



**Evans and Partners Pty Ltd
and its subsidiaries**

Annual Financial Report

30 June 2016

Evans and Partners Pty Ltd and its subsidiaries

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30 June 2016

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Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

The directors present their report together with the consolidated financial statements of the Group comprising of Evans and Partners Pty Ltd (the "Company") and its subsidiaries for the financial year ended 30 June 2016 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

David Evans

Qualifications: Bachelor of Economics (Monash)
Position & responsibilities: Executive Director and Chairman of the Board of Directors since 10 May 2007
Other directorships: Seven West Media Ltd (Director), Chairman of the Cricket Australia Investment Committee, Board Member of the Victorian Police Corporate Advisory Group, Chairman of Seven West Media Audit & Risk Committee and a member of its Remuneration & Nomination Committee

David established the Company in May 2007 and since that time he has developed and grown the business to its current position. David has a wealth of experience in the investment banking and stockbroking industry. Since 1990, he has worked in a variety of roles within JBWere & Son ("JBWere") and then the merged entity Goldman Sachs JBWere Pty Ltd ("GSJBW"). For ten years, he was responsible for GSJBW's Private Wealth business and Institutional Equities business. His final role at GSJBW was as Managing Director and Chief of Staff.

Paul Ryan FFin

Qualifications: Bachelor of Arts and Law (Hons) (University of Melbourne)
Position & responsibilities: Executive Director since 1 October 2009
Chief Executive Officer since 1 July 2013
ASX Responsible Executive
AFSL Responsible Manager
Other directorships: Member of the Finance Committee at Queen's College, University of Melbourne

Paul commenced his career as a banking and finance lawyer at Minter Ellison in 1996 before becoming a top-rated research analyst covering the transport and beverages sectors during a decade at Goldman Sachs JBWere. In 2010 Paul attended INSEAD as winner of the Financial Services Institute of Australasia's Hugh D.T. Williamson Scholarship.

Paul is a founding partner of the firm. Prior to his current position as Chief Executive Officer, Paul held the roles of Senior Research Analyst (2008-2009), Head of Research (2010-2013) and Managing Director – Sydney (2011-2012) where he managed a multi-divisional team. He continues to develop the business, in particular Asset Management and Capital Markets, as well as having responsibility for Finance, Compliance and Investment & Risk Management.

Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

1. Directors (continued)

Christopher Bryan

Qualifications: Bachelor of Science (Hons) (Reading University, UK)
Position & responsibilities: Executive Director since 17 April 2008
Co-Executive Chairman since 1 June 2016

Chris has worked in financial markets for more than 20 years, commencing his career at Potter Warburg Securities as a Private Client Adviser and later in Institutional Sales in both Melbourne and London. Chris returned from London in 2000 to take up a position on the Melbourne Institutional Sales desk of JBWere before running their Asian and Melbourne Institutional Broking Businesses. Prior to joining the Company, he held the positions of Managing Director and Head of Institutional Sales at GSJBW.

Parrish Davis

Qualifications: Bachelor of Business (Marketing) (Monash)
Position & responsibilities: Executive Director from 23 May 2011 to 12 July 2013
Reappointed 28 January 2016
Company Secretary since 30 January 2012
Chief Operating Officer
ASX Responsible Executive

Parrish joined the Company in September 2007, after five years building her own boutique business, Sidekicks FBR, providing freelance executive support and small business marketing communications to small business owners. Prior to establishing Sidekicks FBR she spent five years with a boutique investment bank in Executive and Board support roles. Within the financial services industry, Parrish has developed and successfully implemented marketing plans and strategies, and worked as a member of the marketing team on Australian private capital raisings & IPOs. Since joining the Company, Parrish has provided executive support services to David Evans (2007-2008), before being appointed as General Manager. In 2011, Parrish was promoted to Chief Operating Officer and appointed Company Secretary. Parrish continues to oversee the management of day-to-day operations of the Company and was appointed to the Board as a Director in January 2016. In 2016 Parrish attended Stanford Graduate School of Management, completing their Executive Leadership Program.

Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

1. Directors (continued)

Kevin McCann AM FAICD

Qualifications:	Bachelor of Arts and Bachelor of Law (Hons) (Sydney University) Master of Laws (Harvard University)
Position & Responsibilities:	Non- Executive Director since 24 July 2013 Chairman of the Audit Committee
Other directorships:	Director of Citadel Group Limited, Sydney Harbour Federation Trust and Dixon Hospitality Limited. Chair of the National Library of Australia Foundation, Pro-Chancellor and Fellow of the Senate of the University of Sydney and Vice Chairman of the New Colombo Plan Reference Group

Kevin was a Partner (from 1970 to 2004) and Chairman (from 1995 to 2004) of Allens Arthur Robinson (now Allens), a leading firm of Australian lawyers. He was previously Chairman of Macquarie Group Limited, Macquarie Bank Limited, Origin Energy Limited, Healthscope Ltd and ING Management Limited. Kevin has also previously been a member of the Takeovers Panel, a Council member of the National Library of Australia and served on the Defence Procurement Advisory Board. Kevin's community activities include membership of the Male Champions of Change. Kevin has been involved with the Company as a member of the Advisory Board since 2008 and was appointed as an independent non-executive director of the Company in 2013.

Andrew Moir

Qualifications:	Bachelor of Arts (Political Science and Economics) (Tasmania)
Position & responsibilities:	Executive Director from 17 April 2008 to 12 July 2013 Reappointed 1 June 2014
Other directorships:	Member of the Finance Committee for Brighton Grammar School

Andrew was a founding partner and Director of Evans and Partners and ran the Private Wealth business from inception (2008) to July 2014. Today Andrew sits on the board overseeing firm wide strategic direction and on a day-to-day basis he consults to private families, foundations and privately owned companies and institutions focussing on strategy and investment management. Andrew has been providing asset and investment management advice to clients since 1991 after graduating with a degree majoring in Political Science and Economics from the University of Tasmania. In 1998, Andrew joined JB Were where he was appointed State Manager of its Tasmanian offices in 1999. In 2002, Andrew relocated to Melbourne to assume the role of National Manager – Strategic Planning for JB Were's Private Wealth Business prior to joining Evans and Partners in early 2008. Andrew is an alumnus of London Business School where he completed the Senior Executive Program in 2011.

