Rule 4.2A.3

Appendix 4D

Half-year Report
For the period ended 31 December 2017

Name of entity

EASTON INVESTMENTS LIMITED

ABN

48 111 695 357

1. Details of the reporting period and the previous corresponding period

Current reporting period	The half-year ended 31 December 2017
Previous corresponding reporting period	The half-year ended 31 December 2016

2. Results for announcement to the market

a) Amount and percentage change compared to the previous corresponding period

	Half-year 2017 $'000	2016 $'000	% Change	Up/ (Down)
Revenue from ordinary activities	22,128	8,491	161	Up
Profit from ordinary activities after tax attributable to members	562	598	(6)	Down
Profit for the period attributable to members	562	598	(6)	Down

b) The amount per security and franked amount per security of final and interim dividends

No dividends were paid, declared or recommended since the start of the current reporting period.

c) The record date for determining entitlements to dividends (if any)

Not applicable.

d) A brief explanation of any of the figures reported above necessary to enable the figures to be understood

Commentary on the results for the half-year ended 31 December 2017 is provided in the 'Review of operations' section in the attached Interim Report.

In this Appendix 4D, the consolidated entity (**the Group**) consists of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

3. Net tangible assets per security with the comparative figure for the previous corresponding period

	Half-year 2017	Half-year 2016
Net tangible asset backing per ordinary security	(9.35) cents	20.73 cents

4. Details of entities over which control has been gained or lost during the period

a) Control gained over entities

On 11 August 2017, the Group completed the acquisition of 51% of the issued share capital of GPS Wealth Limited, (**GPS Wealth**) from its 4 majority shareholders. At the same time an offer was made to the remaining 43 minority shareholders, (**Minority Offer**) to acquire their interests on similar terms. On 7 September 2017, the Group completed the acquisition of all of the issued share capital under the Minority Offer resulting in a 100% equity ownership interest. GPS Wealth is a specialist AFSL licensee that provides financial services solutions for financial planning businesses and accounting firms. For information on purchase price and earnings contribution for the period, refer to note 4 of the attached Interim Report.

b) Control lost over entities

Not applicable.

5. Details of individual and total dividends or distributions and dividend or distribution payments

Not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities

a) Details of associates

Name of Entity	**Percentage Held (%)**		**Share of Net Profit ($'000)**	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
First Financial Pty Ltd (**First Financial**)	25	25	228	264
Hayes Knight (NSW) Pty Ltd and Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**)	33.3	33.3	109	115

First Financial is a pre-eminent, Melbourne based, wealth management and financial services business, offering a range of services including:

- Financial planning and investment advice
- Finance broking
- Income protection and life (risk) insurance services
- Self-managed super fund (SMSF) administration.

HKNSW is an established, full service accounting firm based in Sydney providing a suite of professional accounting services including Business Services, Specialist Tax, Superannuation, Financial Planning and Corporate Finance.

b) Details of joint venture entities

Not applicable.

8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)

Not applicable.

9. If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification

Not applicable.

Kevin White
Chairman

Sydney
21 February 2018

Easton Investments Limited ABN 48 111 695 357
Interim Report – 31 December 2017

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Easton Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report, together with the condensed interim financial report on the consolidated entity (**the Group**) consisting of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2017, and the independent review report thereon. The condensed interim financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

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

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

Results and dividends

The net profit after tax of the Group for the half-year ended 31 December 2017 was $0.53 million (2016: $0.56 million).

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

Review of operations

Operating revenue from continuing operations was $22.13 million for the period, up from $8.49 million in the previous corresponding period, an increase of 161%. Statutory net profit after tax was $0.53 million, down marginally from $0.56 million in the previous corresponding period.

During the period, the Group completed the transformational acquisition of GPS Wealth which has repositioned the Group with significantly enhanced scale and prospects in the wealth sector.

Following that acquisition, the Group has restructured its operations into 2 segments, namely **Accounting solutions** and **Wealth solutions**.

This restructuring acknowledges the convergence that is occurring in the accounting and wealth sectors of the Australian market.

With an integrated suite of accounting and wealth management solutions and an established client base of more than 2,500 accounting firms and circa 600 authorised representatives, Easton is uniquely positioned at the forefront of this convergence.

The Accounting solutions division comprises some of the most trusted brands in the country, namely Knowledge Shop, Hayes Knight, PantherCorp and Law Central.

