EASTON INVESTMENTS LIMITED
ABN 48 111 695 357

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

RULE 4.3A

Appendix 4E

Preliminary Final Report

EASTON INVESTMENTS LIMITED
ASX:EAS
48 111 695 357

1. Reporting period and previous corresponding reporting period

Current reporting period	The financial year ended 30 June 2019
Previous corresponding reporting period	The financial year ended 30 June 2018

2. Results for announcement to the market

		2019 $'000	2018 $'000	% Change	Up/(down)
2.1	Revenues from ordinary activities	59,804	50,788	18	up
2.2	Profit from ordinary activities after tax attributable to members	2,730	1,868	46	up
2.3	Net profit for the period attributable to members	2,730	1,868	46	up

2.4 A final fully franked dividend of 2 cents per ordinary share in respect to the current reporting period has been declared and to be paid on 27 September 2019.

A maiden interim fully franked dividend of 1 cent per ordinary share in respect of the current reporting period was paid on 10 May 2019.

2.5 The record date for the final dividend is 13 September 2019.

2.6 A brief explanation of any of the figures in 2.1 to 2.4

Commentary on the results is provided in the review of operations within the attached Directors' report, ASX release and presentation.

For further details, please refer to the following documents released to the ASX:
- Directors' report
- Audited financial report
- ASX release
- Results presentation

2019 Annual General Meeting and Director Nominations.

Easton Investments Limited advises that its Annual General Meeting is expected to be held on Wednesday 20 November 2019. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Wednesday 2 October 2019.

Kevin White

KW White
Chairman

21 August 2019

EASTON INVESTMENTS LIMITED

Annual Report

for the year ended

30 June 2019

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357

CORPORATE DIRECTORY

Directors

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

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

Principal registered office in Australia
Level 2, 115 Pitt Street
SYDNEY NSW 2000

Communications

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Facsimile:	(02) 9221 6305
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Email:	info@eastoninvestments.com.au

Share Registry
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Shareholder Enquiries: 1300 554 474
Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Link Market Services Limited directly on the above number, or email registrars@linkmarketservices.com.au.

Bankers
Westpac Banking Corporation
360 Collins Street
MELBOURNE VIC 3000

Auditors
BDO
Level 11, 1 Margaret Street
SYDNEY NSW 2000

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

Annual General Meeting
The Easton Investments Limited Annual General Meeting will be held on 20 November 2019. The venue will be advised with release of the Notice of Annual General Meeting.

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CHAIRMAN'S STATEMENT

I am pleased to report that our Company has continued to achieve good growth during the last 12 months and has delivered a solid increase in earnings.

Revenue increased by 18% to $59.8m and Underlying Profit similarly increased by 17% to $5.12m (2018: $4.36m).

We are fortunate to have well established, scale businesses operating across and having prominent brands in both of our two core business streams (divisions) – Wealth Solutions and Accounting Solutions.

These two divisions together presently provide resources and support to over 3,000 accounting practices, circa 100 financial planning firms and around 770 licensed advisers and their clients nationally.

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

This division delivered a strong result with an Underlying Profit contribution of $3.81m, a rise of 24%.

This result was positively impacted by a sharp up-lift in the number of advisers on license. Continued growth in CARE Managed Accounts (**CARE**) to $1.20bn (2018: $0.94bn) also contributed to the improved result.

Conversely, the result included the costs of additional investment in compliance and adviser monitoring in line with higher industry standards.

Our Accounting Solutions division delivered a flat result with an Underlying Profit contribution of $3.11m, a rise of 1%.

Knowledge Shop, the primary component of this division, continued to grow its subscriber base and to provide technical support, training and professional development to around 3,000 accounting practices nationally. In this respect, the business is uniquely positioned in the Australian accounting market, offering the broadest range of training options, encompassing face-to-face, web-based, on-demand (**KS IQ**) and in-house training formats.

It delivered a divisional Underlying Profit contribution of $2.34m, a rise of 6%.

The Accounting Solutions result was, however, adversely impacted by under-performance by both Document businesses – Panthercorp and Law Central – which were affected by generally weaker markets for legal documents, as well as lower than expected online document sales to the broader Knowledge Shop network. Whilst Directors do not regard the current market downturn for legal documents to represent a permanent decline in demand, they have considered it appropriate to reduce the book carrying value of these businesses by a combined $0.80m. This charge against goodwill is a non-cash expense and has no impact other than to adjust the carrying value of these assets to more closely reflect the current market conditions in which these businesses operate.

A combined divisional Underlying Profit contribution of $6.92m represents a rise of 13% and includes the significant cost of on-going investment in organic growth opportunities and initiatives, the benefits of which will be derived in coming years as we position our businesses to deliver sustainable, long-term growth. This investment is consistent with the Company's clear focus on the delivery of online services and growth in recurring revenue streams.

The goodwill charge against the carrying value of the Document businesses of $0.80m was more than offset by a one-off gain of $1.48m on the fair value adjustment of a derivative financial instrument held in relation to the Company's interest in First Financial. This gain, like the goodwill charge, is a non-cash item and both items have been treated as normalisation adjustments for the purpose of calculating Underlying Profit.

Financial Performance

After providing for these abnormal items, Net Profit after Tax increased to $2.73m, an increase of 54% (2018: $1.77m).

Directors are of the view, however, that Underlying Profit is a better guide to the earnings performance of the Company as it removes one-off and non-cash charges. Underlying Profit, which is defined as normalised earnings before interest tax and amortisation, increased by 17% to $5.12m.

Underlying Profit per share increased to 14.7 cents, a rise of 14% (2018: 12.9 cents).

CHAIRMAN'S STATEMENT (continued)

Final Dividend
Directors have declared a final dividend of 2 cents per share, fully franked, in line with the previous year and brings the rolling 12-month dividend rate to 3 cents per share. The record date for this dividend is 13 September 2019 and it will be paid to shareholders on 27 September 2019.

Cash Flow
Cash flow generated from operations during the year was $3.17m (2018: $1.49m).

Surplus cash was principally applied to dividend payments, debt reduction, capital expenditure and capital management in the form of an on-market share buy-back plan where 237,347 shares were purchased on-market and cancelled during the year.

Financial Position
At balance date, the Company is in a sound financial position with net debt of $5.37m, down from $6.78m at 30 June 2018. The Company's $10m credit line provides adequate cash reserves to fund operations and meet anticipated capital requirements.

Outlook
Directors remain positive about the Company's strategic direction, its market position and its on-going growth prospects. We expect the next 12 months to deliver:

- Higher earnings flowing from the Wealth Solutions division as a result of the continued growth in adviser numbers - the Banking Royal Commission has led to an emerging and growing trend for advisers to move away from larger, affiliated groups. Our wealth businesses are well positioned to benefit from this trend given that it is a scale business with a strong market presence and profile, underpinned by a leading support capability in the form of client engagement tools, training and coaching, online research, investment and platform support, together with essential licensing services
- Continued growth in CARE, with enhanced potential as our managed accounts solution for clients gains broader acceptance across the Company's expanded adviser network
- Further growth in Knowledge Shop's membership base and training hours delivered to the accounting profession, including through the KS IQ training program with its online, on-demand capability
- Expansion of training into the wealth space to meet the increased education requirements under FASEA – major changes in education requirements for advisers came into force on 1 January 2019 (being generally referred to as the FASEA legislation). These changes provide a significant opportunity for Knowledge Shop to enter and become a major provider in the wealth training market
- Improved performance of the Document businesses following a restructuring over recent months which is expected to deliver revenue and cost synergies, together with the addition of resources to increase engagement with the wider Knowledge Shop network.

Together, these discrete organic growth opportunities provide a sound base for long term sustainable earnings growth.

Nonetheless, regulatory impacts and market conditions can adversely affect the Company and Directors are mindful of their potential to impact business performance. In this regard, Directors appreciate that as a result of the Banking Royal Commission there is likely to be increased regulatory oversight across the financial services sector, with a resultant impact on most if not all licensees.

With the integration of the GPS Wealth business completed over the last 12-months, the Company will remain alert to strategic acquisition opportunities over the year ahead.

