsidiary.

The Group has continued to invest in software platforms and equipment with \$0.40m invested in the current year.

Total dividends paid through the year were \$3.13m which included a final dividend of \$0.86m for the 2020 financial year, a special dividend of \$1.71m and a 2021 interim dividend of \$0.56m.

The Company continued the share buy-back plan with a further 180,000 shares purchased on market and cancelled during the year.

#### **HUB24 transaction and acquisition of Paragem**

A strategic partnership with HUB24 and the acquisition of Paragem paves the way for Easton to pursue a real step change in scale and capability.

On 28 October 2020, the Directors announced that the Company had entered into a binding Heads of Agreement with HUB24 Limited (**HUB24**) which included the following arrangements:

- A strategic investment by HUB24 into the Company of up to 40%;
- A technology partnership and distribution agreement pursuant to which HUB24 will provide the Company with innovative technology and data solutions;
- The appointment of Nathan Jacobsen as Easton's Managing Director; and
- The acquisition of Paragem, a licensee entity owned and operated by HUB24, which acquisition became effective on 1 February 2021.

On 21 December 2020, HUB24 announced its intention to make an off-market proportional takeover bid for 1 out of every 3 ordinary shares. The Easton directors unanimously recommended that shareholders accept HUB24's offer which ultimately completed on 23 February 2021 and resulted in HUB24 acquiring 31.51% of the Company's share capital.

In addition to the completion of the off-market proportional takeover, on 1 February 2021, the Company issued 1,700,000 options over ordinary shares to HUB24 at an exercise price of \$1.20 per ordinary share which expire 1 February 2024 as consideration for entering into the technology partnership agreement.

On 1 February 2021, the appointment of Nathan Jacobsen, the technology partnership and the completion of the Paragem acquisition were finalised.

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

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

The technology arrangement with HUB24 provides Easton with access to HUB24's technology development capabilities, with the intent to develop, deploy and distribute technology solutions focused on operational efficiency, practice management and client engagement, whilst recognising the ever-increasing importance that technology plays in professional advice markets.

The acquisition of Paragem was completed 1 February 2021 which was settled by the issue of 3.33m ordinary Company shares. Paragem is a leading adviser licensee business with 74 authorised representatives operating through Paragem's AFSL. The acquisition provides the Wealth Solutions division with increased scale, synergistic benefits and strengthened management capability.

#### **Completion of divestment of non-core assets**

In line with the Company's drive to simplify its asset holdings and to elevate its focus on core businesses, the following assets and interests have been divested since 30 June 2020:

- First Financial - 25% interest completed 3 August 2020;
- EWA Finance - 70% interest (reduced to 10%) completed on 26 August 2020;
- HKNSW - 33.3% interest completed 8 October 2020;
- Law Central - 60.2% interest completed 14 December 2020; and
- Panthercorp - 100% interest completed 1 February 2021.

Total net proceeds \$6.87m from the sale of these non-core assets, together with cash flow from operations, have significantly strengthened the Company's balance sheet. No further asset divestments are contemplated at this point in time.

Whilst a relatively minor transaction, the Company moved from 65% to 100% ownership of Taxbytes on 15 February 2021 following the exercise of the put option held by the minority shareholder in Taxbytes. A similar put and call option arrangement exists with the minority shareholders in TaxBanter and it is expected that this will be exercised in January 2022, which would, if exercised, increase Easton's equity interest in TaxBanter from 60% to 100% at that time.

#### **Outlook**

The Company's focus, intentions, plans and priorities for the coming year are outlined in the Chairman's Statement and the Managing Director's Report. Overall, Directors are committed to pursuing a step change in scale, capability and shareholder profitability and expect that the earnings profile of the Group, which previously had a second half year earnings bias, has now transformed to a more even distribution across the year.

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

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

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

The impact of COVID-19 is ongoing and while the Group has not suffered any material adverse impacts up to 30 June 2021, it is not practicable to estimate the potential impact positive or negative, after the reporting date.

### **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 Chairman's Statement and 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 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 operating in the financial services sector.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chair of the Board Member of the Nomination & Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	2,066,665

<b>Carl 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 provided 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 Nomination & Remuneration Committee Chair Risk and Compliance Sub-Committee Chair of the Due Diligence Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	133,333

## DIRECTORS' REPORT (continued)

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

<b>John G. Hayes B.Bus, FCPA, CTA - Non-executive Director.</b> Appointed Joint Managing Director 19 March 2014. Appointed Managing Director 1 March 2015. Resigned as Managing Director 1 October 2020 and appointed Non-executive Director. Resigned as Non-executive Director 26 August 2021.		
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 to 1 October 2020	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	3,955,802

<b>Grahame Evans, MBA, Dip SM, GAICD - Executive Director, CEO of Easton Wealth.</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 Centrepont 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	668,513

<b>Nathan Jacobsen B.Sc, MBS - Managing Director.</b> Appointed 1 February 2021.		
Experience and expertise	Nathan is a senior executive with 15 years' experience in wealth management organisations, where his key focus was on market strategy, M&A, business development, technology, operations and organisational transformation. Nathan's previous roles have included Managing Director of Paragem, Group Executive Advice & Technology Solutions at HUB24 and various General Manager roles at Perpetual Private. Prior to joining the financial services industry, Nathan worked in strategy and management consulting, as well as serving as an officer in the Australian Navy.	
Other current directorships	None	
Former directorships in last 3 years	Managing Director of Paragem Pty Ltd	
Special responsibilities	Managing Director	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited Performance rights offered subject to shareholder approval	45,000 360,066

## DIRECTORS' REPORT (continued)

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

<b>Anthony (Tony) McDonald B.Comm LLB - Non-executive Director.</b> Appointed 1 February 2021.		
Experience and expertise	Tony co-founded financial planning firm Snowball Group Limited in 2000, which merged with Shadforth in 2011 to become ASX-listed SFG Australia Limited. Tony is also a former director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation. As a financial services executive Tony has worked in a variety of senior roles with the Snowball Group, SFG, Jardine Fleming Holdings Limited (Hong Kong), and Pacific Mutual Australia Limited. Prior to entering the financial services industry, Tony worked as a solicitor with the two global law firms, Baker & McKenzie and Coudert Brothers. He holds a Bachelor of Laws (LLB) and a Bachelor of Commerce (Marketing) from the University of NSW.	
Other current directorships	NED of HUB24 Ltd	
Former directorships in last 3 years	NED of URB Investments Ltd NED of 8IP Emerging Companies Ltd	
Special responsibilities	Chairman of the Nomination & Remuneration Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	13,333

#### Joint company secretaries

**Mark Licciardo, B.Bus (Acc), GradDip CSP, FAICD, FGIA, FCIS - 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.

**Michael Harris – Chief Financial Officer & Joint Company Secretary.** Appointed to Joint Company Secretary 1 December 2020. Appointed Chief Financial Officer 27 January 2015.

**Belinda Cleminson – Joint Company Secretary.** Resigned 1 December 2020.

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

#### 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		Nomination & Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Kevin White	23	23	5	5	5	5
Nathan Jacobsen	4	3	2*	2*	1*	1*
Grahame Evans	23	23	5*	5*	-	-
Carl Scarcella	23	23	5	5	5	5
John G. Hayes	23	23	5*	5*	1*	1*
Anthony McDonald	4	4	1*	1*	1	1

\*In attendance ex-officio.

#### COMMITTEE MEMBERSHIP

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

- Carl Scarcella - Chairman
- Kevin White
- Greg Hayes (appointed 30 March 2021, resigned 26 August 2021)

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

- Anthony McDonald – Chairman (appointed 1 February 2021)
- Kevin White
- Carl Scarcella

#### 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 10-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 10-year period can be extended where certain proceedings or investigations commence before the 10-year period expires.

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

## DIRECTORS' REPORT (continued)

### SHARES UNDER OPTION AND 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 other key management personnel of the Group during, or since the end of the financial year.

On 1 February 2021, the Company issued 1,700,000 options over ordinary shares to HUB24 at an exercise price of \$1.20 per ordinary share which expire 1 February 2024 as consideration for entering into the technology partnership agreement.

On 1 July 2021, the Company offered Nathan Jacobsen 360,066 performance rights over the Company ordinary shares which are subject to shareholder approval at the Company's Annual General Meeting to be held on 14 October 2021. Vesting conditions will include a combination of Total Shareholder Return and Net Revenue targets as well as continuous employment over a 3-year vesting period.

### 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 (BDO) 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 2021 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 2020 Annual General Meeting (AGM)
- (g) Details of remuneration of KMP
- (h) Service agreements
- (i) Details of Combined Incentive Scheme for 2021
- (j) Details of share-based compensation
- (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 White                      Chairman
- Nathan Jacobsen                Managing Director, (appointed 1 February 2021)
- Grahame Evans                 Executive Director and Executive Chair of Easton Wealth
- Carl Scarcella                  Non-executive Director
- John G. Hayes                  Non-executive Director (resigned as Managing Director 1 October 2020, resigned as Non-executive Director 26 August 2021)
- Anthony McDonald              Non-executive Director (appointed 1 February 2021)

##### (ii) Other KMP

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

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

John G. Hayes resigned as Non-executive Director 26 August 2021.

#### (b) Remuneration governance

The Nomination & Remuneration Committee (**NRC**) 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 NRC. 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 NRC makes specific recommendations on the remuneration package and other terms of employment for the Managing Director and other 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 NRC and those objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration as applicable.

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

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

##### *Executive pay for 2021*

For the year ending 30 June 2021, 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 apart from Nathan Jacobsen's base salary is contracted to increase to \$400,000 per annum from 1 July 2021.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

For the 2021 financial year, the Group continued to operate a remuneration incentive scheme which combines Short-term Incentives and Long-term Incentives into a Combined Incentive Scheme (**CIS**). Certain executives are granted an annual target CIS opportunity which ranged between 30%-50% of base salary, (2020: 25% - 50%). 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 NRC in conjunction with the Managing Director after assessing the achievement of the KPIs of each KMP.

For the 2021 CIS awarded to KMP, the Board approved the option for the KMP to receive the deferred component as a cash payment following the completion of the statutory audit.

On 29 July 2021, the Board resolved to cease the CIS effective 30 June 2021 and implement a Short-term Incentive (STI) and Long-term Incentive (LTI) scheme going forward, which is presently under development.

#### **(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 (2020: \$nil).

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

	2021	2020	2019	2018	2017
Revenue from continuing operations (\$'000)	\$91,710	\$69,007	\$59,804	\$50,788	\$17,230
Normalised EBITA (\$'000)	\$6,810	\$5,668	\$5,116	\$4,361	\$3,306
Net profit before tax (\$'000)	\$4,479	\$2,883	\$3,953	\$2,428	\$2,002
Net profit after tax (\$'000)	\$2,982	\$1,749	\$2,726	\$1,772	\$1,477
Share price at end of year	\$1.03	\$0.75	\$0.94	\$1.03	\$1.30
Basic earnings per share	7.02cps	4.30cps	7.85cps	5.51cps	5.35cps
Diluted earnings per share	6.89cps	4.30cps	7.85cps	5.51cps	5.35cps
Dividends paid or declared	9cps	4cps	3cps	2cps	-
Remuneration linked to share price (\$'000)	\$nil	\$nil	\$nil	\$nil	\$nil

## **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 in his capacity as Chairman was entitled to be paid a fixed remuneration of \$80,000 per annum including superannuation contributions (2020: \$78,750). During the year, the Chairman undertook additional duties as acting Managing Director for a 4 month period as well as additional executive support duties from 1 February 2021 for which he received additional remuneration. Other non-executive directors were each entitled to be paid a fixed remuneration of \$52,500 per annum (2020: \$52,500) including superannuation contributions as well as any agreed fees for additional duties.