Services offered by these businesses span the breadth of accounting from traditional accounting and tax, to training, practice support (including an online help desk), document precedents and other requisite services.

The Wealth solutions division has a growing footprint in the wealth management sector through our emerging brands, Merit Wealth and GPS Wealth which provide a full range of dealer services to our growing network of financial planning and accounting firms, as well as First Financial which is a traditional financial planning firm.

Consistent with the Group's plan to lead the convergence of accounting and wealth services in Australia, it has adopted 4 key pillars that are to be pursued over coming years:

- **Unlock** opportunities to distribute wealth solutions within the accounting sector
- **Expand reach and drive growth** of business across all product offerings
- **Innovate** through delivery of enhanced web-based training programs and client engagement tools
- Be the accounting markets first choice of **trusted partner** for accounting and wealth solutions

A key operational focus for the Group during the 1st half related to the implementation of the GPS Wealth transition plan, which was substantially completed in the December 2017 quarter and which encompassed people, processes and infrastructure, as well as the harmonization of back-office functions. Resultant synergy savings are expected to flow through progressively during 2018.

An important component of the GPS Wealth business is the CARE investment solution, (**CARE**) comprising a suite of Managed Accounts, which are selected and monitored by a high quality Investment Committee and which reflect our prudent investment philosophy. Funds under CARE have grown strongly in recent years and continued this upward trend in the six months to 31 December 2017, rising from $630 million to $816 million over this period. This is a new and exciting part of our business offering.

At the same time, work on the development of on-demand training has continued during the 1st half, with Knowledge Shop launching a first of its kind, on-demand, interactive, competency-based video training in February 2018. This new professional development service, labelled **KS IQ**, covers key learning areas for accountants at different experience levels and is accessible 24/7 through a range of mediums. Participants and employers will have full visibility and a full year's training is set out in a single package.

KS IQ is an exciting innovation and its market potential will be validated over the next 12 months.

As a further addition to Knowledge Shop's training capability, the Group acquired a 65% interest in Taxbytes in January 2018, a business providing in-house training to accounting firms.

Following the launch of KS IQ and the purchase of a majority interest in Taxbytes, Easton now has the most complete training offer available to the accounting profession, comprising:

- Face-to-face training
- In-house training
- Webinars
- Competency-based, interactive, video training.

The Group continues to invest in organic growth opportunities which impact current period earnings, but which have significant long term, sustainable profit potential and which are therefore capable of creating value for shareholders.

Further analysis of earnings and performance of individual businesses is provided below.

Underlying profitability

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

- one-off non-operational items (acquisition-related costs, redundancy costs, impairment charges, and gains/losses on the sale of investments);
- non-cash amortisation charges; and
- share based payments expense.

Underlying Profit of $1.55 million for the period and comparative information is presented in the following table:

Earnings Performance	Dec 17	Dec 16	Increase/(decrease)	Dec 15
	$'000	$'000	%	$'000
Operating revenue from continuing operations	22,128	8,491	*161%*	9,634
Net Profit After Tax [1]	527	557	*(5%)*	1,291
Underlying Profit [2]	**1,545**	**1,257**	***23%***	**1,676**

1. Net Profit After Tax (**NPAT**) includes profit attributable to non-controlling Interests. Profit attributable to members is $562,019 (2016: $597,971).
2. Underlying Profit is a non-IFRS measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. See table below for reconciliation of Underlying Profit to Statutory Profit.

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

	31 December 2017 $'000	31 December 2016 $'000
Normalised EBITA for the half-year	**1,545**	1,257
Add/(deduct) normalisation adjustments[1]:		
Restructuring & acquisition costs	**(102)**	(34)
Disposal of intangible asset	**-**	(70)
Equity accounting adjustments for interest and tax[2]	**(184)**	(216)
Share based payments expense	**-**	13
Reported EBITA for the half-year	**1,259**	950
Add/(deduct):		
Net interest expense	**(180)**	(20)
Notional interest on contingent consideration	**-**	(29)
Amortisation of separately identifiable intangible assets	**(366)**	(232)
Statutory operating profit before tax for the half-year	**713**	669
Income tax expense	**(186)**	(112)
Statutory profit after tax for the half-year	**527**	557
NPAT attributable to non-controlling interests	**(35)**	(41)
NPAT attributable to members	**562**	598

1. Normalisation adjustments have not been subject to auditor review, however have been provided to give a better understanding of the underlying performance of the Group.
2. Adjustments to gross up share of profits from equity accounted investments for interest and taxation have been applied to both HKNSW and First Financial in order to compare wholly owned and partially owned businesses on a like-for-like basis.