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

However, I feel that comment is again warranted as Directors remain concerned that the Company's share price remains weak, it has generally under-performed the market and it does not, in the opinion of Directors, reflect the underlying value of the Company or its businesses.

I think that it is suffice to say that there are a number of factors that continue to weigh on Easton's share price, some of which are Company related, such as size (market capitalisation) and liquidity, and some of which are sector or industry related.

As a Board, we feel obliged and duty bound to understand and evaluate these factors and to seek to identify ways and means of creating value for our shareholders. We do not regard a "do nothing" or a "wait and see" approach as acceptable. It is in this context that the Board has resolved to explore all avenues and options that are considered capable of enhancing profitability and shareholder value.

Acknowledgements

I would like to acknowledge the valuable contribution made by my colleagues on the Board during the year, but especially our executive directors, Greg Hayes, our Managing Director, and Grahame Evans, CEO of our Wealth Solutions division as well as key members of our executive team, Lisa Armstrong, our CEO of Knowledge Shop, and Michael Harris, our CFO.

I would also like to acknowledge the hard work, efforts and commitment of our staff during the year, which has underpinned the continued growth and success of our Company and our businesses.

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

Finally, I thank shareholders for your support. Whilst Directors are pleased with the progress of the Company over the last 12 months and the growth prospects that exist at year end, as noted above, Directors are disappointed with the performance of Easton's share price over the last 12 months and have resolved to investigate all options that are capable of creating value for our shareholders.

Kevin White

Kevin White
Chairman

Sydney
21 August 2019

MANAGING DIRECTOR'S REPORT

The Company continued to grow in the 2019 year, with revenue up 18% and Underlying Profit up 17%. This was in an environment of significant change. Both of our primary markets, accounting and financial services are undergoing a period of disruption. This disruption provided both challenges and opportunities. Growth was achieved while the Company continued to invest in core business infrastructure and also in positioning our businesses to take advantage of emerging opportunities.

Disruption was most evident in the wealth sector with the impact of the Hayne Royal Commission and FASEA education changes. Both financial advisers and dealer groups have needed to adapt to this new environment. Change has been required and both adviser and dealer business models have needed to evolve.

Change in the accounting sector has been more subtle, but nonetheless material. The sector is being confronted with succession as baby boomer principal and partners move toward retirement, increasing client expectations, technology changes in the way work is completed and also removing a layer of previously core services, requiring firms to look at broadening their service offer. Accountants have also been required to make decisions on how they service their SMSF clients, and where they elect to provide advice services that have been brought inside the financial services regulatory environment.

The Company is uniquely placed in this environment. With more than 770 advisers, and engagement with over 3,000 accounting firms, it holds one of the largest combined accounting and financial services channels in Australia. With these two sectors converging, the mix of Wealth Solutions and Accounting Solutions has provided a compelling value proposition to the market.

During the past year the Company has continued to diversify its sources of contribution to earnings. The services provided to both the accounting and wealth sectors have generated an increasing level of annuity style income. For the 2019 year 44% of gross contribution was delivered from recurring income streams.

Overview

Statutory profit after tax increased by 54% to $2.73m (2018: $1.77m). Underlying Profit of $5.12m increased by 17% (2018: $4.36m).

Our Accounting Solutions division contributed Underlying Profit of $3.11m (2018: $3.07m). The major contributor to this was Knowledge Shop with its continuing growth in membership and training activities.

Our Wealth Solutions division contributed Underlying Profit of $3.81m (2018: $3.07m).

Revenue from ordinary operations increased to $59.80m (2018: $50.79m) and corporate costs were relatively stable at $1.80m (2018: $1.78m).

The Company's financial position continued to strengthen. The line of credit facility ($10m) was maintained, however net debt at balance date was reduced by $1.42 million, to $5.37 million. Cash and undrawn facilities at balance date were $4.63 million (2018: $3.28m). During the period the Company applied $0.20m to the share buyback and paid out $1.05 million in dividends.

Accounting Solutions

Knowledge Shop was the dominant contributor to our Accounting Solutions division. During the period it continued to recruit new member firms and deliver a broad range of training solutions to the market. Combined, this led to a 16% growth in the number of accounting firms that either became a subscriber or purchased training. With a market reach to approximately 30% of the accounting profession in Australia, Knowledge Shop is one of the largest providers in this channel.

Training hours delivered increased to 48,166, a growth rate of 28%. The majority of this growth came through the accounting channel, however the FASEA education requirements for financial advisers presented the Company with an opportunity to extend its training services into the wealth sector. Given the number of accountants now authorised under a financial services licence, this became a natural training extension for Knowledge Shop.

MANAGING DIRECTOR’S REPORT (continued)

In addition to the number of advisers authorised under one of the Company’s Australian Financial Services Licences (AFSL), there is a market of circa 25,000 advisers in the wealth space, a number of whom are accountants in practice. During the second half of the year resources were deployed to the expansion of our training capability and the development of training designed to assist advisers meet the requirements of the FASEA exam, which must be completed by all advisers in Australia prior to 1 January 2021. Further, the expanded professional development requirements mandated under FASEA has allowed Knowledge Shop to design programs to assist advisers meet their ongoing professional development requirements.

The delivery of the first of these programs occurred in the last quarter of the financial year. It is anticipated that there will be a material increase in contribution from this training channel in the coming year.

To best manage this opportunity Knowledge Shop was restructured during the second half of the year to increase resources dedicated to the training space. This included an increase in both technical and sales resources with management and reporting structures dedicated to the growth of our training business.

Our document businesses (Panthercorp and Law Central) under performed in 2019. This was largely influenced by an overall contraction in the Australian market. Economic activity saw company registrations fall by around 10% and political uncertainty impacted the self managed superannuation market. Gross contribution from our businesses fell by 14%. This was a disappointing result for businesses that require scale to make a meaningful earnings contribution. A strategic review, completed in the second half of the year, has reset the cost structures of these businesses and changes have been made to marketing strategy designed to improve customer engagement and operating performance.

Hayes Knight (NSW), in which we hold a minority interest (33%) had a small drop in earnings but provided a consistent dividend flow to the Company.

Wealth Solutions

The main businesses in this division are our two licensed entities, GPS Wealth and Merit Wealth. Our combined wealth businesses grew strongly, increasing adviser numbers to 771, a growth rate of 31% on the previous year and placing the Group in the top 10 dealer groups in Australia, by adviser numbers.

Our adviser cohort is represented by both full advisers and limited authorised representatives (LARs). The LARs are primarily accountants looking to provide their SMSF clients with limited advice in relation to their superannuation funds. Whilst both full adviser and LAR numbers grew over the year, the strong growth in adviser numbers came as a result of accountants electing to be authorised prior to 31 December 2018. Changing entry requirements imposed under FASEA from 1 January 2019 caused this acceleration. Since that time there has been some rationalisation as accountants have decided on whether they wish to be authorised or more particularly the number of people from their firm who require authorisation.

All advisers have needed to adjust to the new advice environment. This is represented by requirements to complete the FASEA exam, new education and continuing professional education requirements, an elevated compliance regime and some negative market sentiment toward the advice sector. Change brings with it challenges and the Company has invested heavily during the year to support its advisers and ensure they have an environment where they can meet all professional standards and at the same time have an enhanced client value proposition and engagement tools.

This investment has been in training, enhanced compliance frameworks and management, adviser support and client engagement tools. Technology applications supporting our operations team have focused on building a pre-eminent dealer service proposition.

Whilst the wealth market has experienced a period of sustained change and pressure, the environment going forward will see increasing demand for advice and with a reduced supply of advisers, as some advisers choose not to undertake the increased education requirements, there will be an expanded opportunity for those continuing in the sector.

Our Managed Accounts solution under the CARE investment philosophy grew strongly through the year. New investment and market movement saw CARE grow to $1.20b. an increase of 28%. CARE uses leading fund managers including Vanguard, iShares, State Street and Standard & Poors Global to build client portfolios tailored to client risk profiles and objectives.

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

MANAGING DIRECTOR'S REPORT (continued)

Extension opportunities

The Company holds one of the largest distribution channels into the accounting and financial advice sectors in Australia. This channel is currently represented by our engagement with more than 3,000 accounting firms and 770 authorised representatives. In addition to the services currently provided to these groups, there is a commitment to look for ways where additional value can be delivered to them.