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, (2020: \$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 2020 Annual General Meeting (AGM)**

The Company received more than 97% of "yes" votes on its remuneration report for the 2020 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 2021

	Short-term employee benefits		Post employment benefits		Termination benefits	Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation		Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
Kevin White	152,605	-	-	12,916	-	-	165,521	-
Nathan Jacobsen <sup>1</sup>	151,377	60,000	-	9,039	-	-	220,416	27
Grahame Evans	337,250	96,000	-	25,000	-	-	458,250	21
John G. Hayes	156,516	-	-	11,009	-	-	167,525	-
Carl Scarcella <sup>2</sup>	69,373	-	-	3,127	-	-	72,500	-
Anthony McDonald <sup>3</sup>	19,977	-	-	1,898	-	-	21,875	-
<b>Sub-total directors</b>	<b>887,098</b>	<b>156,000</b>	-	<b>62,989</b>	-	-	<b>1,106,087</b>	
<b>Executives' remuneration</b>								
Lisa Armstrong	298,306	78,000	-	21,694	-	-	398,000	20
Michael Harris	295,806	71,000	-	21,694	-	-	388,500	18
<b>Sub-total executives</b>	<b>594,112</b>	<b>149,000</b>	-	<b>43,388</b>	-	-	<b>786,500</b>	
<b>Total key management personnel</b>	<b>1,481,210</b>	<b>305,000</b>	-	<b>106,377</b>	-	-	<b>1,892,587</b>	

1. Nathan Jacobsen was appointed 1 February 2021.

2. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director as well as additional duties as Chair of Risk & Compliance Sub-Committee and Due Diligence Committee up until January 2021 before being paid to him directly from February 2021 onwards.

3. Anthony McDonald was appointed as a Non-executive director 1 February 2021.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Remuneration for the year ended 30 June 2020

	Short-term employee benefits			Post employment benefits	Termination benefits	Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation		Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors' remuneration</b>								
Kevin White	71,918	-	-	6,832	-	-	78,750	-
Rodney Green <sup>1</sup>	37,250	-	-	3,539	-	-	40,789	-
John G. Hayes	356,997	-	-	21,003	-	-	378,000	-
Grahame Evans	320,000	-	-	25,000	-	-	345,000	-
Carl Scarcella <sup>2</sup>	62,500	-	-	-	-	-	62,500	-
<b>Sub-total directors</b>	<b>848,665</b>	-	-	<b>56,374</b>	-	-	<b>905,039</b>	
<b>Executives' remuneration</b>								
Lisa Armstrong	261,337	60,000	-	21,003	-	-	342,340	18
Michael Harris	281,397	40,000	-	21,003	-	-	342,400	12
<b>Sub-total executives</b>	<b>542,734</b>	<b>100,000</b>	-	<b>42,006</b>	-	-	<b>684,740</b>	
<b>Total key management personnel</b>	<b>1,391,399</b>	<b>100,000</b>	-	<b>98,380</b>	-	-	<b>1,589,779</b>	

1. Rodney Green resigned 9 April 2020.

2. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director as well as additional duties as Chair of Risk & Compliance Sub-Committee.

## 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
	2021	2020	2021	2020
<b>Executive directors</b>				
Nathan Jacobsen	73%	n/a	27%	n/a
Grahame Evans	79%	100%	21%	-
<b>Other KMP</b>				
Lisa Armstrong	80%	82%	20%	18%
Michael Harris	82%	88%	18%	12%

1. Nathan Jacobsen was appointed 1 February 2021.

#### (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 2021 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>				
Nathan Jacobsen	No fixed term	Employee - 6 months Employer - 6 months	\$385,000	6 months
Grahame Evans	No fixed term	Employee - 6 months Employer - 6 months	\$362,250	6 months
<b>Other KMP</b>				
Lisa Armstrong	No fixed term	Employee - 6 months Employer - 3 months	\$320,000	3 months
Michael Harris	No fixed term	Employee - 3 months Employer - 3 months	\$317,500	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 2021; they are reviewed annually by the NRC.

3. Base salary payable if the Group terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).

#### (i) Details of Combined Incentive Scheme for 2021

Under the 2021 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
Strategic	All	Executives' strategic performance is assessed in relation to resetting the Group 3-year strategic plan, the implementation of key strategic initiatives and the identification, investigation and completion of strategically aligned business transactions.
Group earnings	Nathan Jacobsen Michael Harris	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	Grahame Evans Lisa Armstrong	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.
Operational	All	Various specific operational, compliance and sales metrics including growth initiatives, product development, compliance and risk management, special projects including technology and resourcing to achieve business strategy.
Reporting	Michael Harris	Enhanced reporting framework to enable the businesses to make informed decisions around KPIs.

For the year ending 30 June 2021, the NRC assessed the performance of the MD, and the NRC and MD jointly assessed the performance of the other KMP against their respective KPIs. The NRC 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
Nathan Jacobsen	50%	\$60,000	90%
Michael Harris	30%	\$71,000	75%
Grahame Evans	35%	\$96,000	76%
Lisa Armstrong	35%	\$78,000	70%

For the actual CIS awarded for 2021, the NRC has given the KMP the option of taking 100% of the awarded amount as an upfront cash payment following the completion of the 2021 financial audit.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

No share-based compensation have been paid to KMP during the year.

#### (j) 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:

2021 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
K White	3,251,666	(1,040,558)	2,211,108
Nathan Jacobsen <sup>1</sup>	-	45,000	45,000
JG Hayes <sup>2</sup>	6,381,305	(2,127,103)	4,254,202
G Evans	1,002,771	(334,258)	668,513
C Scarcella	150,000	(16,667)	133,333
Anthony McDonald <sup>3</sup>	-	13,333	13,333
L Armstrong <sup>2</sup>	6,381,305	(2,127,103)	4,254,202

1. Nathan Jacobsen was appointed as Managing Director 1 February 2021.

2. JG Hayes and L Armstrong are related parties of each other, shares held by JG Hayes and directly associated entities 3,955,802; shares held by L Armstrong 298,400.

3. Anthony McDonald was appointed as Non-executive Director 1 February 2021.

##### *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 at balance date.

On 1 July 2021, the Company offered Nathan Jacobsen 360,066 performance rights over the Company ordinary shares which are subject to shareholder approval at the Company's Annual General Meeting to be held on 14 October 2021. Vesting conditions will include a combination of Total Shareholder Return and Net Revenue targets as well as continuous employment over a 3-year vesting period.

#### (k) 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**). During the year, the Group 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 and occupancy services. HKNSW is also the nominated tax agent for the Group and provides tax advice services on normal commercial terms and conditions.

HKNSW was divested 8 October 2020 and as such no longer remains a direct related party of the Group but does remain a related party of JG Hayes and L Armstrong. Transactions below are for the whole of the financial year, notwithstanding HKNSW is no longer an associate of the Group or an entity that JG Hayes and L Armstrong jointly control.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

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

	2021	2020
	\$	\$
<i>Amounts recognised as revenue</i>		
Recovery of dealer group costs	<b>23,439</b>	11,245
	<b>23,439</b>	11,245
<i>Amounts recognised as expense</i>		
Administrative support	<b>15,000</b>	60,000
Dealer group related adviser fees	<b>680,650</b>	516,282
Help desk and technical training support	<b>479,668</b>	450,637
Occupancy and infrastructure	<b>274,959</b>	247,716
Professional fees & outsourced accounting	<b>131,977</b>	158,434
Expense reimbursements	<b>7,451</b>	87,201
	<b>1,589,705</b>	1,520,270

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

	2021	2020
	\$	\$
<i>Amounts recognised as assets and liabilities</i>		
Current assets (amounts receivable)	-	-
Current liabilities (amounts payable)	<b>63,273</b>	42,199

End of audited Remuneration Report.

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



**Kevin White**  
**Chairman**

Sydney  
26 August 2021

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF EASTON INVESTMENTS LIMITED

As lead auditor of Easton Investments Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Tim Aman  
Director

BDO Audit Pty Ltd

Sydney

26 August 2021

**Easton Investments Limited**  
**Annual Financial Report – 30 June 2021**  
**Contents**

	<u>Page no.</u>
Consolidated statement of comprehensive income	33
Consolidated statement of financial position	34
Consolidated statement of changes in equity	35
Consolidated statement of cash flows	37
Notes to the consolidated financial statements	
1. Segment information	38
2. Revenue	41
3. Other income and expense items	41
4. Income taxes	42
5. Earnings per share	44
6. Cash and cash equivalents	45
7. Receivables	45
8. Other current assets	45
9. Plant and equipment	45
10. Right of use assets and lease liabilities	46
11. Intangible assets	47
12. Trade and other payables	49
13. Provisions and employee benefits	49
14. Provision for contingent consideration	50
15. Other liabilities	50
16. Borrowings	50
17. Contributed equity	51
18. Retained earnings	52
19. Non-controlling interests	53
20. Business combinations	54
21. Discontinued operations	56
22. Cash flow statement reconciliation	62
23. Related party disclosures	63
24. Commitments	66
25. Contingencies	66
26. Events after the balance sheet date	66
27. Financial instruments	67
28. Information relating to Easton Investments Limited (“the Parent entity”)	72
29. Auditors’ remuneration	73
30. Summary of significant accounting policies	74
31. Critical accounting estimates and significant judgements	87
Directors’ declaration	89
Independent auditor’s report	90
Additional Australian Securities Exchange information	94

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Revenue from continuing operations</b>			
Services		90,949	68,576
Other revenue		761	431
	2	91,710	69,007
Other income	3	471	-
<b>Expenses from continuing operations</b>			
Adviser share and other direct costs	1, 3	(68,924)	(51,122)
Salaries and employee benefits expenses	1, 3	(12,525)	(10,083)
Occupancy expenses		(367)	(346)
Professional fees and consultants		(2,115)	(1,287)
Administration expenses		(488)	(446)
Corporate costs		(497)	(327)
IT expenses		(552)	(555)
Marketing expenses		(195)	(135)
Other expenses		(172)	(377)
Finance costs	3	(224)	(448)
Depreciation and amortisation	3	(1,275)	(992)
Net loss on disposal of fixed assets		(2)	(6)
Impairment of intangible assets	3	(28)	-
Share based payments expense	17c	(338)	-
<b>Total expenses from ordinary operations</b>		<b>(87,702)</b>	<b>(66,124)</b>
<b>Profit before income tax</b>		<b>4,479</b>	<b>2,883</b>
Income tax expense	4	(1,257)	(563)
<b>Net profit from continuing operations for the year</b>		<b>3,222</b>	<b>2,320</b>
Loss from discontinued operations	21	(240)	(571)
<b>Total comprehensive income for the year</b>		<b>2,982</b>	<b>1,749</b>
Profit for the year is attributable to:			
Non-controlling interests		478	269
Owners of the Company		2,504	1,480
		2,982	1,749
Total comprehensive income for the year is attributable to:			
Non-controlling interests		478	269
Owners of the Company		2,504	1,480
		2,982	1,749
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share from continuing operations (cents)	5	7.80	6.05
Diluted earnings per share from continuing operations (cents)	5	7.65	6.05
Basic earnings per share (cents)	5	7.02	4.30
Diluted earnings per share (cents)	5	6.89	4.30