Earnings commentary
Consolidated Underlying Profit for the current period was $1.55 million, up from $1.26 million in the prior corresponding period. The result reflects a rollout of the Company's strategy. The prior period includes profit from the Harmony Distribution Agreement which was terminated in August 2016 and part contributions from the acquisitions of Panthercorp and Law Central, while the current period includes a part contribution from the GPS Wealth acquisition. Moreover, the results and investment activities are consistent with the Group's stated objective of establishing itself as a leader in the convergence of the accounting and wealth sectors. This is being achieved by continued development of key organic growth initiatives in core businesses which provide solutions for the accounting sector and now complemented by the addition of GPS Wealth, a highly respected, award winning operator in the wealth sector.

Wealth solutions
GPS Wealth was acquired effective 11 August 2017. During the period the business has performed as planned and initial key cost saving synergies have been progressively implemented. Continued integration and cross-leveraging with other parts of the Group remain an important focus for management. CARE has grown strongly with $816 million under management at 31 December 2017, up from $630 million at 30 June 2017, while the number of authorised representatives has continued to grow at a modest rate.

Merit Wealth and Hayes Knight Referral Services have continued to pursue opportunities to grow the number of Limited Authorised Representatives, (**LARs**) and the complement of full advisers operating under Referral Rights Agreements (**RRAs**). Over the current period, there has been an increase in net LAR annuity revenue of 30% over the prior corresponding period due to realising full period contributions from those joining progressively through the prior period. Steady progress continues to be made in processing new LAR applications.

A similar pattern has applied to full adviser revenue with an increase of net adviser revenue of 20% over the prior corresponding period. The number of RRAs reduced from 14 to 12 during the period due to the termination of 2 RRAs which had been signed in the previous period and operated for less than 6 months. RRA fees were repaid in accordance with the claw-back arrangements applying under the RRAs, with a resultant adverse impact on cashflow from operations, as well as a reduction of $250k in the balance of deferred revenue. These terminations will not impact net adviser revenue going forward as income contributions from these 2 RRAs were minor. The intention is to replace these RRAs as part of the on-going expansion of the RRA business model.

Notwithstanding the overall increase in net revenue in the period for Merit Wealth, Underlying Profit was lower due to no additional RRAs, together with additional investment in employee resources and an increase in other overhead costs. It is expected that further synergies will be realised with GPS Wealth over the next 6 to 12 months which will lower the combined cost base of these businesses and increase net revenue.

First Financial, the Group's 25% owned equity accounted investment, performed to expectation during the period. Revenues in First Financial have remained relatively stable compared to the prior corresponding period and Underlying Profit was down by 11% due to investment in internal resourcing. Overall, this business remains a strong investment and has continued to pay consistent fully franked dividends.

Accounting solutions
Knowledge Shop subscriber numbers continued to increase over the period and its training capability remains a key strategic growth area. During the period, the Group invested a considerable amount of time into the production of the first suite of pay-on-demand modules which has been branded and marketed as KS IQ. KS IQ will be available in a video presentation format covering core topics required for the development of an accountant's core competency levels throughout their careers. Embedded within KS IQ is a system to track an individual's progress and achievement of key stages within the program. The Group sees this as a significant revenue opportunity which will complement the existing face to face and webinar programs that are topic focused. Notwithstanding the significant investment made in developing KS IQ during the period, Knowledge Shop has contributed a 19% uplift in underlying earnings over prior corresponding period.

Panthercorp and Law Central, providers of legal documents to the accounting sector, continued to fulfil a key offering in the Group's accounting solutions strategy. Panthercorp provides a traditional service format of legal documentation and has an active client base of over 300 accounting firms, predominantly located in Western Australia. The business performed in line with a somewhat subdued West Australian market for new company incorporations. While revenues and Underlying Profit were marginally lower than the prior corresponding period, a slight recovery in the market emerged towards the end of the current period with a resultant flow-on effect. Stronger demand for other corporate registry services has to some extent offset lower revenue from company incorporations and the registry service remains a focus of the business going forward.