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Directors' report

For the year ended 30 June 2016

1. Directors (continued)

Dr Michael Saba

Qualifications: Ph.D Science (Monash), Master of Applied Finance (University of Melbourne)

Position & Responsibilities: Executive Director since 30 June 2015

Head of Income Products

Michael has been working in the Australian financial markets since 1992. He commenced his career as a Quantitative Analyst, subsequently moving to a Derivatives Analyst role in the mid 1990's with various leading Australian brokers, concentrating on the equity options market and ASX listed hybrid securities. Subsequently, Michael has been consistently ranked as a leading participant in these sectors for over 15 years at HSBC, Goldman Sachs JBWere and now the Company. Michael now heads the Fixed Interest rate team at the Company which deals for clients in both the wholesale and listed markets and helps clients construct and manage fixed interest portfolios. Michael regularly writes for the ASX in its investor newsletters and has published in JASSA, as well as having significant input into the ASX Fixed Interest education series. Michael is the security holder representative on the Company's Board of Directors.

2. Officers who were previously partners of the audit firm

There were no officers of the Company during the financial year that were previously partners of the current audit firm, Pitcher Partners, at a time when Pitcher Partners undertook an audit of the Group or any other time.

3. Principal activities

The principal activities of the Group during the course of the financial year were the provision of stockbroking and investment advisory services to private and institutional investors, provision of managed discretionary account and investment management services, and advice to corporations on equity and debt capital market transactions.

The Company was incorporated on 10 May 2007 and commenced trading activities in October 2007. It was granted ASX Participant status on 30 April 2009 and Chi-X Participant status on 3 December 2013. There were no other significant changes in the nature of the activities of the Group during the year.

4. Operating and financial review

2016 was a volatile year in financial markets with generally strong operating conditions in the first half to December weakening through the second half to June. The Group's annuity/flow advice businesses and discretionary product suite saw good growth during the year, offset by a tightening in primary capital markets after a record year in 2015. The Group has also continued to invest for the future, which contributed to a decline in profitability.

Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

4. Operating and financial review (continued)

The Group achieved revenue growth across the three of its four business units - Private Wealth, Institutional and Asset Management. Corporate Advisory performance was hindered by a downturn in equity capital markets activity in the June half. Overall, revenue was up 8% from \$67,797,607 in 2015 to \$73,433,240 in 2016. Net profit after tax decreased 13% from \$9,531,876 in 2015 to \$8,242,038.

During the year ended 30 June 2016, the Group converted the non-share equity units on issue into ordinary shares on a 1 for 1 basis. No new capital was raised (2015: \$1,548,504 was raised). Reflecting decreased profitability, return on equity declined from 39% in 2015 to 33% in 2016. The Group continued its current dividend policy, paying dividends of \$6,876,298 (2015: \$7,108,791) during the year ended 30 June 2016, which were fully franked. It is expected that dividends in future years will continue to be fully franked. Of the total dividends paid during the year, \$14,490 were paid on treasury shares held by the Group (2015: \$nil).

The Group has maintained a strong balance sheet position where equity holders' funds are held in short-term deposits and cash management accounts across a quarterly cycle. The level of liquid capital available ensures the Group is well in excess of the capital requirements specified by the ASIC Market Integrity Rules. This has enabled the Group to pay a fully franked special dividend subsequent to reporting date of \$4,499,827. Of the special dividend paid, \$121,229 was paid on treasury shares held by the Group.

During the year, the Group has continued to invest heavily in personnel and systems to provide the capacity for further business growth in the coming years. Investments have been focussed on enhancing the research department's capability and coverage, improvement of IT and telecommunications infrastructure, and further supporting back office operations to drive operating efficiencies and comply with ongoing regulatory changes. In October 2015, the Group's Sydney office relocated to 5 Martin Place.

In the near term, the Group intends to build on its current position in the market, further develop its product suite and invest in its people through recruitment and professional development. Like any business that operates in financial markets, the future financial performance of the Group will be highly dependent on the state of investment markets.

Significant change in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

5. Dividends

Dividends paid or declared by the Group to equity holders since the end of the previous financial year were:

	Total amount \$	Franked / unfranked	Date of payment
Declared and paid during the year 2016			
Interim 2016	2,721,628	Franked	04/02/2016
Final 2015	<u>4,154,670</u>	Franked	05/10/2015
Total amount	<u>6,876,298</u>		

Declared after end of year

	Total amount \$	Franked / unfranked	Date of payment
Special 2016	<u>4,499,827</u>	Franked	05/08/2016
Total amount	<u>4,499,827</u>		

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial reports.

Franked dividends declared as paid during the year were franked at the rate of 30 percent.

Dividends have been dealt with in the financial report as Dividends at Note 16.

6. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

7. Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Evans and Partners Pty Ltd and its subsidiaries

Directors' report

For the year ended 30 June 2016

8. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current and former directors and officers of the Company - David Evans, Christopher Bryan, Parrish Davis, Kevin McCann, Michael Saba, Andrew Moir and Paul Ryan - against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of an agreement entered into on 30 November 2015, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company, except where the liability arises out of conduct involving a lack of good faith. The individuals in question are the Investment Advisers, their assistants and all other employees that carried on professional services. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

Insurance premiums

In November 2015, the Company paid insurance premiums of \$698,241 for a period of 15 months in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers, including senior executives of the Company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

9. Auditor's independence declaration

The auditor's independence declaration is set out on page 55 and forms part of the directors' report for the financial year ended 30 June 2016.

This report is made with a resolution of the directors:



David Evans
Executive Chairman

Dated at Melbourne this 26th day of September 2016

Evans and Partners Pty Ltd and its subsidiaries

Consolidated statement of financial position

As at 30 June 2016

	Note	2016	2015
		\$	\$
Assets			
Cash and cash equivalents	15	23,600,134	24,322,111
Trade and other receivables	14	10,255,568	8,357,723
Other investments	10	1,883,435	1,618,785
Total current assets		35,739,137	34,298,619
Trade and other receivables	14	1,146,195	1,286,332
Property, plant and equipment	11	3,140,340	2,424,294
Deferred tax assets	13	867,237	711,236
Intangible assets	12	78,471	65,849
Total non-current assets		5,232,243	4,487,711
Total assets		40,971,380	38,786,330
Liabilities			
Trade and other payables	19	2,736,878	2,135,406
Deferred income	18	-	5,000
Current tax liability		82,973	1,123,652
Employee benefits	17	12,741,148	10,829,806
Total current liabilities		15,560,999	14,093,864
Employee benefits	17	130,731	141,255
Other liabilities	20	582,861	411,741
Total non-current liabilities		713,592	552,996
Total liabilities		16,274,591	14,646,860
Net assets		24,696,789	24,139,470
Equity			
Share capital	16	11,621,653	11,621,653
Reserves	16	(906,516)	(83,605)
Retained earnings	16	13,981,652	12,601,422
Total equity		24,696,789	24,139,470

The notes on pages 13 to 53 are an integral part of these financial statements.