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 2021

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,259	1,000
Receivables	7	3,869	7,087
Other current assets	8	1,269	813
Assets forming part of disposal group held for sale		-	2,901
<b>Total current assets</b>		<b>7,397</b>	<b>11,801</b>
<b>Non-current assets</b>			
Plant and equipment	9	96	126
Right of use assets	10	168	543
Intangible assets	11	44,248	44,347
Deferred tax assets	4	1,154	690
<b>Total non-current assets</b>		<b>45,666</b>	<b>45,706</b>
<b>TOTAL ASSETS</b>		<b>53,063</b>	<b>57,507</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	3,157	2,516
Provisions and employee benefits	13	2,968	2,227
Current tax liability	4	1,438	282
Provision for contingent consideration	14	-	468
Lease liabilities	10	116	349
Liabilities associated with disposal held for sale		-	257
Other liabilities	15	905	620
<b>Total current liabilities</b>		<b>8,584</b>	<b>6,719</b>
<b>Non-current liabilities</b>			
Provisions and employee benefits	13	382	318
Borrowings	16	-	9,152
Deferred tax liabilities	4	5,362	5,404
Lease liabilities	10	102	226
<b>Total non-current liabilities</b>		<b>5,846</b>	<b>15,100</b>
<b>TOTAL LIABILITIES</b>		<b>14,430</b>	<b>21,819</b>
<b>NET ASSETS</b>		<b>38,633</b>	<b>35,688</b>
<b>EQUITY</b>			
Contributed equity	17	29,751	26,234
Retained earnings	18	5,308	5,939
Reserves		338	-
<b>Equity attributable to owners of the Company</b>		<b>35,397</b>	<b>32,173</b>
Non-controlling interests	19	3,236	3,515
<b>TOTAL EQUITY</b>		<b>38,633</b>	<b>35,688</b>
Net tangible assets per share (cents)		<b>(4.19)</b>	<b>(13.03)</b>

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 2021

Consolidated entity	Ordinary Shares \$'000	Retained Earnings \$'000	Reserves \$'000	Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
<b>At 1 July 2020</b>	<b>26,234</b>	<b>5,939</b>	-	<b>32,173</b>	<b>3,515</b>	<b>35,688</b>
Profit for the year	-	2,504	-	2,504	478	2,982
Share based payment	-	-	338	338	-	338
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,504</b>	<b>338</b>	<b>2,842</b>	<b>478</b>	<b>3,320</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share buy-back	(135)	-	-	(135)	-	(135)
Issue of ordinary shares as consideration for a business combination net of issue costs	3,652	-	-	3,652	-	3,652
Dividends paid	-	(3,135)	-	(3,135)	(552)	(3,687)
Derecognition of non-controlling interest on disposal - Law Central	-	-	-	-	13	13
Derecognition of non-controlling interest on acquisition of non-controlling share - Taxbytes	-	-	-	-	(218)	(218)
<b>At 30 June 2021</b>	<b>29,751</b>	<b>5,308</b>	<b>338</b>	<b>35,397</b>	<b>3,236</b>	<b>38,633</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 2021

	Ordinary shares \$'000	Retained earnings \$'000	Owners of the parent \$'000	Non- controlling interests \$'000	Total \$'000
<b>Consolidated entity</b>					
<b>At 1 July 2019</b>	<b>26,369</b>	<b>5,676</b>	<b>32,045</b>	<b>257</b>	<b>32,302</b>
Profit for the year	-	1,480	1,480	269	1,749
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,480</b>	<b>1,480</b>	<b>269</b>	<b>1,749</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share buy-back	(135)	-	(135)	-	<b>(135)</b>
Dividends paid	-	(1,208)	(1,208)	(133)	<b>(1,341)</b>
Non-controlling interest recognised on business combination	-	-	-	3,082	<b>3,082</b>
Derecognition of non-controlling interest on sell down of EWF	-	-	-	40	<b>40</b>
Opening adjustment for AASB 16 Leases	-	(9)	(9)	-	<b>(9)</b>
<b>At 30 June 2020</b>	<b>26,234</b>	<b>5,939</b>	<b>32,173</b>	<b>3,515</b>	<b>35,688</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 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Fees and adviser revenue received		103,943	78,340
Payments to advisers, suppliers and employees		(96,423)	(74,099)
<b>Cash generated from operations</b>		<b>7,520</b>	<b>4,241</b>
Interest received		21	2
Finance costs paid		(181)	(408)
Income tax paid		(1,105)	(1,245)
<b>Net cash flows from operating activities</b>	22	<b>6,255</b>	<b>2,590</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(54)	(61)
Payments for other intangible assets net of disposals		(341)	(236)
Receipts/(payments) for the acquisition of subsidiaries, net of cash acquired		1,056	(3,674)
Dividends received from associates		591	758
Proceeds/(payments) on the disposal of subsidiaries net of cash disposed		1,402	(17)
Proceeds on the disposal of associates		5,474	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>8,128</b>	<b>(3,230)</b>
<b>Cash flows from financing activities</b>			
Payments for the issue of shares		(14)	-
Payments under share buy-back		(135)	(135)
Payments of principle of lease liabilities		(290)	(309)
(Repayment of)/proceeds from borrowings		(9,152)	2,989
Dividends paid to Company shareholders		(3,135)	(1,208)
Dividends paid to non-controlling interests in subsidiaries		(552)	(133)
Payments received/(paid) other loans		50	(250)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(13,228)</b>	<b>954</b>
Net increase in cash held		1,155	314
Cash at the beginning of the financial year		1,104	790
<b>Cash at the end of the financial year</b>		<b>2,259</b>	<b>1,104</b>
Less cash held by discontinued operations		-	(104)
<b>Cash at the end of the financial year – continuing operations</b>	6	<b>2,259</b>	<b>1,000</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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.

The Group's reporting segments are based on business solutions provided to the wealth and accounting sectors.

At reporting date, the Group's reportable segments are as follows:

- (i) **Wealth Solutions** - 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, self-managed superannuation administration and managed accounts. This segment comprises GPS Wealth, Merit Wealth, SMSF Expert, Hayes Knight Referral Services, Easton Wealth Protection and Paragem from 1 February 2021. First Financial a traditional financial planning business, previously reported as part of this segment was divested effective 3 June 2020.
- (ii) **Accounting Solutions** - provides professional support, help desk, training and legal documents primarily to the accounting sector. This segment comprises Knowledge Shop, Taxbytes and TaxBanter (from 23rd January 2020). Previous businesses reported as part of this segment were Panthercorp (divested 1 February 2021), Law Central (divested 14 December 2020) and HKNSW (divested 8 October 2020). No share of profits from HKNSW were recognised during the current year.
- (iii) **Corporate** comprises the parent entity (Easton Investments Limited) which includes head office 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 "Underlying Profit" or "Normalised EBITA".

**Underlying Profit** or **Normalised EBITA** is defined as earnings before interest, tax and amortisation (**EBITA**) excluding the impact of:

- One-off non-operational items (acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases);
- Non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

The CODM view Normalised EBITA in conjunction with Net Revenue as key measures of underlying business performance.

**Net Revenue** is defined as Total revenue less Adviser revenue share and expense recovery revenue.

#### *(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 2021

### 1. SEGMENT INFORMATION (continued)

#### (c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2021 is as follows:

<b>Consolidated 2021</b>	<b>Wealth Solutions \$'000</b>	<b>Accounting Solutions \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>Revenue from continuing operations</b>				
Full adviser gross fees	64,141	-	-	64,141
CARE & other platform income	4,854	-	-	4,854
Subscription services & fixed licensee fees	4,885	5,528	-	10,413
Training	-	8,652	-	8,652
Other fees & referral income	151	57	-	208
Expense recoveries	2,681	-	-	2,681
Other revenue & interest income	269	492	-	761
<b>Total revenue from continuing operations</b>	<b>76,981</b>	<b>14,729</b>	<b>-</b>	<b>91,710</b>
<b>Timing of revenue</b>				
Services recognised over time	9,739	5,528	-	15,267
Services recognised at a point in time	67,242	9,201	-	76,443
<b>Total revenue from ordinary operating activities</b>	<b>76,981</b>	<b>14,729</b>	<b>-</b>	<b>91,710</b>
<b>Net-revenue after deduction of adviser revenue share and expense recoveries</b>	<b>12,983</b>	<b>14,729</b>	<b>-</b>	<b>27,712</b>
Normalised (non IFRS) EBITA – continuing	2,774	5,865	(2,255)	6,384
Normalised (non IFRS) – discontinued	-	426	-	426
<b>Normalised (non IFRS) EBITA</b>	<b>2,774</b>	<b>6,291</b>	<b>(2,255)</b>	<b>6,810</b>
<i>Reconciliation to IFRS Net profit before tax (Normalisation adjustments)</i>				
Restructuring & acquisition costs	-	-	(842)	(842)
Loss on disposal of subsidiaries	-	(12)	-	(12)
Impairment of intangible assets	(28)	(500)	-	(528)
Reverse impact of AASB16 – Leases	(1)	-	-	(1)
Write back of deferred consideration	-	471	-	471
Share based payment expense				(338)
<b>Statutory EBITA</b>				<b>5,560</b>
Add: Statutory EBITA from discontinued operations				90
<b>Statutory EBITA from continuing operations</b>				<b>5,650</b>
Interest revenue				21
Finance costs				(224)
Amortisation				(968)
<b>Profit before income tax</b>				<b>4,479</b>
<i>Significant items of segment expenses</i>				
Adviser revenue share and other direct costs	67,850	1,074	-	68,924
Salaries and employee benefits	3,997	6,974	1,554	12,525

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 1. SEGMENT INFORMATION (continued)

The segment information provided on reportable segments for the year ended 30 June 2020 is as follows:

<b>Consolidated 2020</b>	<b>Wealth Solutions \$'000</b>	<b>Accounting Solutions \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>Revenue from continuing operations</b>				
Full adviser gross fees	48,134	-	-	48,134
CARE & other platform income	4,677	-	-	4,677
Subscription services & fixed licensee fees	3,619	4,855	-	8,474
Training	7	5,220	-	5,227
Other fees & referral income	398	59	-	457
Expense recoveries	1,607	-	-	1,607
Other revenue & interest income	28	403	-	431
<b>Total revenue from continuing operations</b>	<b>58,470</b>	<b>10,537</b>	<b>-</b>	<b>69,007</b>
Timing of revenue				
Services recognised over time	8,296	4,855	-	13,151
Services recognised at a point in time	50,174	5,682	-	55,856
<b>Total revenue from ordinary operating activities</b>	<b>58,470</b>	<b>10,537</b>	<b>-</b>	<b>69,007</b>
<b>Net-revenue after deduction of adviser revenue share and expense recoveries</b>	<b>11,896</b>	<b>10,537</b>	<b>-</b>	<b>22,433</b>
<b>Normalised EBITA – (non IFRS)</b>	<b>2,930</b>	<b>4,679</b>	<b>(1,941)</b>	<b>5,668</b>
<i>Reconciliation to IFRS Net profit before tax (Normalisation adjustments)</i>				
Equity accounted adjustments for interest, tax and amortisation	(258)	(98)	-	(356)
Restructuring & acquisition costs	(212)	(39)	(93)	(344)
Loss on disposal of subsidiary - EWF	(24)	-	-	(24)
Gain on disposal - First Financial	32	-	-	32
Fair value contingent consideration - SMSF	1	-	-	1
Fair value derivative - First Financial	202	-	-	202
Impairment of intangible assets	-	(1,300)	-	(1,300)
<b>Statutory EBITA</b>				<b>3,879</b>
Add: Statutory EBITA from discontinued operations				166
<b>Statutory EBITA from continuing operations</b>				<b>4,045</b>
Interest revenue				2
Finance costs				(448)
Amortisation				(716)
<b>Profit before income tax</b>				<b>2,883</b>
<i>Significant items of segment expenses</i>				
Adviser revenue share and other direct costs	49,847	1,275	-	51,122
Salaries and employee benefits	4,152	4,517	1,414	10,083

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 2. REVENUE

	2021	2020
	\$'000	\$'000
<b>Revenue from continuing operations</b>		
<i>Sales revenue</i>		
Fees, adviser revenue & recoveries (refer note 1)	90,949	68,576
Interest income	21	2
Other revenue	740	429
	<b>91,710</b>	<b>69,007</b>