Law Central, which operates an online format of delivery in the legal documents market, continues to be considered a strategic leverage opportunity for the Group. The number of accounting firms introduced to Law Central by Knowledge Shop under referral arrangements continued to climb with 546 firms registered with Law Central at the end of the period. Despite this healthy up-take, document sales, while improving, remained relatively low, and additional resources were applied during the period to building online usage and repositioning Law Central as the supplier of choice to Knowledge Shop member firms.

Hayes Knight NSW (**HKNSW**), the Group's 33% equity accounted investment performed slightly below prior corresponding period. In addition to a consistent fully franked dividend, HKNSW continues to provide strategic alignment and technical support services to the Group.

Cashflow

Net cash outflow from operating activities during the period was $0.64 million (2016: inflow $0.50 million). Timing of cash receipts has been a key reason for the negative cashflow in the current period. These timing differences largely relate to deferred revenue whereby cash was collected upfront in the prior period. In addition, other factors included the termination of 2 RRAs amounting to a total repayment of $300k, a higher final company tax payment after the utilisation of carried forward tax losses, and interest payments in relation to bank borrowings for the acquisition of GPS Wealth.

During the period, a net $9.97 million in cash was paid out for the acquisition of GPS Wealth, the finalisation of contingent consideration for Panthercorp and an additional interest in Law Central. These investments were settled from existing cash reserves and bank borrowings. At balance date, bank borrowings amounted to $8.29 million and cash reserves were $0.53 million, (30 June 2017: $2.64 million). An undrawn debt facility of $1.83 million remains in place.

Outlook

The 1st half has set the platform for a period of strong growth. Consistent with this, Directors anticipate continued underlying earnings growth in the 2nd half of the current financial year, including as a result of 2nd half bias to earnings of all businesses, as reflected in prior year results.

More particularly, Directors expect an increased earnings contribution from GPS Wealth in the 2nd half, including from synergies realised in the 1st half, together with organic growth in other core businesses.

Knowledge Shop's expanded training capability, which now includes competency-based, interactive, video training and in-house training, provides a complete suite of training options for accountants in public practice when combined with the existing face-to-face and webinar formats. This expanded training service should accelerate earnings growth from this area of the business, both in the near and longer term.

At the same time, the number of authorised representatives operating under the GPS Wealth and Merit Wealth AFSLs is expected to continue to grow over the next 6 months and beyond.

More generally, with a relatively high level of internal leverage and with an increasing utilisation of online delivery, the Company's businesses overall should provide ongoing revenue growth and increased earnings over coming years.

Whilst the Company will continue to investigate and assess acquisition opportunities, the primary focus will remain on consolidation and organic growth given the earnings potential from synergies, business improvement and market opportunities within our existing businesses.

The Company is well positioned in the accounting and wealth sectors with an integrated, solutions-based approach to capture opportunities as these sectors continue to converge over time.

Significant events after the balance date

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

At the time of signing this report, there is insufficient financial detail to complete the purchase price accounting for the Taxbytes business. However, having regard to the nature of the business and given that it is a business sale transaction which comes without prior working capital balances, the majority of the purchase price allocation will be to intangible assets.

Rounding of amounts

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

Auditors' independence declaration

A copy of the auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

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

Kevin White

Kevin White
Chairman

Sydney
21 February 2018

EASTON INVESTMENTS LIMITED

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

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional* Accountants.

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

B J BRITTEN
Partner

21 February 2018

PITCHER PARTNERS
Melbourne

	Half-year	
	2017	2016
	$'000	$'000
Revenue from continuing operations		
Services	**22,126**	8,447
Other revenue	**2**	44
	22,128	8,491
Share of net profit of associates accounted for using the equity method	**337**	373
Expenses from continuing operations		
Commissions and other direct costs	**(15,588)**	(4,502)
Salaries and employee benefits expense	**(3,955)**	(2,346)
Occupancy expenses	**(317)**	(203)
Professional fees	**(418)**	(303)
Administration expense	**(227)**	(159)
Other expenses	**(616)**	(375)
Finance costs	**(182)**	(54)
Depreciation and amortisation	**(449)**	(253)
Profit before income tax	**713**	669
Income tax expense	**(186)**	(112)
Profit for the half-year	**527**	557
Total comprehensive income for the half-year	**527**	557
Profit/(loss) for the half-year is attributable to:		
Non-controlling interests	**(35)**	(41)
Owners of the Company	**562**	598
	527	557
Total comprehensive income/(loss) for the half-year is attributable to:		
Non-controlling interests	**(35)**	(41)
Owners of the Company	**562**	598
	527	557
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic and diluted earnings per share	**1.71**	2.11