Evans and Partners Pty Ltd and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	<i>Note</i>	2016 \$	2015 \$
Continuing operations			
Revenue	6	73,433,240	67,797,607
Trading expenses		<u>(6,011,660)</u>	<u>(4,323,116)</u>
Gross profit		67,421,580	63,474,491
Other income	7	45,000	45,000
Employee benefits		(42,044,100)	(39,025,320)
Other personnel expenses		(2,647,868)	(2,278,190)
Administrative expenses		(2,085,321)	(1,629,512)
Occupancy expenses		(2,270,072)	(1,948,478)
Professional fees		(756,914)	(743,394)
Marketing expenses		(883,346)	(677,841)
Insurance		(577,159)	(422,902)
IT and telecommunications		(3,912,974)	(3,240,060)
Loss on disposal of property, plant and equipment		(81,644)	(265)
Depreciation and amortisation		(761,676)	<u>(546,266)</u>
Results from operating activities		11,445,506	13,007,263
Finance income	8	499,092	673,854
Finance costs	8	(3,499)	<u>(1,687)</u>
Net finance income		495,593	672,167
Profit before income tax		11,941,099	13,679,430
Income tax expense	9	(3,699,061)	<u>(4,147,554)</u>
Profit for the year		8,242,038	<u>9,531,876</u>
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	16	(17)	1,058
Other comprehensive income for the year, net of tax		(17)	<u>1,058</u>
Total comprehensive income for the year		8,242,021	<u>9,532,934</u>
Profit attributable to:			
Owners of the Group		8,242,038	9,531,876
Profit for the year		8,242,038	<u>9,531,876</u>
Total comprehensive income attributable to:			
Owners of the Group		8,242,021	9,532,934
Total comprehensive income for the year		8,242,021	<u>9,532,934</u>

The notes on pages 13 to 53 are an integral part of these financial statements.

Evans and Partners Pty Ltd and its subsidiaries

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Share capital	Settled Sum	Fair value reserve	Treasury share reserve	Treasury share profits reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	11,621,643	10	17	(83,622)	-	12,601,422	24,139,470
Total comprehensive income for the year							
Profit or loss	-	-	-	-	-	8,242,038	8,242,038
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(17)	-	-	-	(17)
Total other comprehensive income	-	-	(17)	-	-	-	(17)
Total comprehensive income for the year	-	-	(17)	-	-	8,242,038	8,242,021
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Treasury shares acquired	-	-	-	(2,472,153)	-	-	(2,472,153)
Treasury shares disposed on allocation	-	-	-	1,636,227	-	-	1,636,227
Increase in fair value of treasury shares upon allocation	-	-	-	-	13,032	-	13,032
Dividends to equity holders	-	-	-	-	-	(6,876,298)	(6,876,298)
Dividends paid on treasury shares	-	-	-	-	-	14,490	14,490
Total contributions by and distributions to owners	-	-	-	(835,926)	13,032	(6,861,808)	(7,684,702)
Balance at 30 June 2016	11,621,643	10	-	(919,548)	13,032	13,981,652	24,696,789

The amounts recognised directly in equity are disclosed net of tax.

The notes on pages 13 to 53 are an integral part of these financial statements.

Evans and Partners Pty Ltd and its subsidiaries

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Share capital	Settled sum	Fair value reserve	Treasury share reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	10,073,139	-	(1,041)	-	10,178,337	20,250,435
Total comprehensive income for the year						
Profit or loss	-	-	-	-	9,531,876	9,531,876
Net change in fair value of available-for-sale financial assets, net of tax	-	-	1,058	-	-	1,058
Total other comprehensive income	-	-	1,058	-	-	1,058
Total comprehensive income for the year						
	-	-	1,058	-	9,531,876	9,532,934

Transactions with owners, recorded directly in equity

Contributions by and distributions to owners

Issue of ordinary shares, net of tax	1,548,504	-	-	-	-	1,548,504
Issue of non-share equity units, net of tax	-	-	-	-	-	-
Settlement sum contributed by Settlor	-	10	-	-	-	10
Treasury shares acquired	-	-	-	(83,622)	-	(83,622)
Dividends to equity holders	-	-	-	-	(7,108,791)	(7,108,791)
Total contributions by and distributions to owners						
	1,548,504	10	-	(83,622)	(7,108,791)	(5,643,909)
Balance at 30 June 2015	11,621,643	10	17	(83,622)	12,601,422	24,139,470

The amounts recognised directly in equity are disclosed net of tax

The notes on pages 13 to 53 are an integral part of these financial statements.

Evans and Partners Pty Ltd and its subsidiaries

Consolidated statement of cash flows

For the year ended 30 June 2016

	2016	2015
<i>Note</i>	\$	\$
Cash flows from operating activities		
Cash receipts from customers	79,163,043	73,268,622
Cash paid to suppliers and employees	<u>(65,944,094)</u>	<u>(55,092,391)</u>
Cash generated from operating activities	13,218,949	18,176,231
Interest paid	(3,499)	(1,687)
Taxes paid	<u>(4,898,178)</u>	<u>(3,769,225)</u>
Net cash from operating activities	15 <u>8,317,272</u>	<u>14,405,319</u>
Cash flows from investing activities		
Interest received	453,408	765,174
Dividends received	5,093	3,059
Proceeds from the sale property, plant & equipment	4,835	164
Proceeds from sales of investments	136,648,418	105,986,946
Acquisition of investments	<u>(136,889,478)</u>	<u>(97,567,794)</u>
Acquisition of property, plant and equipment	11 <u>(1,517,352)</u>	<u>(679,517)</u>
Acquisition of intangible assets	12 <u>(59,471)</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>(1,354,547)</u>	<u>8,508,032</u>
Cash flows from financing activities		
Proceeds from issue of share capital/settled sum	16 -	1,548,514
Dividends paid	16 <u>(6,861,808)</u>	<u>(7,108,791)</u>
Acquisition of treasury shares	16 <u>(2,472,153)</u>	<u>(83,622)</u>
Proceeds from the allocation of treasury shares	16 <u>1,649,259</u>	<u>-</u>
Net cash used in financing activities	<u>(7,684,702)</u>	<u>(5,643,899)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(721,977)</u>	17,269,452
Cash and cash equivalents at 1 July	<u>24,322,111</u>	<u>7,052,659</u>
Cash and cash equivalents at 30 June	15 <u><u>23,600,134</u></u>	<u><u>24,322,111</u></u>

The notes on pages 13 to 53 are an integral part of these financial statements.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

1 Reporting entity

Evans and Partners Pty Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Mayfair Building, 171 Collins Street, Melbourne 3000. The consolidated financial statements of the Group for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as the 'Group entities').