### 3. OTHER INCOME AND EXPENSE ITEMS

	2021	2020
	\$'000	\$'000
Profit from before income tax has been determined after the following items:		
<i>Other income</i>		
Fair value adjustment – contingent consideration TaxBanter	471	-
	<b>471</b>	<b>-</b>
<i>Adviser share and other direct costs</i>		
Adviser revenue share	61,317	44,967
Adviser systems	1,429	931
ASIC levy	2,195	1,109
Professional indemnity insurance	940	583
Other direct operating expenses Wealth Solutions	1,969	2,257
Training, membership and direct costs Accounting Solutions	1,074	1,275
	<b>68,924</b>	<b>51,122</b>
<i>Employee benefits expense</i>		
Salaries and wages	10,112	8,244
Defined contribution superannuation expense	882	714
Other employee benefits & related employment expenses	1,531	1,125
	<b>12,525</b>	<b>10,083</b>
<i>Depreciation and amortisation of non-current assets:</i>		
<i>Depreciation</i>		
Office equipment	32	42
Furniture, fittings and leasehold improvements	32	33
Finance leases – AASB 16	243	201
	<b>307</b>	<b>276</b>
<i>Amortisation</i>		
Client lists and relationships	779	341
Client lists and relationships - equity accounted investments	-	219
Software platforms and other intangible assets	189	156
	<b>968</b>	<b>716</b>
<i>Total depreciation and amortisation of non-current assets</i>	<b>1,275</b>	<b>992</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
<i>Finance costs expensed</i>		
Bank loans and overdrafts	181	408
Finance leases – AASB 16	17	19
Notional interest on contingent consideration - TaxBanter	26	21
	<b>224</b>	<b>448</b>
<i>Impairment charges</i>		
Client list – Merit Wealth	28	-
<i>Impairment charges – discontinued operations (refer note 21)</i>		
Panthercorp	500	-
Hayes Knight National Group – brand name	-	120
HKNSW – equity accounted investment	-	1,180
	<b>528</b>	<b>1,300</b>

### 4. INCOME TAXES

	2021 \$'000	2020 \$'000
<b>(a) Components of tax expense</b>		
Current tax expense	2,165	857
Deferred tax benefit	(908)	(294)
<b>Total</b>	<b>1,257</b>	<b>563</b>

#### (b) Prima facie tax payable

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

- Profit before tax	4,479	2,883
- Prima facie income tax on the profit before income tax at 30% (2020: 30%)	1,344	865
Tax effect of:		
- Non-allowable deductions	212	139
- Benefit arising from franked dividend rebate & tax losses brought to account	63	26
- Other non-assessable income	(362)	(467)
<b>Income tax expense attributable to profit or loss</b>	<b>1,257</b>	<b>563</b>

#### (c) Current tax

**Current tax relates to the following:**

Current tax (liability)/receivable

<b>Opening balance</b>	(282)	(495)
Charged to income	(2,165)	(857)
Utilisation of tax losses	62	35
Tax payments	1,092	1,489
Acquisitions	-	(309)
Amount transferred to discontinued operations	(145)	(145)
<b>Closing balance</b>	<b>(1,438)</b>	<b>(282)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 4. INCOME TAXES (continued)

	2021 \$'000	2020 \$'000
<b>(d) Deferred tax</b>		
<b>Deferred tax relates to the following:</b>		
Deferred tax assets/(liabilities)		
<b>Opening balance</b>	<b>(4,714)</b>	(3,431) <sup>1</sup>
Charged to income net of available fraction losses utilised	863	265
Acquisitions/disposals	(357)	(1,456)
Amount transferred to disposal group held for sale	-	(92)
<b>Closing balance</b>	<b>(4,208)</b>	(4,714)
Amounts recognised in the consolidated statement of financial position:		
Deferred tax asset	1,154	690
Deferred tax liability	(5,362)	(5,404)
	<b>(4,208)</b>	(4,714)
Deferred income tax as at 30 June relates to the following:		
	2021 \$'000	2020 \$'000
<i>Deferred tax assets:</i>		
Un-deducted expenditure	118	3
Accruals and provisions	970	511
DTA recognised on capital losses	-	48
DTA recognised on revenue and available fraction losses	66	128
	<b>1,154</b>	690
<i>Deferred tax liabilities:</i>		
Fair value of assets acquired in a business combination and undistributed income of associates	(5,362)	(5,355) <sup>1</sup>
Unrealised capital gain	-	(49)
	<b>(5,362)</b>	(5,404)
<b>Net deferred tax liability</b>	<b>(4,208)</b>	(4,714)

1. Opening deferred tax balance has been restated to recognize the deferred tax liability associated with opening separately identifiable intangible assets on prior business combinations, which were previous netted off from goodwill balances. Refer note 31.

### (e) Tax losses

#### *Tax losses brought to account*

Available fraction losses utilised during the year were \$61,940 leaving a remaining balance of \$515,629 of which \$223,156 (tax effect \$66,947) have been recognised as part of deferred tax assets. The Group has recognised unrecouped capital tax losses of \$159,341 (2020: \$159,341).

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 4. INCOME TAXES (continued)

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

As at 30 June 2021, the Group has unrecouped operating income tax losses subject to available fraction of \$297,275 which have not been brought to account, (2020: \$297,275). A further \$442,860 unrecouped capital tax losses remain unrecognised.

#### *Unrecognised temporary differences*

As 30 June 2021, 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 (2020: Nil).

#### (f) Franking credit balance

	Parent	
	2021	2020
	\$'000	\$'000
The amount of franking credits available for the subsequent financial year before allowing for any current year proposed dividends are:		
Franking account balance as at the end of the financial year at 30% (2020: 30%)	<b>2,964</b>	3,206

### 5. EARNINGS PER SHARE

#### (a) Basic earnings per share

	2021	2020
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	<b>7.80</b>	6.05
From discontinued operations	<b>(0.78)</b>	(1.75)
Total basic earnings per share attributable to the ordinary equity holders of the Company	<b>7.02</b>	4.30

#### (b) Diluted earnings per share

	2021	2020
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	<b>7.65</b>	6.05
From discontinued operations	<b>(0.76)</b>	(1.75)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<b>6.89</b>	4.30

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

	2021	2020
	\$'000	\$'000
(c) Earnings used in calculating earnings per share		
<i>For basic earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<b>2,504</b>	1,480
<i>For diluted earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<b>2,504</b>	1,480
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	<b>35,665,675</b>	34,506,546
Weighted average number of ordinary shares for diluted earnings per share	<b>36,361,554</b>	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

	2021	2020
	\$'000	\$'000
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	2,259	1,000

	2021	2020
	\$'000	\$'000
<b>7. RECEIVABLES</b>		
Accrued income	2,163	1,916
Other debtors and receivables	1,706	5,171 <sup>1</sup>
	<b>3,869</b>	<b>7,087</b>

1. Includes \$3.02 million consideration receivable for the Group's equity interest in First Financial which was settled on 31 July 2020.

	2021	2020
	\$'000	\$'000
<b>8. OTHER CURRENT ASSETS</b>		
Prepayments	1,259	793
Other current assets	10	20
	<b>1,269</b>	<b>813</b>

	Office equipment	Furniture & fittings	Total
	\$'000	\$'000	\$'000
<b>9. PLANT AND EQUIPMENT</b>			
<b>Year ended 30 June 2021</b>			
Net carrying amount as at 1 July 2020	41	85	126
Additions	14	40	54
Net carrying amount of business combination	4	-	4
Depreciation charge	(32)	(32)	(64)
Loss on disposal	(9)	(15)	(24)
<b>Net carrying amount as at 30 June 2021</b>	<b>18</b>	<b>78</b>	<b>96</b>
<b>At 30 June 2021</b>			
Cost	499	344	843
Less accumulated depreciation	(481)	(266)	(747)
<b>Net carrying amount</b>	<b>18</b>	<b>78</b>	<b>96</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

9. PLANT AND EQUIPMENT (continued)	Office equipment \$'000	Furniture & fittings \$'000	Total \$'000
<b>Year ended 30 June 2020</b>			
Net carrying amount as at 1 July 2019	68	59	127
Additions	17	44	61
Net carrying amount of business combination	-	29	29
Depreciation charge	(42)	(33)	(75)
Depreciation – discontinued operations	(2)	(7)	(9)
Loss on disposal	-	(6)	(6)
Transfer to assets held for sale - Law Central	-	(1)	(1)
<b>Net carrying amount as at 30 June 2020</b>	<b>41</b>	<b>85</b>	<b>126</b>
<b>At 30 June 2020</b>			
Cost	582	360	942
Less accumulated depreciation	(541)	(275)	(816)
<b>Net carrying amount</b>	<b>41</b>	<b>85</b>	<b>126</b>

### 10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

This note provides information in relation to the Group's leases where the Group is the lessee. Right of use assets and lease liabilities have been recognised from 1 July 2019 with the adoption of AASB 16 Leases. In previous periods these leases were classified as operating leases and were expensed directly in the consolidated statement of comprehensive income.

The Group leases 2 office sites across NSW and QLD. Lease terms are up to 4 years. Lease payments are discounted at the Group's incremental borrowing rate.

The Group also operates in two additional premises under service agreements. The corporate head office and Knowledge Shop premises are included under a 12 month service agreement with HKNSW. Similarly, TaxBanter has a services agreement with an affiliated accounting firm who provides office space and support services. This is an open ended arrangement which can be cancelled by mutual agreement. Given the nature of these arrangements being cancellable at relatively short notice, the Group has continued to expense directly through occupancy expenses in the statement of comprehensive income.

#### (a) Amounts recognised in the balance sheet

	2021 \$'000	2020 \$'000
<b>Right of use assets</b>		
Office premises	168	543
<b>Lease liabilities</b>		
Current	116	349
Non-current	102	226
	<b>218</b>	<b>575</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 10. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

#### (b) Amounts recognised in the consolidated statement of comprehensive income for continuing operations

	2021 \$'000	2020 \$'000
Depreciation charge under AASB 16 of right of use assets - Office premises	243	201
Finance costs under AASB 16 - Office premises	17	19
	<b>260</b>	<b>220</b>
Total cash outflow for occupancy costs of continuing operations relating to premises leases, short-term service agreements and outgoings	<b>603</b>	<b>526</b>

### 11. INTANGIBLE ASSETS

Year ended 30 June 2021	Client lists & relationships \$'000	Goodwill \$'000	Software platforms \$'000	Other \$'000	Total \$'000
<b>Net carrying amount as at 1 July 2020</b>	15,979	26,283 <sup>2</sup>	451	1,634	<b>44,347</b>
Additions	1,268	1,579	352	108	<b>3,307</b>
Disposals	(165)	(1,736)	-	(9)	<b>(1,910)</b>
Impairment <sup>1</sup>	(28)	(500)	-	-	<b>(528)</b>
Amortisation	(779)	-	(189)	-	<b>(968)</b>
<b>Net carrying amount as at 30 June 2021</b>	<b>16,275</b>	<b>25,626</b>	<b>614</b>	<b>1,733</b>	<b>44,248</b>
<b>At 30 June 2021</b>					
Cost	19,533	25,626	1,414	1,733	<b>48,306</b>
Less accumulated amortisation	(3,258)	-	(800)	-	<b>(4,058)</b>
<b>Net carrying amount</b>	<b>16,275</b>	<b>25,626</b>	<b>614</b>	<b>1,733</b>	<b>44,248</b>

1. Impairment charges related the write down of Panthercorp to its recoverable amount prior to disposal (\$500k) and for a client list in the Wealth division (\$28k).