To achieve this the Company has a strategic intent to identify products and services that match an existing demand of our accountants and advisers, or innovative products that will enhance existing capability.

In the second half of the year we launched a pilot program in the finance broking space. This was achieved by the Company partnering with Purple Circle, an experienced finance broker and aggregator, to form EWA Finance (70% owned by Easton). Through an online platform and engagement with over 50 lenders, advisers and accountants are now able to refer clients who have a finance need. Investment in this business ($200k) has been fully expensed and it is expected to provide a modest contribution in the 2020 year.

During the year the Company also developed an estate planning capability that has been made available to accountants and advisers who wish to offer this service to their clients. Estate planning advice is regarded as an area that is significantly under serviced in Australia, with an ageing population and a baby boomer generation anticipated to cause an intergenerational wealth transfer of $2.4 trillion.

The Company will continue to identify and develop selective opportunities that provide our accountants and advisers with competitive advantage and allow the Company to further monetise its distribution channels. In this regard there is a preference for, but not limited to SAAS (software as a service) opportunities, a number of which are currently being considered.

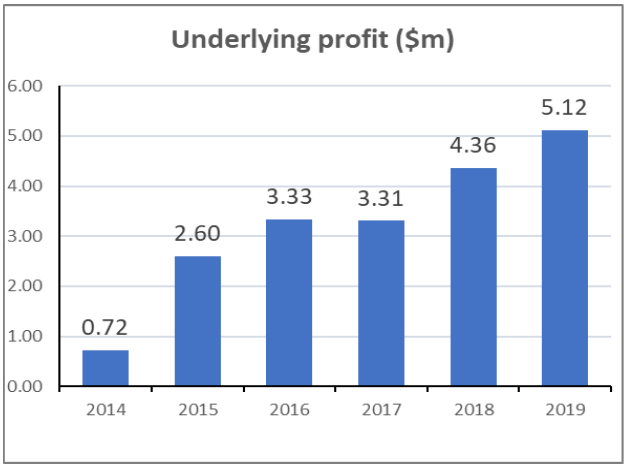
Financial Performance

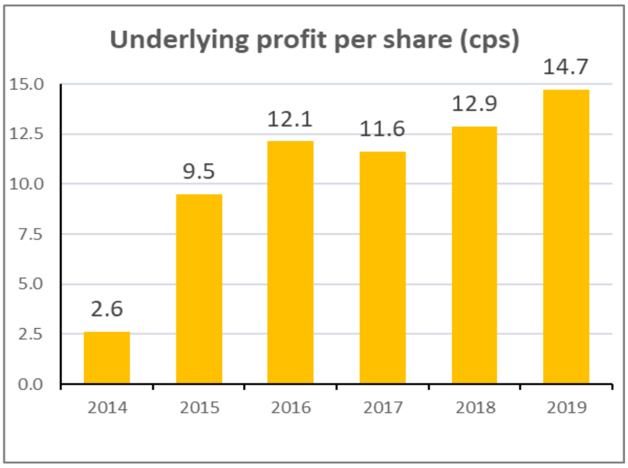
Statutory Profit (being net profit after tax) increased to $2.73m (2018: $1.77m), up 54%.

Underlying Profit increased to $5.12m (2018: $4.36m), up 17%.

The Company uses Underlying Profit, which is an unaudited, non-IFRS measure, to assess performance as it excludes non-cash amortisation and share based payment charges, together with one-off or non-operational items. Refer to page 11 for a reconciliation to Statutory Profit.

Underlying Profit per share increased to 14.7 cents per share (2018: 12.9 cents) up 14%.





As in previous years the Company continues to have a strong bias to 2nd half earnings contribution. This was at 60% for the 2019 year. The 2nd half earnings bias will continue into the coming year reflective of a number of our business units where there is a material business bias to the 2nd half together with the continuing growth of the Company.

MANAGING DIRECTOR'S REPORT (continued)

Our Expectations Going Forward

The Company is well placed to accelerate its growth heading into the new year. A number of our business units have strong organic growth opportunities including:

- Increase in training hours delivered into the accounting sector and a meaningful uplift from our entry into the wealth sector
- Ongoing growth in Knowledge Shop subscribers
- Continued growth in adviser numbers who are consistent with company culture and are attuned to our business models
- Further growth in LARs transferring from other dealer groups and some transition of LARs to full advice
- Continued growth in CARE as it is taken into other channels
- Contribution from extension product opportunities.

These opportunities, together with our continuing business, provide the Company with growing and diversified earnings. In the coming year the Company expects to continue to both broaden and deepen earnings contribution.

Whilst we continue in the view that any acquisitions must be of strategic value to the Company, it is anticipated that a more aggressive approach will be taken to identify and complete acquisitions that are appropriate to the future direction of the Company. As the wealth and accounting sectors continue to converge an increasing number of opportunities are anticipated to present themselves.

The Company will continue to play a lead role in the convergence of wealth and accounting and through support and services provided to our accountants and advisers assist them in the growth and evolution of their businesses.

Management and our business unit teams are highly committed to the success of the business. They have a focus on growth, innovation and excellence and continue to explore ways in which they can add value to our customer base and in turn the Company. Whilst the environment is a dynamic one and not without its challenges it presents enormous opportunities. The Company is well placed to capture these opportunities for the benefit of all stakeholders.

Greg Hayes
Managing Director
21 August 2019

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (**the Group**), consisting of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2019, and the audit report thereon.

DIRECTORS

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

- Kevin White
- Rodney Green
- Carl Scarcella
- John G. Hayes
- Grahame Evans

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The statutory net profit after tax of the Group for the year ended 30 June 2019 was $2,725,747 (2018: $1,771,839).

The directors have declared the payment of a final, fully franked dividend of 2 cents per share. This dividend has a record date of 13 September 2019 and is to be paid on 27 September 2019. This is in addition to a 1 cent interim dividend that was paid on 10 May 2019.

REVIEW OF OPERATIONS

Operating revenue from ordinary operating activities increased to $59.80 million, up from $50.79 million in the previous year, a rise of 18%.

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, fair value adjustments and gains/losses on the sale of investments);
- non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

Underlying Profit increased by 17% to $5.12 million in line with increased operating revenue and due to continued growth in our training businesses, growth in wealth adviser numbers and a full year contribution from GPS Wealth acquired 11 August 2017. Partially offsetting net underlying profit growth has been a more subdued market impacting the legal document businesses.

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

Financial performance	2019	2018	Increase
	($'000)	($'000)	(%)
Operating revenue from ordinary operating activities	59,804	50,788	18
Statutory net profit after tax [1]	2,726	1,772	54
Underlying Profit [2]	**5,116**	**4,361**	**17**

1. Net Profit After Tax includes profit attributable to Non-controlling Interests. Profit attributable to members is $2,730k (2018: $1,868k).
2. Underlying Profit is an unaudited, non-IFRS measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. See table on following page for reconciliation of Underlying Profit to Statutory Profit.

REVIEW OF OPERATIONS (continued)

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

	2019	2018
	$'000	$'000
Normalised EBITA for the year	**5,116**	4,361
Add/(deduct) normalisation adjustments:		
Equity accounted adjustments for interest, tax and amortisation[1]	**(434)**	(209)
Restructure and acquisition costs	**(118)**	(269)
Prior year revenue adjustment/policy change	**(54)**	(37)
Fair value adjustment of contingent consideration[2]	**101**	-
Fair value adjustment derivative financial instrument[3]	**1,478**	-
Impairment of software platform	**(26)**	(218)
Goodwill impairment[4]	**(800)**	-
Gain on disposal of other intangible	**-**	64
Statutory EBITA for the year	**5,263**	3,692
Deduct: Amortisation	**(859)**	(833)
Net interest expense	**(451)**	(431)
Statutory operating profit before tax for the year	**3,953**	2,428
Income tax expense	**(1,227)**	(656)
Statutory net profit after tax for the year	**2,726**	1,772
Deduct: Net loss attributable to Non-controlling interests	**(4)**	(96)
Net profit after tax attributable to members	**2,730**	1,868

1. Adjustments to gross up share of profits from equity accounted investments for interest, taxation and amortisation have been applied to HKNSW and First Financial. This adjustment allows wholly owned and partially owned businesses to be compared on a like for like basis. In addition to gross up adjustments, in 2018 First Financial sold its Lending and Finance division and recognised a $1.26 million gain on sale which the Group's 25% share has been excluded from normalised EBITA.
2. Fair value adjustment for the deferred consideration of The SMSF Expert. Refer note 16 in the financial report.
3. Fair value adjustment of derivative financial instrument in relation to a call option under the shareholders deed of First Financial. Refer note 9 in the financial report.
4. Impairment of the carrying value of goodwill for Law Central $415,500 and Panthercorp $384,500.