The Company is a for-profit entity and is primarily involved in stockbroking and investment advisory services to private and institutional investors, provisions of managed discretionary account services and advice to corporations on equity and debt capital market transactions.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 26th September 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets that are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 3(c) - valuation of financial instruments
- note 3(e) - intangible assets
- note 3(h) - employee benefits
- note 3(i) - provisions

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Group.

Certain comparative amounts in the statement of financial position and notes to the financial statements have been reclassified or re-represented as a result of a change in classification of certain deposits (see Notes 14 and 25).

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities that are either controlled by the Group, either through direct ownership or through a de facto relationship. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

An entity is a de facto agent when the investor has, or those that direct the activities of the investor have, the ability to direct the entity to act on the investor's behalf. In these circumstances, the investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available-for-sale financial assets.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise term deposits.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at-call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise listed debt and equity securities.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Non-share equity units

Non-share equity units are classified as equity. Incremental costs directly attributable to the issue of non-share equity units are recognised as a deduction from equity, net of any tax effects.

Non-share equity units are issued at the discretion of the Board of Directors at the fair value at grant date.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line and/or diminishing basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

	2016	2015
• fixtures and fittings	5 - 10 years	5 - 10 years
• office equipment	5 - 20 years	5 - 20 years
• computer equipment & software	4 - 8 years	4 - 8 years
• leasehold improvements	10 - 80 years	10 - 80 years
• artwork	unlimited	unlimited

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(e) Intangible assets

(i) Website and application development costs

Website and application development costs that are incurred by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

	2016	2015
• website and application development costs	4 years	1.5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

All leases entered into by the Group are operating leases.

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(g) Impairment (continued)

Financial assets at amortised cost

The Group considers evidence of impairment for loans and receivables and held-to-maturity financial assets at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity financial assets are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity financial assets that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity financial assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt or equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale debt or equity security is recognised in other comprehensive income.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(g) Impairment (continued)

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets and property, plant and equipment that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

As at balance date, the Group does not carry any intangible assets, or property plant and equipment which have been impaired.

(h) Employee benefits

(i) Post-employment benefits

Post-employment benefits are superannuation contributions which the Group pays to the employees' nominated superannuation fund and the Group has no legal or constructive obligation to pay further amounts. Superannuation contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined contribution plans is the amount of future benefit that employees have earned in return for their services in the current and prior periods plus related costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Revenue

(i) Services

Revenue from services rendered is recognised in profit or loss upon performance of the relevant services to clients.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

(iii) Rental income

Rental income from subleased property is recognised as other income.

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, and impairment losses recognised on financial assets (other than trade receivables).

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(l) Finance income and finance costs (continued)

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

3 Significant accounting policies (continued)

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except for AASB9 *Financial Instruments* which becomes mandatory for the Group's 2019 financial statements and could change the classification and measurement of financial assets, and AASB15 *Revenue from contracts with customers* which becomes mandatory for the Group's 2019 financial statements and could change the timing and amount of revenue recorded in the financial statements as well as additional disclosures, and AASB16 *Leases* which becomes mandatory for the Company's 2020 financial statements and could change the classification and measurement. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Equity and debt securities

The fair value of listed equity and debt securities is determined by reference to their quoted closing bid price at the reporting date.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

5 Financial risk management

(a) Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

5 Financial risk management (continued)

(a) Overview (continued)

The Board of Directors has overall responsibility for ensuring the Group's business is conducted in accordance with ASX and Chi-X, *Corporations Act 2001* and other relevant regulatory obligations. The Group's risk management framework is documented in the Management Plan which sets out the roles and responsibilities of key personnel and establishes a committee structure for the delegation, supervision and accountabilities for day-to-day risk management functions. The Management Plan is supported by a suite of comprehensive policies and procedures relevant to all areas of the Group's operations to ensure that there is sufficient mitigation of risks faced by the Group.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established processes and procedures to ensure the timely collection of revenue through its arrangements with Pershing Securities Australia Pty Ltd, as the Group's domestic settlement and clearing agent, Pershing LLC, as the Group's international settlement and clearing partner, and direct debit arrangements agreed directly with clients.

Clients are screened for appropriateness by individual advisers of the Group. The Group provides financial incentive to its advisers to limit exposure to credit risk, by deducting any losses from adviser incentive entitlements. The Group closely monitors credit risk through surveillance of uncovered trades, failed settlements and erratic trading, and flags clients as credit risks accordingly. Pershing Securities Australia Pty Ltd and Pershing LLC use external resources to verify whether any client has a bad credit history within the stockbroking industry prior to account opening.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

5 Financial risk management (continued)

(b) Credit risk (continued)

The Group has established an allowance for impairment of \$Nil (2015: \$ Nil) for the current reporting period.

Investments

The Group's balance sheet is invested conservatively in short-term deposits and high interest cash management accounts with Australian financial institutions where the credit risk is very low. From time to time the Group has traded in highly rated interest rate securities. As at reporting date the Group did not hold any highly rated interest rate securities (2015: \$205,631), refer to note 21 for further details.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses as and when they fall due, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters or financial markets collapse.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on revenue, expenses and cash and cash equivalents that are denominated in a currency other than the functional currency of the Group, the Australian dollar (AUD). The currency in which these transactions are primarily denominated is the US Dollar (USD).

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

5 Financial risk management (continued)

(d) Market risk (continued)

The Group manages currency risk exposures by ensuring revenues are collected and expenses paid as close to the transaction date as possible and regularly converting surplus foreign currency cash and cash equivalents into AUD at spot rates. In determining surplus foreign currency cash deposits, the Group considers the expected expenditure requirements for the relevant foreign currency.

The Group does not hedge its exposure to foreign currency risk at this time.

(e) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the Group's operations. The Board monitors the return on capital, which the Group defines as net profit after tax divided by total shareholders' equity. The Board also monitors the level of dividends to equity holders.

At present employees hold 94 percent of ordinary shares. A further 3 percent of ordinary shares are held by the Evans and Partners Employee Share Trust disclosed as treasury shares of the Group (see note 16).

The Board seeks to maintain a balance between the higher returns that might be possible with a capital funding mix that includes borrowings and the advantages and security afforded by an ungeared capital position. The Board periodically reviews the capital funding mix and has determined that an ungeared capital position has been the most appropriate setting for the Group since its incorporation and remains as such for the foreseeable future.

As a Market Participant of both the ASX and Chi-X, the Group is subject to externally imposed capital and liquidity requirements in accordance with the Australian Securities and Investments Commission (ASIC) Market Integrity Rules – Market Capital, that apply to both the ASX and Chi-X. The Group's Auditor is appropriately qualified to provide an opinion on the Group's compliance with the ASIC's capital liquidity requirements.