2. Opening goodwill balance has been restated to gross up for deferred tax liabilities relating to prior business combination separately identifiable intangible assets. Refer to note 31.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 11. INTANGIBLES ASSETS (continued)

Year ended 30 June 2020	Client lists & relationships \$'000	Goodwill \$'000	Software platforms \$'000	Other \$'000	Total \$'000
<b>Net carrying amount as at 1 July 2019</b>	12,371	21,647 <sup>2</sup>	382	867	<b>35,267</b>
Additions	16	-	220	-	<b>236</b>
Addition on business combination	4,212	4,636 <sup>2</sup>	-	915	<b>9,763</b>
Impairment <sup>1</sup>	-	-	-	(120)	<b>(120)</b>
Amortisation	(597)	-	(151)	(5)	<b>(753)</b>
Reclassification to disposal group held for sale - Law Central	(23)	-	-	(23)	<b>(46)</b>
<b>Net carrying amount as at 30 June 2020</b>	<b>15,979</b>	<b>26,283</b>	<b>451</b>	<b>1,634</b>	<b>44,347</b>
<b>At 30 June 2020</b>					
Cost	18,582	27,083 <sup>2</sup>	1,101	1,854	<b>48,620</b>
Less accumulated amortisation and impairment	(2,603)	(800)	(650)	(220)	<b>(4,273)</b>
<b>Net carrying amount</b>	<b>15,979</b>	<b>26,283</b>	<b>451</b>	<b>1,634</b>	<b>44,347</b>

1. Impairment charges related to the Hayes Knight brand name which was disposed of as part of HKNSW divestment.

2. Opening goodwill balance has been restated to gross up for deferred tax liabilities relating to separately identifiable intangible assets recognized on prior business combinations. Refer to note 31.

#### 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.

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

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Wealth Solutions	<b>12,198</b>	11,885
Accounting Solutions	<b>13,428</b>	14,398
	<b>25,626</b>	26,283

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 11. INTANGIBLES ASSETS (continued)

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	
	2021	2020	2021	2020	2021	2020
	%	%	%	%	%	%
Wealth Solutions	<b>(15.0) - 3.0</b>	(15.0) - 3.0	<b>1.5 - 3.0</b>	1.5 - 3.0	<b>12.5</b>	12.5
Accounting Solutions	<b>1.5 - 3.0</b>	1.5 - 3.0	<b>1.5 - 3.0</b>	1.5 - 3.0	<b>12.5</b>	12.5

The above growth rate assumptions are applied to 2022 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2021, the Group conducted impairment tests on all cash generating units and determined that their carrying values were not in excess of their recoverable amounts with the exception of Panthercorp which was impaired by \$0.5 million to reduce its carrying value to the agreed sale price which completed on 1 February 2021. (2020: \$1.30 million was recognised to reduce HKNSW by \$1.18 million and associated intangible assets of Hayes Knight National Group by \$0.12 million to the agreed sale price and dividend payment completed 8 October 2020.

	2021	2020
	\$'000	\$'000
<b>12. TRADE AND OTHER PAYABLES</b>		
<i>Current</i>		
Trade payables	<b>758</b>	1,144
Other payables and accruals	<b>2,399</b>	1,372
Carrying amount of trade and other payables	<b>3,157</b>	2,516

Trade and other payables are generally settled on 30-day terms. Relevant interest rates are disclosed in note 27(c). Due to the short-term nature of these payables, their carrying value represents a reasonable approximation of their fair value.

	2021	2020
	\$'000	\$'000
<b>13. PROVISIONS AND EMPLOYEE BENEFITS</b>		
<i>Current</i>		
Provision for annual leave	<b>816</b>	796
Provision for long service leave	<b>432</b>	509
Provision for ASIC levy	<b>1,720</b>	922
	<b>2,968</b>	2,227
<i>Non-current</i>		
Provision for long service leave	<b>382</b>	318

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

	2021	2020
	\$'000	\$'000
<b>14. PROVISION FOR CONTINGENT CONSIDERATION</b>		
<i>Current</i>		
Balance at 1 July	468	40
Additions during the year at fair value	-	446 <sup>1</sup>
Fair value adjustments during the year	(471) <sup>2</sup>	-
Notional interest on deferred consideration	26	20 <sup>2</sup>
(Payments)/agreed payable	(23) <sup>1</sup>	(38) <sup>3</sup>
<b>Provision for contingent consideration</b>	<b>-</b>	<b>468</b>

1. Contingent consideration for TaxBanter.

2. Fair value adjustment to deferred consideration for TaxBanter

3. Final contingent consideration payment for SMSF Expert

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

	2021	2020
	\$'000	\$'000
<b>15. OTHER LIABILITIES</b>		
Deferred revenue	905	620

### 16. BORROWINGS

	2021	2020
	\$'000	\$'000
<b>(a) Borrowings</b>		
<i>Non-current</i>		
Westpac facility	-	9,152
<b>Total borrowings</b>	<b>-</b>	<b>9,152</b>

The Company has a \$10 million finance facility with Westpac Banking Corporation with the following terms:

- \$10 million principal and interest facility with debt amortisation on a notional 7-year term
- Term - 3 years from original expiry date, extended to 1 August 2023
- Security - General Security Agreement over the Company and wholly owned subsidiaries
- Covenants:
  - Interest cover ratio - EBITDA/Gross Interest Expense greater than 4 times
  - Debt/EBITDA Ratio to be less than 2.5 times.

On 19 October 2020 an additional \$3 million interest only acquisition facility was terminated upon receiving proceeds from divestments outlined in note 21.

#### Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods. Under the terms of the combined facilities, all covenant ratios are applied on a Group EBITDA basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 16. BORROWINGS (continued)

	2021 \$'000	2020 \$'000
<b>(b) Loan facilities</b>		
Bank loan facilities	10,000	13,000
Amount utilised	-	9,152
<b>Unused loan facility</b>	<b>10,000</b>	<b>3,848</b>

### 17. CONTRIBUTED EQUITY

<b>(a) Movements in ordinary share capital</b>	<b>Number of shares</b>	<b>\$'000</b>
<b>1 July 2020</b>	<b>34,459,471</b>	<b>26,234</b>
Share issue to HUB24 as purchase consideration for the acquisition of Paragem Pty Ltd	3,333,333	3,666
Share buy-back <sup>1</sup>	(180,000)	(135)
Share issue costs	-	(14)
<b>30 June 2021</b>	<b>37,612,804</b>	<b>29,751</b>
<b>1 July 2019</b>	<b>34,614,619</b>	<b>26,369</b>
Share buy-back <sup>1</sup>	(155,148)	(135)
<b>30 June 2020</b>	<b>34,459,471</b>	<b>26,234</b>

1. Share buy-back commenced on 13 December 2018. The buy-back is conducted within the 10/12 limit. Amounts stated above are net of transaction costs.

#### (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) Options

On 1 February 2021, the Company issued 1,700,000 options over ordinary shares to HUB24 at an exercise price of \$1.20 per ordinary share which expire 1 February 2024 as consideration for entering into the technology partnership agreement. An expense of \$0.34m has been recognised in the Statement of Comprehensive Income in the current year.

#### (d) Employee share scheme

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

#### (e) Performance rights

No performance rights have been granted, vested or lapsed during the year, however on 1 July 2021, the Company offered Nathan Jacobsen 360,066 performance rights over the Company ordinary shares which are subject to shareholder approval at the Company's Annual General Meeting to be held on 14 October 2021. Vesting conditions will include a combination of Total Shareholder Return and Net Revenue targets as well as continuous employment over a 3-year vesting period.

#### (f) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 17. CONTRIBUTED EQUITY (continued)

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

<i>The gearing ratios</i>	Notes	2021 \$'000	2020 \$'000
Total borrowings	16	-	(9,152)
Add: cash and cash equivalents	6	2,259	1,000
Net cash and borrowings (Surplus funds/(Net Debt))		2,259	(8,152)
Total equity		38,633	35,688
<b>Total capital</b>		<b>36,374</b>	<b>43,840</b>
<b>Gearing ratio</b>		<b>0%</b>	<b>19%</b>

### 18. RETAINED EARNINGS

	2021 \$'000	2020 \$'000
<b>Balance 1 July</b>	<b>5,939</b>	5,676
Profit attributable to owners of the Company	2,504	1,480
Less dividends paid	(3,135)	(1,208)
Adjustment on adoption of AASB 16 Leases	-	(9)
<b>Balance 30 June</b>	<b>5,308</b>	5,939

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
Contributed equity	3,082	3,446
Retained profits	154	69
	<b>3,236</b>	<b>3,515</b>

#### (a) Summarised financial information

##### (i) TaxBanter

Set out below is summarised financial information for TaxBanter from the period of consolidation. The amounts disclosed are before intercompany eliminations and intangible assets recognised on consolidation.

Summarised statement of financial position	2021 \$'000	2020 \$'000
Current assets	1,352	1,080
Current liabilities	(1,665)	(1,470)
<b>Current net assets</b>	<b>(313)</b>	<b>(390)</b>
Non-current assets	1,700	1,940
Non-current liabilities	(56)	(44)
<b>Non-current net assets</b>	<b>1,644</b>	<b>1,896</b>
<b>Net assets</b>	<b>1,331</b>	<b>1,506</b>

Summarised statement of comprehensive income <sup>1</sup>	2021 \$'000	2020 \$'000
Revenue	6,406	3,104
Profit after tax for the period	1,126	537
Profit allocated to NCI	438	236

Summarised cash flows <sup>1</sup>	2021 \$'000	2020 \$'000
Cash inflows from operating activities	1,202	416
Cash outflows from investing activities	(9)	(5)
Cash outflows from financing activities	(900)	(400)
<b>Net increase in cash and cash equivalents</b>	<b>293</b>	<b>11</b>

1. Income and cashflow information is effective from 23 January 2020 being the date of acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

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

##### (i) Law Central

On 17 November 2020, the Group entered into an unconditional sale agreement with some of the existing minority shareholders to sell its 60.2% equity interest for a cash consideration of \$0.27 million. The transaction was completed on 14 December 2020. Profits attributed to non-controlling interests recognised in the current year to date of disposal \$9k, (2020: \$12k). The Group derecognised a non-controlling interest of \$14k as part of the transaction. Refer to note 21.

##### (ii) Taxbytes

On 16 January 2021, a put option was exercised by the minority shareholder for the Group to acquire the remaining 35% equity interest in Taxbytes. On 15 February 2021, the Group completed the acquisition for a cash consideration of \$0.25 million. Profits attributed to non-controlling interests recognised in the current year to date of acquisition \$31k, (2020: \$79k). The Group derecognised a non-controlling interest of \$0.22 million with the excess amount of \$0.03 million being recognised in intangible assets.

### 20. BUSINESS COMBINATIONS

On 1 February 2021, the Group completed the acquisition of 100% of the equity interest in Paragem Pty Ltd (**Paragem**) as part of the wider HUB24 transaction outlined in the Directors' Report. Paragem is a leading adviser licensee business with 76 authorised representatives operating through Paragem's AFSL. The acquisition provides the Wealth Solutions division with increased scale, synergistic benefits and strengthened management capability.

The consideration was settled through the issue of 3,333,333 Company shares to HUB24 Limited on 1 February 2021 at an issue price of \$1.10 per share.

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

	<b>1 February 2021 \$'000</b>
(i) <i>Purchase consideration:</i>	
Issue of 3,333,333 Easton Investments ordinary shares at \$1.10 per share	<u>3,666</u>
	<u><b>3,666</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 20. BUSINESS COMBINATIONS (continued)

	1 February 2021 \$'000
<i>(ii) The assets and liabilities recognised as a result of the acquisition are as follows:</i>	
Cash	1,332
Trade debtors	55
Prepayments	93
Property plant & equipment	7
Deferred tax asset	141
Trade payables	(388)
Provisions & employee entitlements	(80)
Deferred tax liability	(413)
<b>Net identifiable assets acquired</b>	<b>747</b>
Goodwill	1,543
Brand name	108
Separately identifiable intangible asset - client list	1,268
<b>Net assets acquired</b>	<b>3,666</b>

#### *(iii) Revenue and profit contribution:*

The acquired subsidiary contributed revenues of \$13.19 million and net loss before tax of \$0.15 million to the Group for the period 1 February 2021 to 30 June 2021. If the acquisition had occurred on 1 July 2020, consolidated proforma revenue and net loss before tax for the year ended 30 June 2021 would have been \$30.71 million and \$0.56 million respectively. The accounting policies of the newly acquired subsidiary are consistent with the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS

From 30 April 2020 through to the date of this report, the Group undertook an active program to divest of business units that were considered non-core to future strategy and direction. To enable a like-for-like comparison of continuing operations and discontinued operations, comparative information in the financial statements has been restated.