REVIEW OF OPERATIONS (continued)

Analysis by segment

The Group continues to take a leading position in the convergence of the wealth and accounting sectors. Services to both sectors are provided through the two divisions of the Group, **Accounting Solutions** and **Wealth Solutions** where an increasing number of our customers are engaging across both sectors. This places the Group in a strong strategic position with a portfolio of businesses that are able to provide integrated services to accountants and advisers.

Comments on each of these segments are set out below.

1. Wealth Solutions

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

- GPS Wealth Ltd **(GPS)** – 100%
- Merit Wealth Pty Ltd **(MW)** – 100%
- Easton Wealth Finance **(EWF)** – 70%
- First Financial Pty Ltd (**First Financial**) – 25%

The performance of the Wealth Solutions division during 2018/19 is summarised below:

Wealth Solutions	2018/19	2017/18	Increase
	($'000)	($'000)	(%)
Revenue from ordinary operating activities	48,838	40,268	21
Segment result – Normalised EBITA	3,809	3,068	24

The Wealth Solutions division performed strongly over the year with revenue increasing by 21% to $48.84 million and Underlying Profit (Normalised EBITA) increasing by 24% to $3.81 million, compared to the prior corresponding period.

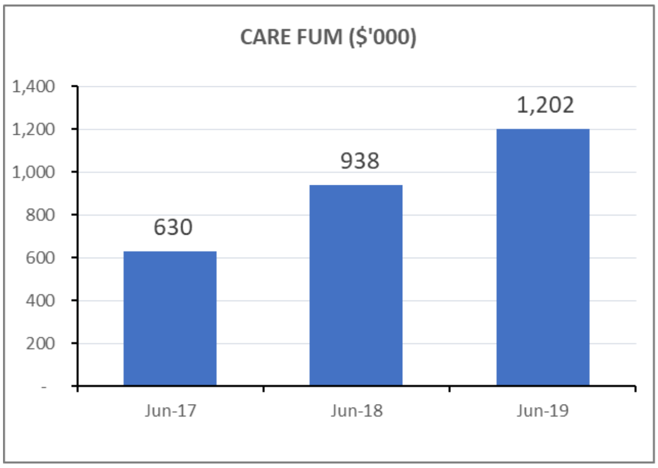
The Group's Wealth Solutions division provides a range of dealer group services to a significantly growing network of advisers. Overall, adviser numbers grew by 31% to 771 compared to 590 in the prior corresponding period, strengthening the Group's position in the top 10 advisory groups by number of advisers in Australia. Contributing to revenue growth has been the recognition of a full year contribution from GPS Wealth acquired on 11 August 2017. The largest component of overall growth however, has been in the number of limited authorised representatives (**LARs**), which has been accelerated by recent changes to the education and entry requirements set by the Financial Adviser Standards and Ethics Authority (**FASEA**), effective 1 January 2019. Most of the increase in authorisations occurred during November and December which means that the full effect of the resultant subscription revenue from the LARs will be realised into future periods. The second half of the year did see some attrition in LAR numbers as those advisers assessed their positions in light of the current environment resulting in some opting to come off one of the Group's licensing options. This attrition has appeared to stabilise more recently.

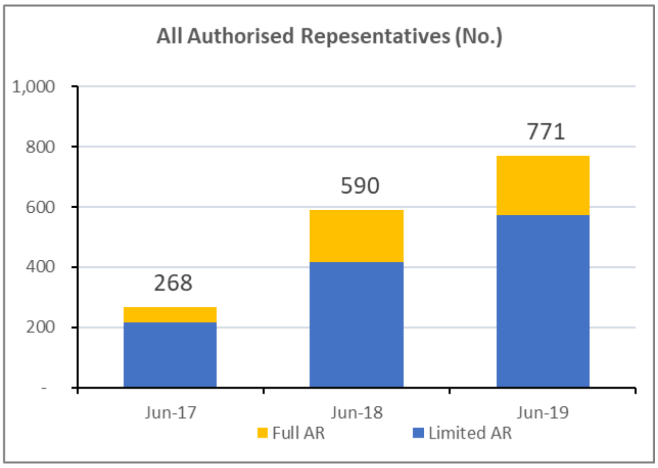
The Group's CARE investment philosophy, delivered though a portfolio of Managed Accounts, continued to grow with Funds under management at 30 June 2019 in excess of $1.20 billion, compared with $0.94 billion in the prior corresponding period, an increase of 28%.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Key growth metrics in the Wealth Solutions division on a comparative basis are illustrated below:





First Financial, the Group's 25% owned equity accounted investment, performed well and to expectation during the year. Despite the sale of its Lending and Finance division part way through the prior year, Underlying Profit contribution has remained relatively in line year on year.

2. Accounting Solutions

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

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

The performance of the Accounting Solutions segment during 2018/19 is summarised below:

Accounting Solutions	2018/19	2017/18	Increase
	($'000)	($'000)	(%)
Revenue from ordinary operating activities	10,958	10,520	4
Segment result – Normalised EBITA	3,105	3,067	1

The Accounting Solutions division continued to grow with revenue increasing by 4% to $10.96 million and Underlying Profit (Normalised EBITA) increasing by 1% to $3.11 million compared to the prior corresponding period.

The Group's Accounting Solutions division provides a range of support services to accounting firms, including online technical support through a subscription service, training including online and face to face formats, and access to legal and corporate documents.

REVIEW OF OPERATIONS (continued)

The training businesses have performed well during the year with a combined 13% increase in Normalised EBITA contribution compared with the prior corresponding period. This in part is due to Taxbytes which was acquired with effect from 11 January 2018 which has performed in line with expectations. Knowledge Shop has continued to grow its subscriber member base and training income increased in all formats offered by the Group. Whilst face to face and webinar formats remain the dominant contributors, Knowledge Shop continues to develop its pay on demand format that provides a series of targeted learning programs delivered through KS IQ. The delivery of online education is consistent with market demand and provides enhanced earnings opportunities. Investment in the production of these programs has impacted the earnings contribution from the division but provides a significant revenue opportunity going forward as programs are progressively deployed. Furthermore, Knowledge Shop made an investment in its sales and operations team during the year which is expected to drive continued revenue growth. The continuing education requirements introduced under FASEA, were operative from 1 January 2019, have opened an expanded training market. The first of the FASEA support programs developed to assist advisers meet FASEA requirements were introduced in the second half of the year and are expected provide a significant revenue opportunity into 2020. Many of the of the Group's existing clients in both divisions are the natural market for these services.

The legal document businesses have had a soft result which is consistent with an Australia wide market downward trend for new company registrations of circa 9% when compared to the prior corresponding period. Furthermore, Group referral initiatives into the document businesses which remain an important part of the Group strategy have taken longer to implement. With these two factors continuing to impact performance, the directors considered it appropriate to write down the carrying value of the document businesses by recognising an impairment charge of $800,000.

HKNSW, the Groups 33% equity accounted investment in the traditional accounting market, performed slightly below prior corresponding period. The firm continues to pay reliable dividends and remains an important strategic investment by providing technical support services to the Group.

Our Group companies now deal with more than 3,000 accounting firms across Australia, which represents around 30% of the entire market. The unique and strong relationships held with these firms underpin our strategy to support and engage in the facilitation of the convergence of accounting and wealth services.

Cashflow and capital management

Net cash inflow from operating activities during the year was $2.22 million (2018: inflow $0.38 million). In addition, the Group received dividends from associates of $0.96 million. This cash inflow has provided adequate funds to meet capital commitments, service debt, pay dividends and allow the Group to implement a share buy-back plan.