The Board has established procedures and processes for the regular monitoring of the Group's capital liquidity and the reporting and rectification of capital liquidity breaches, should they occur.

Due to the level of funds on deposit, the Group substantially exceeds all current liquidity requirements and has not breached these requirements. This position remains unchanged as at the date the Audit Report was signed.

There were no changes in the Group's approach to capital management during the year.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

6 Revenue

	2016	2015
	\$	\$
Brokerage income	30,511,970	23,972,804
Portfolio advisory fees	17,507,892	14,362,390
Asset management fees	13,167,058	10,831,728
Corporate distribution and origination	10,661,815	16,527,668
Other operating income	1,584,505	2,103,017
	<u>73,433,240</u>	<u>67,797,607</u>

7 Other income

	2016	2015
	\$	\$
Rental income	45,000	45,000

8 Finance income and finance costs

Recognised in profit or loss

	2016	2015
	\$	\$
Interest income on unimpaired held-to-maturity investments	462,789	600,636
Dividend income on available-for-sale financial assets	5,093	3,059
Net foreign exchange gain	7,596	35,641
Net gain on disposal of available-for-sale financial assets	23,614	34,518
Finance income	<u>499,092</u>	<u>673,854</u>
Interest expense on financial liabilities measured at amortised cost	<u>(3,499)</u>	<u>(1,687)</u>
Finance costs	<u>(3,499)</u>	<u>(1,687)</u>
Net finance income recognised in profit or loss	<u>495,593</u>	<u>672,167</u>

The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:

Total interest income on financial assets	<u>462,789</u>	<u>600,636</u>
Total interest expense on financial liabilities	<u>(3,499)</u>	<u>(1,687)</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

9 Income tax expense

	2016	2015
	\$	\$
Current tax expense		
Current year	3,849,006	4,350,121
Adjustments for prior years	8,496	(226)
Income tax expense recovered from employee	(2,448)	(1,879)
	<u>3,855,054</u>	<u>4,348,016</u>
Deferred tax expense		
Origination and reversal of temporary differences	(155,993)	(200,462)
	<u>(155,993)</u>	<u>(200,462)</u>
Total income tax expense	<u>3,699,061</u>	<u>4,147,554</u>

Income tax recognised directly in equity

	2016		
	Tax		
	Before tax	expense (benefit)	Net of tax
Movement in fair value reserve relating to available-for-sale financial assets	(25)	(8)	(17)
	<u>(25)</u>	<u>(8)</u>	<u>(17)</u>
	2015		
	Tax		
	Before tax	expense (benefit)	Net of tax
Movement in fair value reserve relating to available-for-sale financial assets	1,512	454	1,058
	<u>1,512</u>	<u>454</u>	<u>1,058</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

9 Income tax expense (continued)

Numerical reconciliation between tax expense and pre-tax accounting profit

	2016	2015
	\$	\$
Profit for period	8,242,038	9,531,876
Total income tax expense	<u>3,699,061</u>	<u>4,147,554</u>
Profit excluding income tax	<u>11,941,099</u>	13,679,430
Income tax using the Company domestic tax rate of 30% (2015: 30%)	3,587,474	4,103,832
Income tax using the Group Entities domestic tax rate of 49% (2015: N/A)	5,083	-
Non-deductible expenses	103,628	45,827
Under/(over) provided in prior years	8,496	(226)
Income tax expense recovered from employee	(2,448)	(1,879)
Tax effect of franking credits on treasury shares	3,043	-
Franking credit refunded on treasury shares	(6,210)	-
Tax effect of utilised prior year losses	(5)	-
Income tax expense on pre-tax net profit	<u>3,699,061</u>	<u>4,147,554</u>

10 Other investments

	2016	2015
	\$	\$
Current		
Available-for-sale financial assets	-	205,631
Held-to-maturity investments	<u>1,883,435</u>	<u>1,413,154</u>
	<u>1,883,435</u>	<u>1,618,785</u>

Interest-bearing held-to-maturity financial assets, with a carrying amount of \$1,883,435 at 30 June 2016 (2015: \$1,413,154) have stated interest rates of 2.19 to 3.12 percent (2015: 2.54 to 3.18 percent) and mature twelve months from the original acquisition date.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 21.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

11 Property, plant and equipment

	Furniture, fixtures and fittings \$	Office equipment \$	Computer equipment & software \$	Leasehold Improvements \$	Artwork \$	Total \$
Cost or deemed cost						
Balance at 1 July 2014	25,659	777,496	620,764	1,278,206	74,073	2,776,198
Additions	4,800	39,982	497,715	137,020	-	679,517
Disposals	-	(2,727)	(7,589)	-	-	(10,316)
Balance at 30 June 2015	<u>30,459</u>	<u>814,751</u>	<u>1,110,890</u>	<u>1,415,226</u>	<u>74,073</u>	<u>3,445,399</u>
Balance at 1 July 2015	30,459	814,751	1,110,890	1,415,226	74,073	3,445,399
Additions	2,508	754,478	613,735	146,631	-	1,517,352
Disposals	(3,233)	(96,377)	(102,429)	(25,481)	-	(227,520)
Balance at 30 June 2016	<u>29,734</u>	<u>1,472,852</u>	<u>1,622,196</u>	<u>1,536,376</u>	<u>74,073</u>	<u>4,735,231</u>
Depreciation and impairment losses						
Balance at 1 July 2014	(13,490)	(175,207)	(327,399)	(99,973)	-	(616,069)
Disposals	-	2,564	7,323	-	-	9,887
Depreciation for the year	<u>(3,161)</u>	<u>(163,332)</u>	<u>(159,854)</u>	<u>(88,576)</u>	<u>-</u>	<u>(414,923)</u>
Balance at 30 June 2015	<u>(16,651)</u>	<u>(335,975)</u>	<u>(479,930)</u>	<u>(188,549)</u>	<u>-</u>	<u>(1,021,105)</u>
Balance at 1 July 2015	(16,651)	(335,975)	(479,930)	(188,549)	-	(1,021,105)
Disposals	2,320	44,640	88,736	5,345	-	141,041
Depreciation for the year	<u>(2,155)</u>	<u>(247,771)</u>	<u>(346,195)</u>	<u>(118,706)</u>	<u>-</u>	<u>(714,827)</u>
Balance at 30 June 2016	<u>(16,486)</u>	<u>(539,106)</u>	<u>(737,389)</u>	<u>(301,910)</u>	<u>-</u>	<u>(1,594,891)</u>
Carrying amounts						
At 30 June 2015	<u>13,808</u>	<u>478,776</u>	<u>630,960</u>	<u>1,226,677</u>	<u>74,073</u>	<u>2,424,294</u>
At 30 June 2016	<u>13,248</u>	<u>933,746</u>	<u>884,807</u>	<u>1,234,466</u>	<u>74,073</u>	<u>3,140,340</u>