The below table summarises the timeline of divestments dating from 30 April 2020 to the date of this report.

Entity	Business segment	Effective date of disposal	Completion date	2021 NPAT (\$'000)	2020 NPAT (\$'000)
Panthercorp	Accounting Solutions	1 February 2021	1 February 2021	(295) <sup>1</sup>	260
Law Central	Accounting Solutions	14 December 2020	14 December 2020	33 <sup>2</sup>	30
Hayes Knight NSW	Accounting Solutions	20 July 2020	8 October 2020	22 <sup>3</sup>	(1,100) <sup>3</sup>
First Financial	Wealth Solutions	3 June 2020 <sup>4</sup>	3 August 2020	-	534 <sup>5</sup>
EWA Finance	Wealth Solutions	30 April 2020	26 August 2020	-	(295) <sup>6</sup>
<b>Total</b>				<b>(240)</b>	<b>(571)</b>

1. Panthercorp 2021 includes \$0.50 million impairment charge, impairment of intercompany loan \$12k and a loss on disposal of share (SEQ) consideration \$45k.

2. Law Central 2021 includes \$15k gain on disposal.

3. Hayes Knight NSW 2020 includes \$22k gain on disposal in 2021 and \$1.3 million impairment charge in 2020.

4. First Financial buyback option date.

5. First Financial 2020 includes fair value gain on Call Option derivative \$202k and gain on disposal \$32k.

6. EWA Finance 2020 includes \$66k gain on disposal less write off of intercompany loans \$90k.

#### (a) Panthercorp

On 20 November 2020, the Group announced that it had entered into a conditional term sheet relating to the divestment of Panthercorp CST Pty Ltd (**Panthercorp**) to Sequoia Financial Group Limited (**Sequoia**). On 23 December 2020, the Group entered into a conditional share sale agreement which was completed on 1 February 2021. The total consideration comprised \$0.90 million in cash, (50% paid on completion and 50% payable 12 months from completion) and 2.0 million Sequoia ordinary shares which were valued at \$0.47 on the issue date. An impairment charge of \$0.50 million was recognised during the year against the goodwill carrying value.

#### (i) Financial performance and cashflow information

	2021 \$'000	2020 \$'000
Revenue	2,347	3,461
Expenses	(1,960)	(3,051)
<b>Profit before income tax</b>	<b>387</b>	410
Income tax expense	(119)	(123)
<b>Operating profit after tax of discontinued operation</b>	<b>268</b>	287
Amortisation of intangible assets recognised on consolidation	(17)	(27)
Impairment of intangible assets held on consolidation	(500)	-
Loss on disposal	(46)	-
<b>(Loss)/profit after tax of discontinued operations</b>	<b>(295)</b>	260

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS (continued)

(i) Financial performance and cashflow information (continued)

	2021 \$'000	2020 \$'000
Net cash inflow from operating activities	384	429
Net cash from investing activities	-	(3)
Net cash outflow from financing activities	(365)	(460)
<b>Net decrease in cash used by the subsidiary</b>	<b>19</b>	<b>(34)</b>

(ii) The carrying amounts of assets and liabilities as at the date of disposal were:

	1 February 2021 \$'000
Cash	86
Receivables	295
Other	20
Fixed assets	22
Right of use assets	79
Deferred tax assets	79
<b>Total assets</b>	<b>581</b>
Trade and other payables	(88)
Provisions and employee benefits	(136)
Provision for tax	(127)
Lease liabilities	(84)
<b>Total liabilities</b>	<b>(435)</b>
<b>Net operating assets</b>	<b>146</b>
Goodwill & other intangible assets	1,683
<b>Carrying value of disposal group net assets sold</b>	<b>1,829</b>

(iii) Details of the sale of the subsidiary completed 1 February 2021:

	1 February 2021 \$'000
<i>Consideration received</i>	
Cash	450
Deferred cash consideration	450
Issue of 2,000,000 ordinary SEQ shares with an issue price of 47cents per share	940
<b>Total disposal consideration</b>	<b>1,840</b>
Less: Carrying value of net assets sold	(1,829)
Less: Loss realised on disposal of SEQ shares	(45)
Less: Impairment of intercompany loan payable to parent entity	(12)
<b>Loss on disposal of discontinued operation</b>	<b>(46)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS (continued)

#### (b) Law Central

As disclosed in the 30 June 2020 Annual Report, the Group had entered into discussions with the minority shareholders of Law Central Co. Pty Ltd (**Law Central**) to sell its 60.2% equity interest. Accordingly, the assets and liabilities were classified as a disposal group held for sale in the Group's 30 June 2020 balance sheet.

On 17 November 2020, the Group entered into an unconditional sale agreement with some of the existing minority shareholders to sell its 60.2% equity interest for a cash consideration of \$0.27 million. The transaction was completed on 14 December 2020.

#### (i) Financial performance and cashflow information

The financial performance and cashflow information presented are for the 5.5 months to completion date (2020 column), and year to 30 June 2020.

	2021 \$'000	2020 \$'000
Revenue	248	575
Expenses	(222)	(530)
<b>Profit before income tax</b>	<b>26</b>	<b>45</b>
Income tax expense	(8)	(15)
<b>Operating profit after tax of discontinued operation</b>	<b>18</b>	<b>30</b>
Gain on disposal	15	-
<b>Profit after tax of discontinued operations</b>	<b>33</b>	<b>30</b>
Net cash inflow from operating activities	28	46
Net cash from investing activities	-	(1)
Net cash (outflow)/inflow from financing activities	(15)	32
<b>Net increase in cash generated by the subsidiary</b>	<b>13</b>	<b>77</b>

#### (ii) Details of the sale of the subsidiary completed 14 December 2020:

	14 December 2020 \$'000
<i>Consideration received</i>	
Cash	270
<b>Total disposal consideration</b>	<b>270</b>
Less: Carrying value of net assets sold	(241)
Add: Non-controlling interest	(14)
<b>Gain on disposal of discontinued operation</b>	<b>15</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS (continued)

(ii) *The carrying amounts of assets and liabilities as at the date of disposal and reclassified as a discontinued operation held for sale at 30 June 2020 were:*

	14 December 2020 \$'000	30 June 2020 \$'000
Cash	116	104
Receivables	11	27
Other	10	11
Fixed assets	1	1
Intangibles assets	42	46
Deferred tax assets	82	71
<b>Total assets</b>	<b>262</b>	<b>260</b>
Trade and other payables	(27)	(36)
Provisions and employee benefits	(71)	(64)
Loans	(122)	(137)
<b>Total liabilities</b>	<b>(220)</b>	<b>(237)</b>
<b>Net operating assets</b>	<b>42</b>	<b>23</b>
Goodwill	199	199
<b>Carrying value of net assets sold</b>	<b>241</b>	<b>222</b>

### (c) Hayes Knight NSW

On 20 July 2020, the Group announced that it had executed a share sale and purchase deed to sell its 33.3% interest in Hayes Knight NSW Pty Ltd, Hayes Knight Services Pty Ltd (**HKNSW**) and a small associated entity Hayes Knight National Group Pty Ltd (**HKNG**) for a sale price of \$2.45 million. The transaction was approved by shareholders at the Annual General Meeting on 1 October 2020 and was completed 8 October 2020.

HKNSW was an equity accounted investment which was classified as an asset held for sale in the Group's 30 June 2020 Annual Report with a carrying value of \$2.62 million after an impairment charge of \$1.18 million. HKNG had a carrying value of nil after an impairment charge of \$0.12 million.

(i) *Financial performance and cashflow information*

	2021 \$'000	2020 \$'000
Share of profits from associates before income tax	-	327
Income tax expense	-	(97)
<b>Share of profits from associates after income tax</b>	<b>-</b>	<b>230</b>
Amortisation of intangibles recognised on consolidation	-	(30)
Impairment charge	-	(1,300)
Profit on disposal	22	-
<b>Profit/(loss) after tax from discontinued operations</b>	<b>22</b>	<b>(1,100)</b>
Net cashflow from investing activities – dividend from associate	200	83
<b>Net increase in cash received from investment in associate</b>	<b>200</b>	<b>83</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS (continued)

(ii) Details of the sale of the equity accounted investment completed 8 October 2020:

	8 October 2020 \$'000
<i>Consideration received</i>	
Cash	2,450
<b>Total disposal consideration</b>	<b>2,450</b>
<b>Less: Carrying value of equity accounted investment sold</b>	<b>(2,621)</b>
Dividend received	200
Gain on disposal – HKNSW	29
Gain on disposal - associated entity (HKNG)	(7)
<b>Gain on disposal of discontinued operation</b>	<b>22</b>

#### (d) First Financial

On 5 May 2020, the Group announced that formal notice had been received from the other majority shareholder of its intention to exercise an option deed to acquire the Group's 25% equity interest in First Financial for \$3.02 million with an effective date 3 June 2020. The Group had previously recognised a call option derivative on the expectation that the call option would be received which effectively recognised the anticipated gain on disposal of \$1.48 million in 30 June 2019 and a further \$0.20 million for the 30 June 2020 financial year. On 3 August 2020, the disposal was completed including a final dividend of \$0.39 million. A small additional gain of \$0.03 million in the current period was recognised.

(i) Financial performance and cashflow information

	2021 \$'000	2020 \$'000
Share of profits from associates before income tax	-	699
Income tax expense	-	(209)
<b>Share of profits from associates after income tax</b>	<b>-</b>	<b>490</b>
Less: Amortisation of intangible assets recognised on consolidation	-	(190)
Gain on disposal	-	32
Fair value gain in Call Option Derivative	-	202
<b>Profit after tax from discontinued operation</b>	<b>-</b>	<b>534</b>
Net cashflow from investing activities – dividend from associate	<b>392</b>	675
<b>Net increase in cash received from investment in associate</b>	<b>392</b>	675

(ii) Details of the sale of the subsidiary recognised 3 June 2020

	3 June 2020 \$'000
<i>Consideration received</i>	
Cash receivable	3,024
<b>Total disposal consideration</b>	<b>3,024</b>
Less: Carrying value of equity accounted investment held for sale	(1,704)
Less: Derivative financial instrument	(1,680)
Less: Dividend receivable	392
Carrying value of assets disposed	(2,992)
<b>Gain on disposal of discontinued operation</b>	<b>32</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 21. DISCONTINUED OPERATIONS (continued)

#### (e) EWA Finance

On 26 August 2020, the Group executed an agreement with the non-controlling interest to sell down its equity interest from 70% to 10% for \$1 with an effective date of 30 April 2020. The transaction was recognised on its effective date on the expectation that final documents would be executed .