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

	31 December 2017 $'000	30 June 2017 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**531**	2,641
Receivables	**1,989**	1,373
Other current assets	**366**	252
Total current assets	**2,886**	4,266
Non-current assets		
Equity accounted investments	**5,646**	5,867
Plant and equipment	**467**	192
Intangible assets	**31,897**	13,960
Deferred tax assets	**872**	523
Total non-current assets	**38,882**	20,542
TOTAL ASSETS	**41,768**	24,808
LIABILITIES		
Current liabilities		
Trade and other payables	**2,143**	1,620
Current tax liability	**31**	265
Provisions and employee benefits	**710**	475
Borrowings	**63**	-
Provision for contingent consideration	**-**	413
Other liabilities	**961**	804
Total current liabilities	**3,908**	3,577
Non-current liabilities		
Provisions and employee benefits	**125**	72
Borrowings	**8,225**	-
Deferred tax liabilities	**206**	327
Total non-current liabilities	**8,556**	399
TOTAL LIABILITIES	**12,464**	3,976
NET ASSETS	**29,304**	20,832
EQUITY		
Contributed equity	**26,574**	18,629
Reserves	**25**	25
Retained earnings	**2,659**	2,097
Equity attributable to owners of the Company	**29,258**	20,751
Non-controlling interests	**46**	81
TOTAL EQUITY	**29,304**	20,832
Net tangible assets per share (cents)	**(9.35)**	23.51

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

Consolidated	**Ordinary shares $'000**	**Retained earnings $'000**	**Reserves $'000**	**Owners of the parent $'000**	**Non-controlling interest $'000**	**Total $'000**
Balance at 1 July 2017	**18,629**	**2,097**	**25**	**20,751**	**81**	**20,832**
Profit/(loss) for the half-year	-	562	-	562	(35)	527
Other comprehensive income	-	-	-	-	-	-
Total comprehensive profit/(loss) for the half-year	-	562	-	562	(35)	527
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for business combination net of transaction costs	7,945	-	-	7,945	-	7,945
Balance at 31 December 2017	**26,574**	**2,659**	**25**	**29,258**	**46**	**29,304**
Balance at 1 July 2016	**18,629**	**578**	**38**	**19,245**	**-**	**19,245**
Profit/(loss) for the half-year	-	598	-	598	(41)	557
Other comprehensive income	-	-	-	-	-	-
Total comprehensive profit/(loss) for the half-year	-	598	-	598	(41)	557
Transactions with owners in their capacity as owners:						
Employee incentive plan	-	-	(13)	(13)	-	(13)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	123	123
Balance at 31 December 2016	**18,629**	**1,176**	**25**	**19,830**	**82**	**19,912**

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

	Half-year	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Fees and commissions received	**23,120**	10,886
Payments to suppliers and employees	**(23,282)**	(10,373)
Cash (used in)/generated from operations	**(162)**	513
Interest received	**2**	5
Finance costs paid	**(182)**	(25)
Income taxes (paid)/received	**(296)**	2
Net cash (outflow)/inflow from operating activities	**(638)**	495
Cash flows from investing activities		
Payment for investment in subsidiary net of cash	**(9,967)**	(2,594)
Payments for property, plant and equipment	**(101)**	(119)
Dividends received from associates	**486**	185
Net cash outflow from investing activities	**(9,582)**	(2,528)
Cash flows from financing activities		
Proceeds from borrowings	**8,166**	-
Repayments of borrowings	**(28)**	-
Payments for share issue costs	**(28)**	-
Net cash inflow from financing activities	**8,110**	-
Net decrease in cash and cash equivalents	**(2,110)**	(2,033)
Cash and cash equivalents at the beginning of the half-year	**2,641**	3,941
Cash and cash equivalents at the end of the half-year	**531**	1,908

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

1. Segment information

(i) Description of segments

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

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

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

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

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

(ii) Basis of accounting for purposes of reporting by operating segments

The basis of accounting used for reporting by operating segments is consistent with that disclosed in the Group's 2017 Annual Report. Prior year comparatives have been restated in note 1 (iii) to represent the redefined reportable segment structure.