During the year, a net cash payment of $0.25 million was made for the first instalment of consideration for the acquisition of SMSF Expert as well as $0.30 million investment into software platforms and office facilities.

In addition, a maiden final dividend of $0.70 million for the 2018 financial year was paid as well as the 2019 interim dividend of $0.35 million.

The Company also implemented a share buy-back plan as Directors believe that shares in Easton are under-valued by the market and represent excellent value at current trading levels. At balance date, 237,347 shares have been purchased on-market and cancelled. At the date of this report, 246,695 shares have been purchased on-market and cancelled.

At balance date, net debt after including cash reserves, amounted to $5.37 million (2018: $6.78 million).

First Financial derivative financial instrument

For the year ended 30 June 2019, the Group has recognised a fair value gain in a derivative financial instrument.

This gain is derived from to a Shareholders Deed dated 3 June 2015 (**the Deed**) between Easton Wealth Australia Pty Ltd (**EWA**), a wholly owned subsidiary of the Group, which holds a 25% equity interest in First Financial, and the other 75% shareholder in First Financial (**the Partner**). Under the Deed, the Partner has a right to acquire all of EWAs equity interest on 3 June 2020, or if not acquired at that time, at the end of each 2-year period following that date until 3 June 2024 (call option). To exercise its right, the Partner must give at least 30 days written notice to EWA. If not acquired within the designated timeline, EWA has a further right, (put option) to sell its interest to the Partner.

Based on the formula contained in the Deed, the fair value gain that would be realised by EWA is $1.48m if the right is exercised on 3 June 2020.

DIRECTORS' REPORT (continued)

Deferred consideration
On 2 October 2018, the Group acquired 100% of issued share capital of The SMSF Expert which holds a limited Australian Financial Services licence which authorises accountants to provide SMSF advice. Total consideration included $0.31 million cash and a deferred consideration component payable 12 months from acquisition date of $0.14 million subject to performance hurdles. As at 30 June 2019, the contingent consideration component has been fair valued to $0.04 million.

Outlook
Directors remain positive about the Company's strategic direction, its market position and its on-going growth prospects. We expect the next 12 months to deliver:

- Higher earnings flowing from the Wealth Solutions division as a result of the continued growth in adviser numbers
- Continued growth in CARE, with enhanced potential as the managed accounts solution gains broader acceptance across the Company's expanded adviser network
- Further growth in Knowledge Shop's membership base and training hours delivered to the accounting profession, including through the KS IQ training program with its online, on-demand capability
- Expansion of training into the Wealth space to meet the increased education requirements under FASEA
- Improved performance of the Document businesses following a restructuring over recent months which is expected to deliver revenue and cost synergies, together with a plan to increase engagement with the Knowledge Shop membership.

Together, these discrete organic growth opportunities provide a solid base for long term sustainable earnings growth.

At the same time and with the integration of the GPS Wealth business completed, the Company will remain alert to strategic acquisition opportunities over the next 12-months. Regulatory and industry changes are expected to provide both organic and non-organic growth opportunities and provide scope for increased internal leverage. Nonetheless, regulatory changes and market conditions can adversely affect the Company and Directors are mindful of their potential to impact Company performance.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since 30 June 2019 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Kevin White B.Eng (civil), M.Eng.Sci., M.Admin - Chairman. Appointed Managing Director 29 May 2013, resigned as Joint Managing Director 1 March 2015. Appointed Chairman 1 March 2015.		
Experience and expertise	Kevin graduated as a professional engineer in 1973 and has spent the majority of his working life in the financial services industry. He was the founder and Managing Director of Crowe Horwath Australasia Limited (formerly WHK Group Limited) from 1996 to 2011 and has a successful track record in building and leading ASX listed companies with a distribution focus operating in the financial services sector.	
Other current directorships	None	
Former directorships in last 3 years	Non-executive Director and Chairman of Royal Automobile Club of Victoria (RACV) Limited and related entities	
Special responsibilities	Chair of the Board Member of the Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	3,060,000

Rodney Green B.Com, ACA - Non-executive Director, Deputy Chairman. Appointed 26 April 2012, resigned as Chairman and became Deputy Chairman 1 March 2015.		
Experience and expertise	Rodney brings with him over 30 years' experience in the financial services industry. Prior roles include Managing Director and then Non-executive Director of Treasury Group Limited from start up in 2001 until 2008, and previously 6 years as the Chief Investment Officer and then Head of Perpetual Investments Ltd from 1995 to 2001. Rodney was also Chairman and Non-executive Director of Premium Investors Limited (a listed investment company) from 2003 until 2006.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Deputy Chair of the Board (resigned as Chairman 1 March 2015) Chair of the Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	420,000

Carl Scarcella B.Com, FCPA - Non-executive Director. Appointed 15 May 2014.		
Experience and expertise	Carl joined the financial services industry in 1987. In 2000, Carl was one of the foundation managers of Snowball Group Limited, a listed independent advice business which provided financial services including financial planning, accounting and tax, portfolio management and portfolio administration. Carl was Chief Operating Officer and Company Secretary of Snowball from inception through to its merger with the Shadforth Group in 2011 to become SFG Australia Limited. Following his departure from SFG in 2012, Carl co-founded T&C Consulting Services, a firm which provides advice on growth strategies, governance frameworks, infrastructure solutions and M&A support.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration Committee Chair of the Wealth Regulatory Compliance Project	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	150,000

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

John G. Hayes B.Bus, FCPA, CTA, FAIM - Managing Director. Appointed Joint Managing Director 19 March 2014. Appointed Managing Director 1 March 2015.		
Experience and expertise	Greg is the founder and CEO of Hayes Knight (NSW) Pty Ltd and is well known in the accounting profession. Greg was also the Chairman of the Hayes Knight Group nationally, a specialist business valuer, a recognised practice management specialist and an author in both of these disciplines. He is the founder and director of Knowledge Shop Pty Ltd and Merit Wealth Pty Ltd, both entities providing practice support and distribution to the accounting profession in Australia. Greg was a member of the Advisory Panel to the Board of Taxation between 2003-2013.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Managing Director	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	5,913,705

Grahame Evans, MBA, Dip SM, GAICD - Executive Director, CEO of Easton Wealth. Appointed 24 August 2017.		
Experience and expertise	Grahame has been extensively involved with the financial services industry for over 30 years. He has held a variety of board positions including Chairman of Australian, Canadian, Singaporean & Chinese investment & advice businesses and also as a director of Malaysian and New Zealand companies. He is a regular speaker at conferences both in Australia and overseas and holds an MBA from the prestigious Australian Graduate School of Management. Grahame's executive roles have included CEO Investments for Tower Australia, Managing Director, AMP Consulting and Group Managing Director of Centrepoint Wealth.	
Other current directorships	Chairman & NED of DomaCom Limited	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	1,002,771

Joint company secretaries

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

Belinda Cleminson, GIA (Cert) - Joint Company Secretary. Appointed 22 September 2016. Belinda has over 17 years' experience as an Assistant Company Secretary of Australian listed companies including ASX 200 clients. Belinda previously managed the Company Secretarial team for Australian Company Secretaries representing a domestic and global client base. Prior to this Belinda held roles within the legal and banking industry.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Kevin White	11	11	4	4	3	3
Rodney Green	11	11	4	4	3	3
Carl Scarcella	11	11	4	4	3	3
John G. Hayes	11	11	4*	4*	-	-
Grahame Evans	11	11	4*	4*	-	-

*In attendance ex-officio.

COMMITTEE MEMBERSHIP

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

- Carl Scarcella - Chairman
- Rodney Green
- Kevin White

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

- Rodney Green - Chairman
- Carl Scarcella
- Kevin White

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into deeds of access, insurance and indemnity with each director and officer which contain rights of access to certain books and records of the Group for a period of ten years after the director and officer ceases to hold office. This 10 year period can be extended where certain proceedings or investigations commence before the ten year period expires.

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

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

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

SHARES UNDER OPTION

Unissued shares

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Easton Investments Limited is responsible for corporate governance. The Board has prepared the Corporate Governance Statement (**CGS**) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Easton website at www.eastoninvestments.com.au under the Investors section.