#### (i) Financial performance and cashflow information

	2020 \$'000
Revenue	13
Expenses	(284)
<b>Profit before income tax</b>	<b>(271)</b>
Income tax expense	-
<b>Operation loss after tax of discontinued operation</b>	<b>(271)</b>
Loss on disposal	(24)
<b>Loss on disposal after tax of discontinued operation</b>	<b>(295)</b>
Net cash inflow from operating activities	(271)
<b>Net decrease in cash used by the subsidiary</b>	<b>(271)</b>

#### (ii) Details of the sale of the subsidiary recognised 30 April 2020

	30 April 2020 \$'000
<i>Consideration received</i>	
Cash	-
<b>Total disposal consideration</b>	<b>-</b>
<b>Less: Carrying value of net liability sold</b>	<b>60</b>
Add: Non-controlling interest	6
<b>Gain on disposal</b>	<b>66</b>
Less: Impairment of intercompany loans payable to parent entity	(90)
<b>Loss on disposal of discontinued operation</b>	<b>(24)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 22. CASH FLOW STATEMENT RECONCILIATION

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

	2021 \$'000	2020 \$'000
<b>Net profit after income tax</b>	<b>2,982</b>	1,749
<i>Adjustments for non-cash items:</i>		
Depreciation	362	390
Amortisation	988	972
Loss on disposal of plant and equipment	-	6
Loss on disposal of subsidiary	10	24
Gain on disposal of associate – First Financial	-	(32)
Impairment of separately identifiable intangible assets	528	1,300
Share of associates' net profit	-	(718)
Fair value adjustment to contingent consideration	(471)	(1)
Fair value adjustment to derivative financial instrument - First Financial	-	(202)
Share based payments expense	338	-
Notional interest on lease liabilities	17	29
Notional interest charge on contingent consideration - TaxBanter	26	21
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade, other receivables and other assets	44	(954)
(Increase)/decrease in deferred tax assets	(416)	147
Increase in trade and other payables	1,133	297
Increase in provisions and employee benefits	19	237
Increase/(decrease) in current tax liability	1,136	(248)
Decrease in deferred tax liability	(441)	(427)
<b>Net cash flows from operating activities</b>	<b>6,255</b>	2,590

#### (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:

	2021 \$'000	2020 \$'000
Cash at bank (refer to note 6)	2,259	1,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 23. RELATED PARTY DISCLOSURES

#### (a) Parent entity

The parent entity within the Group is Easton Investments Limited (refer to note 28 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 (%)	
		2021	2020
Easton Wealth Australia Pty Ltd	Australia	100.0	100.0
Easton Wealth Protection 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
Panthercorp CST Pty Ltd	Australia	-	100.0
Pandocs Pty Ltd	Australia	-	80.0
Law Central Co. Pty Ltd	Australia	-	60.2
GPS IP Group Holdings Pty Ltd	Australia	100.0	100.0
GPS IP Pty Ltd	Australia	100.0	100.0
Accountants Insurance Services Pty Ltd	Australia	100.0	100.0
GPS Wealth Limited	Australia	100.0	100.0
Pathway to Wealth Pty Ltd	Australia	100.0	100.0
PTW Care Pty Ltd	Australia	100.0	100.0
Personal Insurance Solutions Australia Pty Ltd	Australia	100.0	100.0
Tax Bytes Pty Ltd	Australia	100.0	65.0
The SMSF Expert Pty Ltd	Australia	100.0	100.0
EWA Finance Pty Ltd	Australia	10.0	10.0
TaxBanter Pty Ltd	Australia	60.0	60.0
Paragem Pty Ltd	Australia	100.0	0.0

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 23. RELATED PARTY DISCLOSURES (continued)

#### (c) Key management personnel compensation

	2021	2020
	\$	\$
Short-term employment benefits	1,786,210	1,491,399
Post-employment benefits	106,377	98,380
<b>Total remuneration</b>	<b>1,892,587</b>	<b>1,589,779</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:

	2021	2020
	\$	\$
<i>Transactions with associates<sup>1</sup></i>		
<i>Fees and other revenue received from associates</i>		
Dividend received - First Financial <sup>2</sup>	391,522	675,017

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. The Group received \$3.02million on completion of its divestment in First Financial on 3 August 2020 as well as received a final dividend of \$391,522 on 28 July 2020.

#### *Transactions with HUB24*

On 21 December 2021, HUB24 announced its intention to make an off-market proportional takeover bid for 1 out of every 3 ordinary shares. The Easton directors unanimously recommended that shareholders accept HUB24's offer which ultimately completed on 23 February 2021 resulting in HUB24 acquiring 31.51% of the Company's share capital.

In addition to the completion of the off-market proportional takeover, on 1 February 2021, the Company issued 1,700,000 options over ordinary shares to HUB24 at an exercise price of \$1.20 per ordinary share which expire 1 February 2024.

In addition to HUB24's investment in the Company, HUB24 has provided Responsible Entity services for CARE Managed Accounts. Fees charged since HUB24 became a substantial shareholder for the 4 months to 30 June 2021 were \$226,224.

On a full year basis fees charged from HUB24 were:

	2021	2020
	\$	\$
Responsible entity fees	608,488	415,837

#### (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:

	2021	2020
	\$	\$
<i>Current payables</i>		
Related party of key management personnel:		
- HKNSW	63,273	42,199
	<b>63,273</b>	<b>42,199</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 23. RELATED PARTY DISCLOSURES (continued)

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

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:

- \$131,977 for professional fees relating to specialist tax advice, accounting and consulting fees (2020: \$158,434);
- \$680,650 for dealer group related adviser fees paid (2020: \$516,282);
- \$479,668 for help desk and technical training support (2020: \$450,637);
- \$274,959 for occupancy and infrastructure services (2020: \$247,716);
- \$15,000 administrative support fees (2020: \$60,000); and
- \$7,451 expense reimbursements and cost recoveries (2020: \$87,201)

#### *Revenue*

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

- \$23,439 for recovery of dealer group fees (2020: \$11,245); and
- \$199,801 fully franked dividends (2020: \$83,250).

*Disposal of interest in HKNSW* – During the year the Group completed the disposal of its 33.3% interest in HKNSW. Refer to note 21(c).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 24. COMMITMENTS

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

The Group leases various offices that expire between 1 and 4 years from balance date. In addition, Easton's head office and Knowledge Shop have a services agreement with Hayes Knight NSW which under that agreement, occupancy is provided until 31 October 2021.

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

	2021	2020
	\$'000	\$'000
Minimum lease payments	<b>774</b>	749

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

	2021	2020
	\$'000	\$'000
Not later than 1 year	<b>221</b>	630
Later than 1 year and not later than 5 years	<b>44</b>	300
Later than 5 years	-	-
	<b>265</b>	930

#### (b) Capital commitments

The Group's Accounting Solutions division is presently in the process of implementing a new technology platform to manage its training and membership which has a further \$202,000 committed. The total cost of the project is approximately \$332,000. Both amounts are GST inclusive. (2020: nil)

#### (c) Loan commitments

Refer to note 16 for details on the Group's borrowing facilities.

### 25. CONTINGENCIES

There were no contingent liabilities as at 30 June 2021, (2020: Nil).

### 26. EVENTS AFTER THE BALANCE SHEET DATE

The impact of COVID-19 is ongoing and while the Group has not suffered any material adverse impacts up to 30 June 2021, it is not practicable to estimate the potential impact positive or negative, after the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 27. 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 these 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 monitors financial risk as part of its risk register.

The Group holds the following financial instruments:

	2021	2020
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	2,259	1,000
Trade and other receivables	3,869	7,087
Derivative financial instrument	-	-
<b>Total financial assets</b>	<b>6,128</b>	<b>8,087</b>
<b>Financial liabilities</b>		
Trade and other payables	3,157	2,516
Borrowings	-	9,152
Contingent consideration	-	468
<b>Total financial liabilities</b>	<b>3,157</b>	<b>12,136</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 predominantly 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 27. FINANCIAL INSTRUMENTS (continued)

#### (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.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 27. FINANCIAL INSTRUMENTS (continued)

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

30 June 2021	Weighted average interest rate %	Fair value level	Fair value \$'000	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets:</b>						
Cash and cash equivalents	-		-	-	2,259	2,259
Trade and other receivables	-		-	-	3,869	3,869
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(3,157)	(3,157)
<b>Net financial assets/(liabilities)</b>			<b>-</b>	<b>-</b>	<b>2,971</b>	<b>2,971</b>

30 June 2020	Weighted average interest rate %	Fair value level	Fair value \$'000	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>Financial assets:</b>						
Cash and cash equivalents	0.15		-	330	670	1,000
Trade and other receivables	-		-	-	7,087	7,087
<b>Financial liabilities:</b>						
Trade and other payables	-		-	-	(2,516)	(2,516)
Borrowings	3.77		-	(9,152)	-	(9,152)
Contingent consideration	12.00	3	(468)	-	-	(468)
<b>Net financial assets/(liabilities)</b>			<b>(468)</b>	<b>(8,822)</b>	<b>5,241</b>	<b>(4,049)</b>

For the year ended 30 June 2021, 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 unaffected (2020: \$72,956 lower/higher).

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 27. FINANCIAL INSTRUMENTS (continued)

#### (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.

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 73% of trade receivables are within approved credit terms (2020: 64%). All trade receivables that are not impaired are expected to be received.

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 allowance for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 27. 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 27 (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:

	2021 \$'000	2020 \$'000
<b>At 1 July</b>	<b>468</b>	40
Additions during the year at fair value	-	446
Fair value adjustments during the year	<b>(471)</b>	-
Notional interest on deferred consideration	<b>26</b>	20
Payments	<b>(23)</b>	(38)
<b>At 30 June</b>	<b>-</b>	468

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 12%. 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 lower/higher by \$1,972. (2020: \$1,455).

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

	2021 \$'000	2020 \$'000
Net financial assets and liabilities as above	<b>2,971</b>	(4,049)
Non-financial assets and liabilities	<b>35,662</b>	39,737
Net assets per statement of financial position	<b>38,633</b>	35,688

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

The accounting policies of Easton Investments Limited (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 30 for a summary of the significant accounting policies relating to the Group.

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

	2021	2020
	\$'000	\$'000
Current assets	967	34
Non-current assets	19,029	28,722
<b>Total assets</b>	<b>19,996</b>	<b>28,756</b>
Current liabilities	1,923	527
Non-current liabilities	5,095	13,258
<b>Total liabilities</b>	<b>7,018</b>	<b>13,785</b>
<b>Net assets</b>	<b>12,978</b>	<b>14,971</b>
Contributed equity	29,751	26,233
Reserves	338	-
Accumulated losses	(17,111)	(11,262)
<b>Total equity</b>	<b>12,978</b>	<b>14,971</b>

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

	2021	2020
	\$'000	\$'000
Loss of the parent entity	(2,714)	(1,808)
Total comprehensive loss of the parent entity	(2,714)	(1,808)

#### (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 2021

### 29. 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.

	2021	2020
	\$	\$
<b>(a) Auditors of the Group – BDO<sup>1</sup> and related network firms</b>		
Audit and review of financial statements		
- Group	168,250	143,000
- Controlled entities	-	10,000
Other statutory assurance services		
- Controlled entities – FS71	32,400	17,000
- Non-controlled entities	-	7,000
Other assurance services	-	-
Total remuneration of BDO	<b>200,650</b>	<b>177,000</b>
<b>(b) Non-BDO audit firms</b>		
Audit and review of financial statements	-	-
Total remuneration of non-BDO audit firms	-	-

1. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 21 August 2020. The disclosures include the amounts paid and payable to BDO East Coast Partnership, BDO Audit Pty Ltd and their respective entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

### 30. 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.

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

The financial report was authorised for issue by the directors on 26 August 2021.

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).

As at 30 June 2021, the consolidated entity had current net liabilities of \$1.19 million (30 June 2020: net current assets of \$5.01 million). For the year ending 30 June 2021, the consolidated entity had net cash inflow from operating activities of \$6.26 million, (2020: \$2.59 million).

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- As part of the Group's treasury function, surplus cash is actively applied to the debt facility which was paid down to nil during the year however the Group continues to have access to a \$10.0 million finance facility which can be drawn upon at anytime;
- Deferred revenue of \$0.91 million is included in current liabilities representing revenue received in advance predominantly for training programs to be delivered after balance date. This amount has no anticipated cash outflow effect; and
- Management project continued growth in profitability and continuing positive cashflow in the 2022 financial year.