1. Segment information (continued)

(iii) Segment results

The segment information provided on reportable segments for the half-year ended 31 December 2017 is as follows:

Consolidated Half-year 2017	**Wealth solutions $'000**	**Accounting solutions $'000**	**Corporate $'000**	**Total $'000**
Revenue from continuing operations				
Services	17,422	4,704	-	22,126
Other revenue	-	-	2	2
Total revenue from continuing operations	**17,422**	**4,704**	**2**	**22,128**
Normalised EBITA – (non IFRS)	**1,189**	**1,151**	**(795)**	**1,545**
Normalisation adjustments				
Restructuring costs	(90)	(4)	(8)	**(102)**
Equity accounted adjustments for interest and tax	(136)	(48)	-	**(184)**
Statutory EBITA				**1,259**
Interest revenue				**2**
Finance costs				**(182)**
Amortisation				**(366)**
Net profit before tax				**713**
Significant items of segment expenses				
Commissions and other direct costs	14,091	1,497	-	**15,588**
Salaries and employee benefits	1,968	1,409	578	**3,955**
Professional fees	154	154	110	**418**
Finance costs	8	-	174	**182**

1. Segment information (continued)

The restated segment information provided on reportable segments for the half-year ended 31 December 2016 is as follows:

Consolidated Half-year 2016	**Wealth solutions $'000**	**Accounting solutions $'000**	**Corporate $'000**	**Total $'000**
Revenue from continuing operations				
Services	4,506	3,941	-	8,447
Other revenue	13	20	11	44
Total revenue from continuing operations	**4,519**	**3,961**	**11**	**8,491**
Normalised EBITA – (non IFRS)	**1,041**	**950**	**(734)**	**1,257**
Normalisation adjustments				
Restructuring costs	-	(34)	-	**(34)**
Disposal of intangible	(70)	-	-	**(70)**
Equity accounted adjustments for interest and tax	(158)	(58)	-	**(216)**
Share based payments	5	-	8	**13**
Statutory EBITA				**950**
Interest revenue				**5**
Finance costs				**(54)**
Amortisation				**(232)**
Net profit before tax				**669**
Significant items of segment expenses				
Commissions and other direct costs	3,200	1,302	-	**4,502**
Salaries and employee benefits	586	1220	540	**2,346**
Professional fees	82	144	77	**303**
Finance costs	-	29	25	**54**

2. Dividends

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

3. Equity securities issued

Movements in ordinary share capital	Number of shares	$'000
Opening balance	**28,400,330[1]**	**18,629**
Consideration shares issued to the majority shareholders at an issue price of $1.29 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,268,406	4,216
Transaction costs for issue of ordinary shares to majority shareholders of GPS IP Group Holdings Limited		(14)
Consideration shares issued to the minority shareholders at an issue price of $1.18 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,183,230	3,757
Transaction costs for issue of ordinary shares to minority shareholders of GPS IP Group Holdings Limited		(14)
	34,851,966	**26,574**

1. There were no movements in share capital in the prior corresponding period, 1 July 2016 – 31 December 2016.

4. Business combinations

GPS Wealth

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

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

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

Consideration payable for the GPS Acquisition was based on a contract price of $20.0 million, consisting of 50% cash ($10.0 million), and 50% in Easton shares, (6,451,636 Easton shares).

On 11 August 2017, the transaction with the 4 major shareholders was completed. A $4.6 million cash payment representing 45% of their share of the total purchase price was made as well as the issue of 3,268,406 Easton ordinary shares representing 50% of their share of the total purchase price. The shares issued are subject to a 24 month escrow. The balance of $507k cash payable to the majority shareholders that was subject to various warranty provisions was adjusted to $454k and settled on 9 November 2017.