Leased plant and equipment

The Group currently leases photocopy machines from third parties. All assets are leased under operating leases.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

12 Intangible assets

	Website and application development costs \$	Total \$
Cost		
Balance at 1 July 2014	256,859	256,859
Additions	-	-
Disposals	-	-
Balance at 30 June 2015	<u>256,859</u>	<u>256,859</u>
Balance 1 July 2015	256,859	256,859
Additions	59,471	59,471
Disposals	(87,119)	(87,119)
Balance at 30 June 2016	<u>229,211</u>	<u>229,211</u>
Amortisation and impairment losses		
Opening balance 1 July 2014	(59,667)	(59,667)
Amortisation for the year	(131,343)	(131,343)
Disposals		
Balance at 30 June 2015	<u>(191,010)</u>	<u>(191,010)</u>
Opening balance 1 July 2015	(191,010)	(191,010)
Amortisation for the year	(46,849)	(46,849)
Disposals	87,119	87,119
Balance at 30 June 2016	<u>(150,740)</u>	<u>(150,740)</u>
Carrying amounts		
At 30 June 2015	<u>65,849</u>	<u>65,849</u>
At 30 June 2016	<u>78,471</u>	<u>78,471</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Trade and other receivables	-	-	57,185	6,489	(57,185)	(6,489)
Prepayments	2,086	943	-	-	2,086	943
Available-for-sale financial assets	-	-	-	8	-	(8)
Property, plant and equipment	47,954	5,778	-	-	47,954	5,778
Intangible assets	6,584	20,139	-	-	6,584	20,139
Costs deductible in future years	47,381	68,545	-	-	47,381	68,545
Employee benefits	588,818	482,276	-	-	588,818	482,276
Lease liability	174,858	123,522	-	-	174,858	123,522
Provisions	56,741	16,530	-	-	56,741	16,530
Net tax assets/(liabilities)	924,422	717,733	57,185	6,497	867,237	711,236

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

13 Deferred tax assets and liabilities (continued)

	Balance July 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2015	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2016
	\$	\$	\$	\$	\$	\$	\$
Trade and other receivables	(65,709)	59,220	-	(6,489)	(50,696)	-	(57,185)
Prepayments	2,926	(1,983)	-	943	1,143	-	2,086
Property, plant and equipment	(11,883)	17,661	-	5,778	42,176	-	47,954
Intangible assets	-	20,139	-	20,139	(13,555)	-	6,584
Available-for-sale financial assets	446	-	(454)	(8)	-	8	-
Costs deductible in future years	76,382	(7,837)	-	68,545	(21,164)	-	47,381
Employee benefits	424,474	57,802	-	482,276	106,542	-	588,818
Lease liability	70,090	53,432	-	123,522	51,336	-	174,858
Provisions	14,421	2,109	-	16,530	40,211	-	56,741
Equity raising costs	81	(81)	-	-	-	-	-
	511,228	200,462	(454)	711,236	155,993	8	867,237

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

14 Trade and other receivables

	2016	2015
	\$	\$
Trade receivables	9,311,664	7,654,242
Accrued interest receivable	30,615	21,630
Prepayments	559,275	467,022
Deposits	134,159	130,470
Escrow receivable	1,165,783	1,313,417
Other receivables	200,267	57,274
	<u>11,401,763</u>	<u>9,644,055</u>
Current	10,255,568	8,357,723
Non-Current	1,146,195	1,286,332
	<u>11,401,763</u>	<u>9,644,055</u>

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 21.

15 Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	2,236	3,277
Bank balances	23,597,898	24,318,831
Cash and cash equivalents in the statement of cash flows	<u>23,600,134</u>	<u>24,322,111</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

15 Cash and cash equivalents (continued)

Reconciliation of cash flows from operating activities

	<i>Note</i>	2016 \$	2015 \$
Cash flows from operating activities			
Profit for the period		8,242,038	9,531,876
Adjustments for:			
Depreciation and amortisation		761,676	546,266
Loss on disposal of property, plant and equipment		81,644	265
Net foreign exchange gain on disposal of investments		-	-
Gain on disposal of available-for-sale financial assets	8	(23,614)	(34,518)
Interest income on unimpaired held-to-maturity investments	8	(462,789)	(600,636)
Dividend income on available-for-sale financial assets	8	(5,093)	(3,059)
Income tax expense recovered from employee	9	2,448	1,879
Income tax expense	9	3,699,061	4,147,554
Operating profit before changes in working capital and provisions		12,295,371	13,589,627
Change in trade and other receivables		(1,656,077)	(1,342,088)
Change in trade and other payables		601,470	379,472
Change in prepayments		(92,253)	(150,035)
Change in provisions and employee benefits		1,900,819	5,519,962
Change in deferred income		(5,000)	(500)
Change in lease liability		171,120	178,106
Cash generated from operating activities		13,215,450	18,174,544
Income tax paid		(4,898,178)	(3,769,225)
Net cash from operating activities		8,317,272	14,405,319

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

16 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital	Settled sum	Non-share equity units	Fair value reserve	Treasury share reserve	Treasury share profit reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	8,072,002	-	2,001,137	(1,041)	-	-	10,178,337	20,250,435
Capital issued	1,548,504	10	-	-	-	-	-	1,548,504
Total recognised income and expense	-	-	-	-	-	-	9,531,876	9,531,886
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	1,058	-	-	-	1,058
Treasury shares acquired	-	-	-	-	(83,622)	-	-	(83,622)
Dividends to equity holders	-	-	-	-	-	-	(7,108,791)	(7,108,791)
Balance at 30 June 2015	9,620,506	10	2,001,137	17	(83,622)	-	12,601,422	24,139,470
Balance at 1 July 2015	9,620,506	10	2,001,137	17	(83,622)	-	12,601,422	24,139,470
Capital conversion	1,901,937	-	(1,901,937)	-	-	-	-	-
Total recognised income and expense	-	-	-	-	-	-	8,242,038	8,242,038
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(17)	-	-	-	(17)
Treasury shares acquired	-	-	-	-	(2,472,153)	-	-	(2,472,153)
Treasury shares disposed on allocation	-	-	-	-	1,636,227	-	-	1,636,227
Increase in fair value of treasury shares upon allocation	-	-	-	-	-	13,032	-	13,032
Dividends to equity holders	-	-	-	-	-	-	(6,876,298)	(6,876,298)
Dividends paid on treasury shares	-	-	-	-	-	-	14,490	14,490
Balance at 30 June 2016	11,522,443	10	99,200	-	(919,548)	13,032	13,981,652	24,696,789

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

16 Capital and reserves (continued)

Reconciliation of movement in capital and reserves (continued)

Share capital

	Ordinary shares		Non-share equity units		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
On issue at 1 July	9,620,506	8,072,002	2,001,137	2,001,137	11,621,643	10,073,139
Issued for cash	-	1,548,504	-	-	-	1,548,504
Equity conversion	1,901,937	-	(1,901,937)	-	-	-
On issue at 30 June	<u>11,522,443</u>	<u>9,620,506</u>	<u>99,200</u>	<u>2,001,137</u>	<u>11,621,643</u>	<u>11,621,643</u>

Issuance of ordinary shares

During the year ended 30 June 2016 18,940 ordinary shares were converted from non-share equity units on a 1 for 1 basis (2015: 7,236 ordinary shares were issued at \$214 per share).