#### (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 has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), that are mandatory for the current reporting period. The Group has adopted the revised Conceptual Framework from 1 July 2020, which contains new definition and recognition criteria and guidance on measurement that affects several Accounting Standards, but this has not had a material impact on the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### *(v) New standards and interpretations not yet mandatory or early adopted*

Australian Accounting Standards and Interpretations that have been issued or amended, but are not yet mandatory, have not been early adopted by the Group for the period ended 30 June 2021. The most significant of these, which are effective for annual periods beginning after 1 January 2020 are:

- IAS 37 Onerous Contracts (amendments to cost of fulfilling a contract);
- Interest Rate Benchmark Reform (amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16), which relate to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- classification of liabilities as current or non current (amendments to IAS 1).

The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations, however does not expect there to be any material impact on the financial statements when adopted.

#### **(b) Principles of consolidation**

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

##### *(i) Subsidiaries*

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

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

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

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

##### *(ii) Associates*

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

##### *(iii) Equity method*

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

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

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

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

Further details on the segment reporting policy is provided in note 1.

#### **(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### (e) Revenue

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential commission receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

The following specific recognition criteria within each segment must also be met before revenue is recognised:

#### **Accounting Solutions revenue:**

##### *(i) Training revenue*

Training revenue is derived via face to face training, webinar and other online formats. In all cases training revenue is recognised at the point in time the training program is delivered to the customer.

##### *(ii) Membership subscription revenue*

Membership subscription to accounting solutions help desk and practice support services is recognised over time on a monthly basis in line with the provision of access to the support services.

##### *(iii) Document sales*

Legal document revenue is recognised at the point in time the documents are delivered to the customer.

#### **Wealth Solutions revenue:**

##### *(i) Fee for service and general advice fees*

Revenue earned from the provision of services such as Statement of Advice (SOA) preparation and general investment advice fees are recognised at a point in time as services are delivered to the customer.

##### *(ii) Investment management fees*

Investment management fees are recognised over time in line with the provision of management and administration of client investment and superannuation funds.

##### *(iii) Initial and on-going commissions on insurance products*

Upfront commission is recognised as revenue at a point in time, being when the policy is placed by the provider. The performance obligation with respect to on-going commissions revenue is also ongoing in line with policy reviews and maintenance. The performance obligation for on-going commissions revenue is therefore satisfied at the point in time the service is delivered.

Factors contributing to uncertainty include:

- Duration an adviser may be licensed under one of the Group AFSLs
- Potential legislative changes
- Client initiated changes of insurance provider
- Insurance provider changes to providing on-going commission

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### *(iv) License fees for full authorised and limited authorised advisers*

Subscription fees are received from full authorised financial advisers (**ARs**) and limited authorised advisers (**LARs**) in return for services provided that are associated with licensing through one of the Groups AFSLs. Revenue is recognised over time in line with the licence period and associated services provided.

#### *(v) Referral rights agreements*

Fees received under the Group's referral rights agreement model (RRA) are recognised immediately upon agreement completion date at which point in time the RRA holder is provided exclusive access to a panel of referring accounting firms.

#### **Other revenue:**

##### *(i) 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.

##### *(ii) Dividends and distributions*

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

#### **(f) Other income**

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

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

##### *(i) Income tax*

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

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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### (ii) Other taxes

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

- when 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

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

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Group leases various offices nationally. Rental contracts are typically made for fixed periods of 3 - 5 years however may have extension options.

The lease payments are discounted using the interest rate implicit in the lease or by referring to the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### (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 9 Financial Instruments*, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### (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 other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

##### *Classification*

On initial recognition, the Group classifies financial assets as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI")

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes to the investment's fair value in OCI. This election is made on an investment by investment basis.

All other financial assets of the Group are measured at FVTPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### *Business Model Assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Group considers all of the relevant information about how the business is managed, including:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed on a fair value basis are measured at FVTPL.

#### *Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

#### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Group were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *(ii) Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *(iii) 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 2021

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

#### *Classification, subsequent measurement and gains and losses*

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Finance costs are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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.

#### *(iv) Impairment of financial assets*

##### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Refer to note 29 (f) for classification of financial assets and liabilities by fair value.

#### **(m) Plant and equipment**

##### *Cost and valuation*

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

##### *Depreciation*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

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

The useful lives for each class of asset are:

- Office equipment	2 to 5 years
- Furniture and fittings	2 to 10 years
- Leasehold improvements	2 to 10 years

#### *Derecognition*

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

#### **(n) Goodwill and intangibles**

##### *Goodwill*

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

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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 30(j) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

- Client contracts and related client relationships not exceeding 15 years

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

#### (o) Trade and other payables

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

#### (p) Borrowings

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

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

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

#### *Borrowing costs*

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

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### *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 recognized 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.

##### *(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### (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.

### 31. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies described in note 30, 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:

#### *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 2021 was \$25.63 million (30 June 2020: \$26.28 million). During the year impairment losses of \$0.50 million were recognised for the write down of Panthercorp to its recoverable amount prior to its divestment 1 February 2021 (2020: \$nil). Details of impairment testing are set out in note 11.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

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

#### *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. Impairment losses of \$28k have been recognised during the year against the carrying value of a client list held by Merit Wealth (2020: \$1.30 million for HKNSW and associated intangible assets).

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.

#### *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 27(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.

#### *Correction of opening balances to goodwill and deferred tax liabilities recognised on business combinations*

During the current reporting period, the Group has restated balances within the balance sheet that relate to the recognition of opening deferred tax liabilities (DTLs) associated with separately identifiable intangible assets on business combinations. Previously the practice was to net the DTL off from goodwill. The correction has no effect on net assets or comprehensive income or retained earnings.

<b>Balance Sheet (extract)</b>	<b>June 2019 (\$'000)</b>	<b>Adjustment (\$'000)</b>	<b>Restated June 2019 (\$'000)</b>	<b>June 2020 (\$'000)</b>	<b>Adjustment (\$'000)</b>	<b>Restated June 2020 (\$'000)</b>
Goodwill	17,863	3,784 <sup>1</sup>	21,647	20,961	5,322 <sup>2</sup>	26,283
Deferred tax (liability)	(504)	(3,784)	(4,288)	(82)	(5,322)	(5,404)
<b>Net assets</b>	<b>32,302</b>	<b>-</b>	<b>32,302</b>	<b>35,688</b>	<b>-</b>	<b>35,688</b>
<b>Retained earnings</b>	<b>5,676</b>	<b>-</b>	<b>5,676</b>	<b>5,939</b>	<b>-</b>	<b>5,939</b>

1. Opening adjustments to Goodwill and Deferred tax liability relate to GPS Wealth for \$3,654k acquired August 20217 and The SMSF Expert, \$130k acquired October 2018.

2. Adjustment to restate June 2020 includes the opening adjustment from 2019 as well as a \$1,538k adjustment for the acquisition of TaxBanter acquired January 2020.

## DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 33 to 88 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 30, 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 2021 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 2021.

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

On behalf of the Board.



**Kevin White**  
**Chairman**

Sydney  
26 August 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Easton Investments Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Easton Investments Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 report, 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:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

## 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.

### Accounting for the acquisition of Paragem Pty Limited

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in note 20 of the consolidated financial report, the Group acquired a 100% equity interest in Paragem Pty Limited (an entity incorporated in Australia).</p> <p>The audit of the accounting for this acquisition is a key audit matter due to the significant judgment and complexity involved in assessing the determination of the fair value of identifiable intangible assets.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>- Reviewing the sale and purchase agreement to verify the costs of acquisition and assess the accounting impact of any conditions relating to the acquisition;</li> <li>- Comparing the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information of the acquired businesses;</li> <li>- Assessing how the Group estimated the fair value of the assets and liabilities identified in the acquisition;</li> <li>- Obtaining a copy of the external Purchase Price Allocation ('PPA') report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition; and</li> <li>- Assessing the adequacy of the Group's disclosures of the acquisition.</li> </ul>

### Carrying value of Goodwill - Impairment Assessment

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's disclosures in respect to Goodwill and impairment assessment are included note 11 of the consolidated financial report. Annual impairment testing requires a significant amount of judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates.</p> <p>The critical assumptions used by Management are disclosed in note 11.</p> <p>The assumptions and complexity of the calculations have made the</p>	<p>In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets;</li> <li>- Evaluating the appropriateness of Management's identification of the Group's cash generating units;</li> <li>- Recalculating the mathematical accuracy of the impairment models;</li> <li>- Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins,</li> </ul>

impairment assessment of goodwill a  
Key Audit Matter.

against historical performance to testing the accuracy of  
Management's projections.

- In conjunction with our valuation specialists, assessing the discount rates and EBITDA multiples utilised in the recoverable amount calculations.
- Applying a sensitivity analysis to Management's key assumptions.
- We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the Financial Report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## **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 2021.

In our opinion, the Remuneration Report of Easton Investments Limited, for the year ended 30 June 2021, 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.

**BDO Audit Pty Ltd**

BDO  


Tim Aman  
Director

Sydney, 26 August 2021

## 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 17 August 2021.

### (a) Distribution of equity securities

#### *Ordinary share capital*

As at 17 August 2021 there were 37,612,804 shares held by 457 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 holders	Number of shares
1 - 1,000	142	35,870
1,001 - 5,000	73	220,496
5,001 - 10,000	54	419,353
10,001 - 100,000	140	4,990,065
100,001 - over	48	31,947,020
<b>TOTAL</b>	<b>457</b>	<b>37,612,804</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	Notification date	Ordinary shares held	
		Number	%
Greg Hayes (direct and associated entities) <sup>1</sup>	22/02/21	3,955,802	10.52
Kevin White (direct and associated entities) <sup>1</sup>	22/02/21	2,066,665	5.49
HUB24 Limited <sup>1</sup>	18/02/21	11,853,271	31.51
Pie Funds Management Limited <sup>2</sup>	11/01/21	2,337,456	6.21
		<b>20,213,194</b>	<b>53.73</b>

1. Shareholding as at 26 August 2021.

2. Shareholding at date of notification.

## ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION (continued)

### (c) Twenty largest holders of quoted equity securities as at 17 August 2021

		Ordinary shares	
		Number	%
<b>Ordinary shareholders</b>			
1	HUB24 Limited	11,853,271	31.51
2	National Nominees Limited	2,663,037	7.08
3	Greg Hayes	1,954,714	5.08
4	A.C.N 098 682 556 Pty Ltd	1,629,630	4.33
5	Mr Kevin White & Mrs Margaret White <White Family Super Fund A/C>	1,073,218	2.85
6	Mr Peter Geoffrey Hollick	1,000,000	2.66
7	DMX Capital Partners Limited	769,308	2.05
8	Mr Kevin White & Margaret White	666,666	1.77
9	Mr Alistair David Strong	620,000	1.65
10	Craig Rosen	600,000	1.60
11	Mr Grahame David Evans & Mrs Catherine Jane Evans	594,502	1.58
12	Citicorp Nominees Pty Ltd	544,637	1.45
13	Hollywood Aust Pty Ltd	480,776	1.28
14	HP Capital Pty Ltd	444,444	1.18
15	Mr Shane Anthony Bransby	408,904	1.09
16	JP Morgan Nominees Australia Pty Ltd	397,273	1.06
17	Mr Anthony Raymond White	375,663	1.00
18	Marsel Holdings Pty Ltd <Hayes Super Fund A/C>	358,125	0.95
19	Top Pocket Pty Ltd <Top Pocket Super Fund A/C>x	355,555	0.95
20	Top Pocket Pty Ltd	353,600	0.94
		<b>27,143,323</b>	<b>72.06</b>

The above ranking is based on individual entity holdings and does not consolidate where shares are held over multiple related parties.

### (d) Restricted securities

As at 26 August 2021, there were nil restricted 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.