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

4. Business combinations (continued)

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

(i) Purchase consideration:

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

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

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

	$'000
Cash	505
Trade debtors	206
Other assets	70
Property, plant and equipment	142
Capitalised software	65
Current tax asset	71
Deferred tax asset	484
Trade payables	(569)
Borrowings	(183)
Revenue received in advance	(826)
Provision for employee entitlements	(278)
Net identifiable assets acquired	(313)
Add:	
Separately identifiable intangible assets	12,250
Goodwill	5,983
Net assets acquired	**17,920**

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

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

(iii) Revenue and profit contribution:

The acquired company contributed revenues of $14,208,420 and net profit before tax of $632,664 to the Group for the period 12 August 2017 to 31 December 2017. If the acquisition had occurred on 1 July 2017, applying consistent accounting policies, consolidated proforma revenue and net profit before tax for the 6 month period to 31 December 2017 would have been $17,277,984 and $864,047 respectively. The Group's accounting policies have been applied to GPS Wealth from the date of acquisition.

5. Contingencies

There were no contingent liabilities as at 31 December 2017, (2016: Nil).

6. Significant events occurring after balance date

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

At the time of signing this report, there is insufficient financial detail to complete the purchase price accounting for the Taxbytes business, however given the nature of the business and that it is a business sale transaction which comes without its prior working capital balances, the majority of the purchase price allocation will be to intangible assets.

7. Fair value of investments

The carrying amounts of financial assets and financial liabilities as disclosed in the condensed consolidated statement of financial position and notes to the condensed consolidated financial statements approximate their fair values.

The Group had recorded contingent consideration on the purchase of Panthercorp and HKRS at fair value. This contingent consideration was a level 3 financial liability within the fair value hierarchy.

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

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

	Half-year	
	2017	2016
	$'000	$'000
At 1 July	**413**	466[3]
Additions during the period at fair value	**-**	555[2]
Fair value adjustments during the period	**-**	29[4]
Payments	**(413)**[1]	(52)[2]
At 31 December	**-**	998

1. Final contingent consideration payment for Panthercorp.
2. Contingent consideration recognised on acquisition for Panthercorp including partial payment of $52k in relation to debtor collection.
3. Discounted value of the final annual tranche of deferred consideration of $0.5 million for the acquisition of Hayes Knight Referral Services paid on 31 January 2017.
4. Recognised within finance costs in the condensed consolidated statement of comprehensive income.

8. Basis of preparation of half-year report

This condensed financial report for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Easton Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

As at 31 December 2017 the consolidated entity had total net assets of $29.3 million (2016: $20.83 million) and net current liabilities of $1.02 million, (2016: net current asset $0.69 million). In addition, for the 6 months ending 31 December 2017, the consolidated entity had net cash outflow from operating activities of $0.64 million, (2016: inflow $0.5 million).

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

(i) As part of the Group's treasury function, surplus cash is actively applied to the debt facility which is classified as a non-current liability. At the same time, short-term cashflow can be drawn down from this debt facility at anytime. The Group has access to a $10.0 million finance facility of which $1.83 million remains undrawn and available as at 31 December 2017;
(ii) Of the $1.02 million net current liabilities as at 31 December 2017, $0.97 million relates to deferred income representing payments for RRAs and non-refundable dealer group fees. This amount has no anticipated future cash outflow effect. Excluding deferred revenue, the adjusted net liability position is $0.06 million; and
(iii) Management project continued growth in profitability and a return to positive cashflow in the 2nd half of the 2018 financial year.

9. New and amended accounting standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for either the current or future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements.

(a) New and amended accounting standards adopted by the Group

The Group's assessment of the new and amended pronouncements that are relevant to the Group with mandatory application dates for the first time this period is set out below:

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

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

This Standard has not significantly impacted the Group's financial statements.

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

9. New and amended accounting standards (continued)

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

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

This Standard has not significantly impacted the Group's financial statements.

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

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

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

(b) New and amended accounting standards not yet adopted by the Group

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

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

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

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

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

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

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

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

9. New and amended accounting standards (continued)

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

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

Subsequent to initial recognition:

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

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

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

The directors declare that the condensed consolidated financial statements and notes of the consolidated entity set out on pages 12 to 24 in accordance with the *Corporations Act 2001*:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001,* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.

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

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

Kevin White
Chairman

Sydney
21 February 2018

EASTON INVESTMENTS LIMITED
AND CONTROLLED ENTITIES
ABN 48 111 695 357

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

We have reviewed the accompanying half-year financial report of Easton Investments Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Easton Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Easton Investments Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

PITCHER PARTNERS

EASTON INVESTMENTS LIMITED
AND CONTROLLED ENTITIES
ABN 48 111 695 357

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Easton Investments Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

B J BRITTEN
Partner

21 February 2018

PITCHER PARTNERS
Melbourne