ROUNDING OF AMOUNTS

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

REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2019 remuneration report which sets out the remuneration information for the Company's non-executive directors, executive directors and other key management personnel (**KMP**) of the Group.

The report contains the following sections:

(a) Details of KMP disclosed in this report
(b) Remuneration governance
(c) Executive remuneration policy and framework
(d) Relationship between remuneration and Group performance
(e) Non-executive director remuneration policy
(f) Voting and comments made at the Company's 2018 Annual General Meeting (AGM)
(g) Details of remuneration of KMP
(h) Service agreements
(i) Details of Combined Incentive Scheme for 2019
(j) Details of share-based compensation
(k) Equity instruments held by KMP
(l) Other transactions with KMP

(a) Details of KMP disclosed in this report

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

(i) Non-executive and Executive Directors

- Kevin White — Chairman
- Rodney Green — Non-executive Director, Deputy Chairman
- Carl Scarcella — Non-executive Director
- John G. Hayes — Managing Director
- Grahame Evans — Executive Director

(ii) Other KMP

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

(iii) Changes since the end of the reporting period

There were no changes to KMP in the period after the end of the reporting date and up to the date of this report.

(b) Remuneration governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans for executive directors and senior executives, including key performance indicators (**KPIs**) and performance hurdles;
- remuneration levels of executives; and
- non-executive director fees.

The Committee's objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

REMUNERATION REPORT (AUDITED) (continued)

(c) Executive remuneration policy and framework

Remuneration policy
The policy for determining the nature and amount of remuneration of KMP is agreed by the Board of Directors as a whole on advice from the Remuneration Committee. The Board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance the performance of the Group through their contributions and leadership. The Remuneration Committee makes specific recommendations on the remuneration package and other terms of employment for the Managing Director and KMP having regard to performance, relevant comparative information, and if appropriate, independent expert advice.

For KMP, the Group can provide a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Group and KMP are on a continuing basis, the terms of which are to align executive performance-based remuneration with Group objectives. The remuneration policy is directly related to Group performance. The qualitative and quantitative criteria on which remuneration is based are set by the Remuneration Committee and those objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration as applicable.

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

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

Executive pay for 2019
For the year ending 30 June 2019, the executive pay and reward framework continued to provide two components:

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

Base pay and benefits
Executives receive their base pay and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' reasonable discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that executive remuneration is competitive with the market.

There are no guaranteed base pay increases included in any executives' contracts.

REMUNERATION REPORT (AUDITED) (continued)

Combined Incentive Scheme (CIS)
The Group presently operates a remuneration incentive scheme which combines Short-term Incentives (**STI**) and Long-term Incentives (**LTI**) into a Combined Incentive Scheme (**CIS**). Certain executives are granted an annual target CIS opportunity which for the 2019 financial year ranges between 25%-35% of base salary, (2018: 20% - 35%). The actual CIS awarded each year depends on the achievement of agreed KPIs. The CIS is a cash-based incentive for which 50% of the awarded amount is paid immediately after the performance period and 50% is deferred and paid over the following two years. The deferred payment amounts are subject to shadow equity factors over the two years following the performance period. The first deferred payment amount being 25% of the awarded amount is subject to a Shadow Equity Factor 1 multiplier which is determined by the growth in share price over the 24 months from the beginning of the performance period. The second deferred payment amount being the remaining 25% of the awarded amount is subject to a Shadow Equity Factor 2 multiplier which is determined by the growth in share price 36 months from the beginning of the performance period. The shadow equity factors are applied to positive movements in the share price only, no adjustments are made for downward movements in share price.

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

(d) Relationship between remuneration and Group performance

The remuneration policy has been designed to align KMP objectives with the Group business plan and long-term interests by providing a combination of fixed remuneration and combined short and long term incentives based on key performance criteria. Remuneration paid that was linked to company share price performance was $nil (2018: $nil).

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

	2019	2018	2017	2016	2015
Revenue ($'000)	$59,804	$50,788	$17,230	$19,458	$17,465
Normalised EBITA ($'000)	$5,116	$4,361	$3,306	$3,333	$2,598
Net profit/(loss) before tax ($'000)	3,953	$2,428	$2,002	($318)	$1,754
Net profit/(loss) after tax ($'000)	2,726	$1,772	$1,477	($352)	1,242
Share price at end of year	$0.94	$1.03	$1.30	$1.50	$0.70
Basic earnings per share	7.85cps	5.51cps	5.35cps	(1.25)cps	4.14cps
Diluted earnings per share	7.85cps	5.51cps	5.35cps	(1.25)cps	4.14cps
Dividends paid or declared	3cps	2cps	-	-	-
Remuneration linked to share price ($'000)	$nil	$nil	$nil	$29	$35

REMUNERATION REPORT (AUDITED) (continued)

(e) Non-executive director remuneration policy

On appointment to the Board, non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Non-executive directors receive a Board fee which is inclusive of fees for chairing or participating on Board committees. They do not receive performance-based pay. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently of the fees of non-executive directors based on comparative roles in the external market. During the year, the Chairman was entitled to be paid a fixed remuneration of $75,000 per annum including superannuation contributions (2018: $75,000). Other non-executive directors were each entitled to be paid a fixed remuneration of $50,000 per annum including superannuation contributions as well as any agreed fees for additional duties (2018: $50,000).

The Constitution of the Company provides that non-executive directors as a whole may be paid or provided remuneration of an aggregate maximum total of $300,000 per annum, (2018: $300,000) or other such maximum as determined by the Company in a general meeting. A non-executive director may be paid fees or other amounts as the directors determine where a director performs services outside the scope of the ordinary duties of a director, provided directors fees in aggregate do not exceed the maximum of $300,000. The Company may reimburse non-executive directors for their expenses properly incurred as a director or in the course of office, including special duties as approved by the Chairman.

(f) Voting and comments made at the Company's 2018 Annual General Meeting (AGM)

The Company received more than 99% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (AUDITED) (continued)

(g) Details of remuneration of KMP

Remuneration for the year ended 30 June 2019

	Short-term employee benefits			Post employment benefits		Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation	Termination benefits	Performance rights		
Directors' remuneration	$	$	$	$	$	$	$	%
Kevin White	68,493	-	-	6,507	-	-	75,000	-
Rodney Green	45,662	-	-	4,338	-	-	50,000	-
John G. Hayes	339,469	-	-	20,531	-	-	360,000	-
Grahame Evans	303,501	53,381	-	25,000	-	-	381,882	14
Carl Scarcella[1]	55,833	-	-	-	-	-	55,833	-
Sub-total directors	**812,958**	**53,381**	**-**	**56,376**	**-**	**-**	**922,715**	
Executives' remuneration								
Lisa Armstrong	242,119	31,190	-	20,531	-	-	293,840	11
Michael Harris	273,019	25,686	-	20,531	-	-	319,236	8
Sub-total executives	**515,138**	**56,876**	**-**	**41,062**	**-**	**-**	**613,076**	
Total key management personnel	**1,328,096**	**110,257**	**-**	**97,438**	**-**	**-**	**1,535,791**	

1. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director as well as additional duties as Chair of the Wealth Regulatory Compliance Project.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration for the year ended 30 June 2018

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

1. G Evans' KMP remuneration information is for the period commencing 11 August 2017 being the effective date of the GPS acquisition.
2. A company of which C Scarcella is a director received director fees from the Company for services as non-executive director.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

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

	Fixed remuneration		**At risk - CIS**	At risk - CIS
Name	**2019**	2018	**2019**	2018
Executive directors				
John G. Hayes	**100%**	100%	**-**	-
Grahame Evans[1]	**86%**	100%	**14%**	-
Other KMP				
Lisa Armstrong	**89%**	93%	**11%**	7%
Michael Harris	**92%**	87%	**8%**	13%

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

(h) Service agreements

Remuneration and other terms of employment for KMP are formalised in employment agreements which specify the components of remuneration, benefits and notice periods. Participation in the CIS is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration for the year ended 30 June 2019 are set out below:

Name	**Term of agreement**	**Notice period[1]**	**Base salary including superannuation[2]**	**Termination payments[3]**
Executive directors				
John G. Hayes	No fixed term	Employee - 6 months Employer - 6 months	$360,000	6 months
Grahame Evans	No fixed term	Employee - 6 months Employer - 6 months	$328,500	6 months
Other KMP				
Lisa Armstrong	No fixed term	Employee - 6 months Employer - 3 months	$262,650	3 months
Michael Harris	No fixed term	Employee - 3 months Employer - 3 months	$293,550	3 months

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are for the year ended 30 June 2019; they are reviewed annually by the Remuneration Committee.
3. Base salary payable if the Group terminates employees with notice, and without cause (eg. for reasons other than unsatisfactory performance).