Issuance of non-share equity units

During the year ended 30 June 2016 no new non-share equity units were issued (2015: no units were issued).

Ordinary shares and non-share equity units

The Group does not have authorised capital or par value in respect of its issued shares. All shares are fully paid. The non-share equity units are classified as equity and are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. The holders of non-share equity units are entitled to receive dividends as declared from time to time. Non-share equity unit holders may attend meetings of the Group but are not entitled to vote. On winding up the claims of holders of non-share equity units rank in priority as to the repayment of \$0.01 per non-share equity units and then equally in all respects with holders of ordinary shares.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Treasury share reserve

The reserve for the Group's treasury shares comprises the cost of the Group's shares held by the Evans and Partners Employee Share Trust. At 30 June 2016, the Group held 3,444 of the Group's shares (2015: 362). These shares are being held until such time as new or existing shareholders purchase these shares under the terms of the existing shareholders agreement.

Treasury share profits reserve

The Group recognises the increase or decrease in fair value on the allocation of unallocated Group shares being the movement in the fair value of the shares between the dates on which the beneficial ownership of the shares has changed.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

16 Capital and reserves (continued)

Dividends

The following dividends were declared and paid by the Group:

	\$ per share	Gross amount \$	Amount paid on treasury shares \$	Net amount \$	Franked / unfranked	Date of payment
2016						
Interim 2016	21.29	2,721,628	2,725	2,718,903	Franked	04/02/2016
Final 2015	32.50	4,154,670	11,765	4,142,905	Franked	05/10/2015
Total amount		<u>6,876,298</u>	<u>14,490</u>	<u>6,861,808</u>		
2015						
Interim 2015	23.42	2,993,919	-	-	Franked	03/02/2015
Final 2014	32.19	4,114,872	-	-	Franked	10/10/2014
Total amount		<u>7,108,791</u>	<u>-</u>	<u>-</u>		

After reporting date, the following dividends were declared by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

	\$ per share	Total amount	Amount paid on treasury shares \$	Net amount \$	Franked / unfranked	Date of payment
Special 2016	35.20	4,499,827	121,229	4,378,598	Franked	05/08/2016
		<u>4,499,827</u>	<u>121,229</u>	<u>4,378,598</u>		

Franked dividends declared or paid during the year were fully franked at the tax rate of 30 percent.

	2016 \$	2015 \$
Dividend franking account		
30 percent franking credits available to equity holders of Evans and Partners Pty Ltd for subsequent financial years	<u>7,354,705</u>	<u>6,446,099</u>

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of the current tax liability.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

17 Employee benefits

	2016	2015
	\$	\$
Current		
Discretionary bonuses payable	6,475,428	5,534,533
Incentives payable	4,521,697	3,828,941
Superannuation payable	281,875	262,077
Liability for annual leave	840,879	701,019
Liability for long-service leave	621,269	503,236
	<u>12,741,148</u>	<u>10,829,806</u>
Non-current		
Liability for long-service leave	<u>130,731</u>	<u>141,255</u>

18 Deferred income

There is no deferred income in the year ending 30 June 2016 (2015: \$5,000). Deferred income is classified as current and represents customer payment of full service fees wholly relating to the year ending 30 June 2016.

19 Trade and other payables

	2016	2015
	\$	\$
Trade payables	696,623	665,524
Non-trade payables and accrued expenses	607,464	187,272
Accrued other personnel expenses	632,506	492,289
GST payable	800,285	790,321
	<u>2,736,878</u>	<u>2,135,406</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

20 Other liabilities

	2016	2015
	\$	\$
Non-current		
Lease liability	<u>582,861</u>	<u>411,741</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	\$	\$
Available-for-sale financial assets	-	205,631
Held-to-maturity investments	1,883,435	1,413,154
Loans and receivables	11,401,763	9,727,677
Cash and cash equivalents	23,600,134	24,322,111
	<u>36,885,332</u>	<u>35,668,573</u>

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
	\$	\$	\$	\$
Not past due	9,295,164	-	7,610,305	-
Past due 31 - 60 days	-	-	-	-
Past due 61+ days	16,500	-	43,937	-
	<u>9,311,664</u>	<u>-</u>	<u>7,654,242</u>	<u>-</u>

As at 30 June 2016, the Group has an impairment allowance of \$nil on its trade receivables (2015: Nil).

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2016

	Carrying amount \$	Contractual cash flows \$	6 mths or less \$
Non-derivative financial liabilities			
Trade and other payables	2,736,878	2,736,878	2,736,878
	<u>2,736,878</u>	<u>2,736,878</u>	<u>2,736,878</u>

30 June 2015

Non-derivative financial liabilities			
Trade and other payables	2,135,406	2,135,406	2,135,406
	<u>2,135,406</u>	<u>2,135,406</u>	<u>2,135,406</u>

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	30 June 2016 USD \$	30 June 2015 USD \$
Trade and other receivables	174,430	99,975
Cash and cash equivalents	178,590	206,548
Gross statement of financial position exposure	<u>353,020</u>	<u>306,523</u>
Net exposure	<u>353,020</u>	<u>306,523</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(c) Currency risk (continued)

Exposure to currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
AUD/USD	0.7283	0.8382	0.7452	0.7707

Sensitivity analysis

A strengthening of the AUD, as indicated below, against USD at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
30 June 2016				
USD (15 percent)	-	(62,007)	-	83,891
	-	(62,007)	-	83,891
30 June 2015				
USD (15 percent)	-	(52,059)	-	70,433
	-	(52,059)	-	70,433