(i) Details of Combined Incentive Scheme for 2019

Under the 2019 CIS, certain employees including the following KMP were given specific KPIs that were designed to generate outcomes that are aligned to the Group's business plan which include both short and long term metrics. The CIS award is subject to performance conditions that focus on Group earnings (MD & CFO) and individual business unit earnings (business unit managers), acquisition targets and operational targets. Each assessment area is weighted differently for each KMP.

REMUNERATION REPORT (AUDITED) (continued)

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

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

For the year ending 30 June 2019, the Remuneration Committee assessed the performance of the MD, and the Remuneration Committee and MD jointly assessed the performance of the other KMP against their respective KPIs. The Remuneration Committee recommended and the Board approved the following CIS awards.

KMP	Maximum CIS as a % of Base Salary	Actual CIS awarded	Actual CIS awarded as a % of maximum CIS
MD	35%	-	-
CFO	25%	$25,686	35%
MD – Easton Wealth	25%	$53,381	65%
MD - Knowledge Shop	25%	$31,190	48%

For the actual CIS awarded for 2019, the Remuneration Committee has given the KMP the option of taking 100% of the awarded amount as an upfront cash payment following the completion of the 2019 financial audit or to defer 50% as part of the CIS plan.

REMUNERATION REPORT (AUDITED) (continued)

(j) Details of share-based compensation

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

(k) Equity instruments held by KMP

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

2019 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
K White	3,201,620	50,046	3,251,666
R Green	420,000	-	420,000
JG Hayes[1]	6,214,542	146,763	6,361,305
G Evans	1,002,771	-	1,002,771
C Scarcella	130,000	20,000	150,000
L Armstrong[1]	6,214,542	146,763	6,361,305

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

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

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

(l) Other transactions with KMP

JG Hayes and L Armstrong are both directors and shareholders of Hayes Knight (NSW) Pty Ltd and Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**). At 30 June 2019, the Group had a 33.3% non-controlling interest in HKNSW and received business services from HKNSW pursuant to a services agreement on normal commercial terms and conditions. The business services provided under the agreement include staff and occupancy services. HKNSW is also the nominated tax agent for the Group and provides tax advice services on normal commercial terms and conditions.

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

	2019 **$**	2018 $
Amounts recognised as revenue		
Recovery of dealer group costs	**12,720**	18,676
	12,720	18,676
Amounts recognised as expense		
Administration fees	**103,227**	176,998
Adviser fees paid	**406,121**	384,716
Help desk and technical training support	**395,934**	413,583
Occupancy and infrastructure	**284,529**	321,623
Professional fees	**121,048**	198,852
Expense reimbursements	**39,026**	69,763
	1,349,885	1,565,535

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

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

Amounts recognised as assets and liabilities	**2019** **$**	2018 $
Current assets (amounts receivable)	**5,227**	2,376
Current liabilities (amounts payable)	**41,850**	27,020

End of audited Remuneration Report.

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

Rodney Green
Chairman – Remuneration Committee

Sydney
21 August 2019

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Australia

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

As lead auditor of Easton Investments Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Tim Aman

BDO East Coast Partnership

Sydney, NSW

21 August 2019

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue from ordinary operating activities			
Services		**59,574**	50,673
Other revenue		**230**	115
	2	**59,804**	50,788
Other income	3	**1,579**	64
Share of net profit after tax of associates accounted for using the equity method	10	**896**	1,148
Expenses from ordinary operating activities			
Fees and commissions		**(43,375)**	(36,033)
Salaries and employee benefits expenses	3	**(8,456)**	(8,000)
Occupancy expenses		**(685)**	(641)
Professional fees and consultants		**(1,310)**	(1,223)
Administration expenses		**(943)**	(785)
Corporate costs		**(318)**	(245)
IT expenses		**(456)**	(327)
Marketing expenses		**(245)**	(308)
Other expenses		**(312)**	(381)
Finance costs	3	**(454)**	(434)
Net loss on disposal of fixed assets		**(4)**	(44)
Depreciation and amortisation	3	**(942)**	(933)
Impairment of software platforms		**(26)**	(218)
Impairment of goodwill		**(800)**	-
Total expenses from ordinary operations		**(58,326)**	(49,572)
Profit before income tax		**3,953**	2,428
Income tax expense	4	**(1,227)**	(656)
Net profit for the year		**2,726**	1,772
Total comprehensive income for the year		**2,726**	1,772
Profit/(loss) for the year is attributable to:			
Non-controlling interests		**(4)**	(96)
Owners of the Company		**2,730**	1,868
		2,726	1,772
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		**(4)**	(96)
Owners of the Company		**2,730**	1,868
		2,726	1,772
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	5	**7.85**	5.51
Diluted earnings per share (cents)	5	**7.85**	5.51

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2019

	Note	**2019 $'000**	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**790**	452
Receivables	7	**2,525**	2,595
Other current assets	8	**1,048**	679
Derivative financial instruments	9	**1,478**	-
Total current assets		**5,841**	3,726
Non-current assets			
Equity accounted investments	10	**5,763**	6,061
Plant and equipment	11	**127**	122
Intangible assets	12	**31,483**	32,289
Deferred tax assets	4	**857**	814
Total non-current assets		**38,230**	39,286
TOTAL ASSETS		**44,071**	43,012
LIABILITIES			
Current liabilities			
Trade and other payables	13	**2,283**	2,498
Provisions and employee benefits	14	**1,551**	1,229
Borrowings	15	**-**	43
Current tax liability/(receivable)	4	**495**	(5)
Provision for contingent consideration	16	**40**	-
Other liabilities	17	**601**	846
Total current liabilities		**4,970**	4,611
Non-current liabilities			
Provisions and employee benefits	14	**134**	153
Borrowings	15	**6,161**	7,193
Deferred tax liabilities	4	**504**	266
Total non-current liabilities		**6,799**	7,612
TOTAL LIABILITIES		**11,769**	12,223
NET ASSETS		**32,302**	30,789
EQUITY			
Contributed equity	18	**26,369**	26,574
Reserves	19	**-**	25
Retained earnings	20	**5,676**	3,965
Equity attributable to owners of the Company		**32,045**	30,564
Non-controlling interests	21	**257**	225
TOTAL EQUITY		**32,302**	30,789
Net tangible assets per share (cents)		**1.34**	(5.88)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Consolidated entity	Ordinary shares $'000	Retained earnings $'000	Other reserves $'000	Owners of the parent $'000	Non-controlling interests $'000	Total $'000
At 1 July 2018	26,574	3,965	25	30,564	225	30,789
Profit for the year	-	2,730	-	2,730	(4)	2,726
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**2,730**	**-**	**2,730**	**(4)**	**2,726**
Transactions with owners in their capacity as owners:						
Share buy-back	(205)	-	-	(205)	-	(205)
Dividends paid	-	(1,044)	-	(1,044)	(24)	(1,068)
Contributions of equity from non-controlling interest	-	-	-	-	60	60
Transfer from reserves	-	25	(25)	-	-	-
At 30 June 2019	**26,369**	**5,676**	**-**	**32,045**	**257**	**32,302**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 June 2019

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Fees and adviser revenue received		**65,888**	54,058
Payments to advisers, suppliers and employees		**(62,719)**	(52,565)
Cash generated from operations		**3,169**	1,493
Interest received		**3**	3
Finance costs paid		**(454)**	(434)
Income tax paid		**(503)**	(685)
Net cash flows from operating activities	23	**2,215**	377
Cash flows from investing activities			
Payments for plant and equipment		**(92)**	(56)
Payments for other intangible assets		**(208)**	(116)
Payments for acquisition of a subsidiary, net of cash acquired		**(248)**	(10,216)
Dividends received from associates		**958**	718
Net cash inflow/(outflow) from investing activities		**410**	(9,670)
Cash flows from financing activities			
Proceeds from the issue of shares		**60**	46
Proceeds from borrowings		**-**	7,172
Payments under share buy-back		**(205)**	-
Payments for share issue costs		**-**	(28)
Repayment of borrowings		**(1,074)**	(86)
Dividends paid to Company shareholders		**(1,044)**	-
Dividends paid to non-controlling interests in subsidiaries		**(24)**	-
Net cash outflow)/inflow from financing activities		**(2,287)**	7,104
Net increase/(decrease) in cash held		**338**	(2,189)
Cash at the beginning of the financial year		**452**	2,641
Cash at the end of the financial year	6	**790**	452

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

1. SEGMENT INFORMATION

(a) Description of segments

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

The Group's reporting segments are based on business solutions provided to the wealth and accounting sectors. It is recognised that there is a continuing convergence of the accounting and wealth 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 both internal and market synergies.