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(d) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2016	2015
	\$	\$
Fixed rate instruments		
Financial assets	7,562,904	9,253,476
	<u>7,562,904</u>	<u>9,253,476</u>
Variable rate instruments		
Financial assets	19,086,120	17,792,805
	<u>19,086,120</u>	<u>17,792,805</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(d) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	100bp increase \$	Profit or loss 100bp decrease \$
30 June 2016		
Variable rate instruments	- 136,955	- (136,955)
Cash flow sensitivity (net)	- 136,955	- (136,955)
30 June 2015		
Variable rate instruments	- 136,923	- (136,923)
Cash flow sensitivity (net)	- 136,923	- (136,923)

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(e) Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Held-to-maturity	Loans and receivables	Cash and cash equivalents	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
		\$	\$	\$	\$	\$	\$	\$
30 June 2016								
Cash and cash equivalents	15	-	-	23,600,134	-	-	23,600,134	23,600,134
Loans and receivables	14	-	11,401,763	-	-	-	11,401,763	11,401,763
Investment securities:								
Term deposits	10	1,883,435	-	-	-	-	1,883,435	1,883,435
		1,883,435	11,401,763	23,600,134	-	-	36,885,332	36,885,332
Trade and other payables	19	-	-	-	-	(2,736,878)	(2,736,878)	(2,736,878)
		-	-	-	-	(2,736,878)	(2,736,878)	(2,736,878)

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(e) Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

	Note	Held-to-maturity	Loans and receivables	Cash and cash equivalents	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
		\$	\$	\$	\$	\$	\$	\$
30 June 2015								
Cash and cash equivalents	15	-	-	23,322,111	-	-	23,322,111	23,322,111
Loans and receivables	14	-	9,644,055	-	-	-	9,644,055	9,644,055
Investment securities:								
Debt securities	10	-	-	-	205,631	-	205,631	205,631
Term deposits	10	1,413,154	-	-	-	-	1,413,154	1,413,154
		<u>1,413,154</u>	<u>9,644,055</u>	<u>23,322,111</u>	<u>205,631</u>	<u>-</u>	<u>34,584,951</u>	<u>34,584,951</u>
Trade and other payables	19	-	-	-	-	(2,135,406)	(2,135,406)	(2,135,406)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,135,406)</u>	<u>(2,135,406)</u>	<u>(2,135,406)</u>

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

21 Financial instruments (continued)

(e) Accounting classifications and fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
30 June 2016				
Available-for-sale financial assets	-	-	-	-
	-	-	-	-
30 June 2015				
Available-for-sale financial assets	205,631	-	-	205,631
	205,631	-	-	205,631

No available-for-sale financial assets were transferred between levels in 2016.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

22 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	\$	\$
Less than one year	1,884,875	1,750,606
Between one and five years	9,129,096	8,997,106
More than five years	2,957,928	4,423,066
	<u>13,971,899</u>	<u>15,170,778</u>

The Company leases photocopiers and premises in Melbourne and Sydney under operating leases. In June 2014, the Company entered into a Heads of Agreement to lease alternate premises in Sydney. The premises became available for use in October 2015. Lease payments are subject to an annual fixed indexation factor. Some space at the Melbourne premises is sublet by the Company.

The amounts presented are GST exclusive.

23 Related parties

(a) Subsidiaries

	Ownership interest	Ownership interest
	2016	2015
	%	%
EAP Employee Investments Pty Ltd	100	100
Evans and Partners Employee Share Trust	-	-

Although the Group does not hold any ownership in Evans and Partners Employee Share Trust, those that control the Group control this entity to facilitate the operations of the Group. As such the entity is deemed to be de facto agent of the Group and is consolidated.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

23 Related parties (continued)

(b) Key management personnel compensation

The key management personnel compensation comprised:

	2016	2015
	\$	\$
Short-term employee benefits	4,932,562	5,330,192
Post-employment benefits	138,353	147,381
	<u>5,070,915</u>	<u>5,447,573</u>

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

23 Related parties (continued)

(c) Key management personnel and director transactions

The aggregate value of transactions (excluding GST) and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
	2016	2015	2016	2015
	\$	\$	\$	\$
Brokerage income	80,567	122,396	-	-
Asset management fees	381,053	434,000	100,062	96,899
Portfolio advisory fees	31,909	31,909	8,775	8,775
Rental income	45,000	45,000	4,125	-
Administrative expenses	52,786	40,311	2,156	1,151
Occupancy expenses	-	-	-	-
	591,315	673,616	115,118	106,825

- i The Group leases artworks from a related party which are displayed at 171 Collins Street, Melbourne. Rental is charged at 6.5% of the value of the artworks. The Group also incurred minor telecommunications and private expenditure on behalf of some related parties. This expenditure was recovered from the related parties in full based on the amounts actually incurred.

24 Subsequent events

In the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in the future financial years.

Evans and Partners Pty Ltd and its subsidiaries

Notes to the financial statements

25 Comparative figures amended

Certain comparative amounts have been re-represented, as a result of change in classification as stated in Note 14. The comparative amounts in the balance sheet that have been restated relate to deposits and are as follows:

	Restated \$	Previous \$	Difference \$
Trade and other receivables			
Current	8,357,723	8,487,443	(129,720)
Non-current	1,286,332	1,156,612	129,720
	<u>9,644,055</u>	<u>9,644,055</u>	-

26 Auditors' remuneration

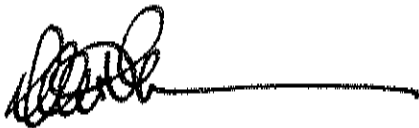
	2016 \$	2015 \$
Audit services		
Auditors of the Group		
<i>Pitcher Partners</i>		
Audit and review of financial reports	50,675	44,720
Other regulatory audit services	6,825	8,180
	<u>57,500</u>	<u>52,900</u>

Evans and Partners Pty Ltd and its subsidiaries

Directors' declaration

- 1 In the opinion of the directors of Evans and Partners Pty Ltd, (the "Company"):
 - (a) the financial statements and notes that are set out on pages 8 to 53 are 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 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'David Evans', followed by a long horizontal line extending to the right.

David Evans
Executive Chairman

Melbourne
26th September 2016

**EVANS AND PARTNERS PTY LTD
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF EVANS AND PARTNERS PTY LTD**

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

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

This declaration is in respect of Evans and Partners Pty Ltd and the entities it controlled during the year.



B POWERS

Partner

26 September 2016



PITCHER PARTNERS

Melbourne



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EVANS AND PARTNERS PTY LTD**

We have audited the accompanying financial report of Evans and Partners Pty Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EVANS AND PARTNERS PTY LTD

Opinion

In our opinion, the financial report of Evans and Partners Pty Ltd and controlled entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Handwritten signature of B Powers in black ink.

B POWERS
Partner

26 September 2016

Handwritten signature of Pitcher Partners in black ink.

PITCHER PARTNERS
Melbourne