The Group's reportable segments as follows:

(i) **Wealth Solutions** (comprising GPS Wealth from 11 August 2017, SMSF Expert from 2 October 2018, Merit Wealth, Hayes Knight Referral Services, First Financial and Easton Wealth Protection). 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, self-managed superannuation administration and managed accounts. First Financial is a traditional financial planning business;
(ii) **Accounting Solutions** (comprising Hayes Knight NSW, Knowledge Shop, Taxbytes from 11 from January 2018, Law Central and Panthercorp). 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; and
(iii) **Corporate** which comprises the parent entity (Easton Investments Limited) which includes head office and corporate costs.

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

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

(i) Accounting policies adopted
Unless stated otherwise, all amounts reported to the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group except for normalised adjustments. Normalised adjustments are applied to earnings before interest, taxation, depreciation and amortisation (EBITA) to derive "Normalised EBITA". Normalised EBITA typically excludes the effects of non-recurring costs such as restructuring costs, impairments and share-based payments. The CODM view Normalised EBITA as the best reflection of underlying business performance.

(ii) Intersegment transactions
All intersegment transactions are at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements. Corporate costs are allocated to and recovered from reporting segments where there is a consumption of shared resources. Intersegment payables and receivables are initially recognised at the consideration received/to be received and are paid on account.

(iii) Segment assets and liabilities
Total assets and liabilities are generally presented to the CODM for decision making on a legal entity basis rather than by total segment and therefore are not presented on a segment basis in this report.

1. SEGMENT INFORMATION (continued)

(c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2019 is as follows:

Consolidated 2019	**Wealth Solutions $'000**	**Accounting Solutions $'000**	**Corporate $'000**	**Total $'000**
Revenue from ordinary operating activities				
Services recognised over time	7,090	4,258	-	11,348
Services recognised at a point in time	41,650	6,576	-	48,226
Other revenue	98	124	8	230
Total revenue from ordinary operating activities	**48,838**	**10,958**	**8**	**59,804**
Normalised EBITA – (non IFRS)	**3,809**	**3,105**	**(1,798)**	**5,116**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)				
Equity accounted adjustments for interest, tax and amortisation	(300)	(134)	-	**(434)**
Restructuring & acquisition costs	(71)	(45)	(2)	**(118)**
Impairment of software intangible	(26)	-	-	**(26)**
Prior year revenue adjustment/policy change	(54)	-	-	**(54)**
Fair value adjustment to contingent consideration	-	101	-	**101**
Fair value adjustment to derivative financial instrument	1,478	-	-	**1,478**
Impairment of goodwill				**(800)**
Statutory EBITA				**5,263**
Interest revenue				**3**
Finance costs				**(454)**
Amortisation				**(859)**
Net profit before tax				**3,953**
Significant items of segment expenses				
Commissions and other direct costs	39,844	3,531	-	**43,375**
Salaries and employee benefits	3,864	3,312	1,280	**8,456**
Professional fees	843	260	207	**1,310**
Finance costs	2	-	452	**454**

1. SEGMENT INFORMATION (continued)

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

Consolidated 2018	Wealth Solutions $'000	Accounting Solutions $'000	Corporate $'000	Total $'000
Revenue from ordinary operating activities				
Services recognised over time	5,313	3,864	-	9,177
Services recognised at a point in time	34,885	6,611	-	41,496
Other revenue	70	45	-	115
Total revenue from ordinary operating activities	**40,268**	**10,520**	**-**	**50,788**
Normalised EBITA – (non IFRS)	**3,068**	**3,067**	**(1,774)**	**4,361**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)				
Equity accounted adjustments for interest, tax and amortisation	(78)	(131)	-	**(209)**
Restructuring & acquisition costs	(201)	(24)	(44)	**(269)**
Impairment of software platform	-	(218)	-	**(218)**
Gain on disposal of other intangible	64	-	-	**64**
Prior year revenue adjustment	(37)	-	-	**(37)**
Statutory EBITA				**3,692**
Interest revenue				**3**
Finance costs				**(434)**
Amortisation				**(833)**
Net profit before tax				**2,428**
Significant items of segment expenses				
Commissions and other direct costs	32,501	3,532	-	**36,033**
Salaries and employee benefits	3,820	3,020	1,160	**8,000**
Professional fees	659	264	300	**1,223**
Finance costs	13	-	421	**434**

2. REVENUE

	2019 $'000	2018 $'000
Revenue from ordinary operating activities		
Sales revenue		
Fees and adviser revenue received	**59,574**	50,673
Interest income	**3**	3
Other revenue	**227**	112
	59,804	50,788

3. OTHER INCOME AND EXPENSE ITEMS

Profit from before income tax has been determined after the following items:	**2019 $'000**	2018 $'000
Other income		
Fair value adjustment - contingent consideration SMSF Expert	**101**	-
Fair value adjustment - derivative financial instrument First Financial	**1,478**	-
Gain on disposal of intangible asset	**-**	64
	1,579	64
Employee benefits expense		
Salaries and wages	**6,821**	6,777
Defined contribution superannuation expense	**632**	573
Other employee benefits & related employment expenses	**1,003**	650
	8,456	8,000
Depreciation and amortisation of non-current assets		
Depreciation		
Office equipment	**51**	46
Furniture, fittings and leasehold improvements	**32**	54
	83	100
Amortisation		
Client lists and relationships	**467**	449
Client lists and relationships - equity accounted investments	**236**	236
Software platforms and other intangible assets	**156**	148
	859	833
Total depreciation and amortisation of non-current assets	**942**	933
Finance costs expensed		
Bank loans and overdrafts	**454**	419
Finance leases	**-**	15
	454	434

4. INCOME TAXES

	2019 $'000	2018 $'000
(a) Components of tax expense		
Current tax	**1,107**	582
Deferred tax	**120**	74
Total	**1,227**	656
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expenses as follows:		
Profit before tax	**3,953**	2,428
Prima facie income tax on the profit before income tax at 30% (2018: 30%)	**1,186**	728
Tax effect of:		
Non-allowable deductions	**258**	99
Amortisation of intangible assets	**95**	102
Tax benefit arising from franked dividend rebate and tax losses brought to account	**(254)**	(183)
Other non-assessable income	**(70)**	(78)
Under/(Over) provision in prior year	**12**	(12)
Income tax expense attributable to profit or loss	**1,227**	656
(c) Current tax		
Current tax relates to the following:		
Current tax (receivable)/liability		
Opening balance	**5**	(265)
Charged to income	**(1,107)**	(582)
Utilisation of tax losses subject to available fraction	**116**	95
Tax payments	**503**	685
Acquisitions/disposals	**-**	72
Under provision prior year	**(12)**	-
Closing balance	**(495)**	5
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets/(liabilities)		
Opening balance	**548**	196
Charged to income net of available fraction losses utilised	**(223)**	(169)
Acquisitions/disposals	**28**	521
Closing balance	**353**	548
Amounts recognised in the consolidated statement of financial position:		
Deferred tax asset	**857**	814
Deferred tax liability	**(504)**	(266)
	353	548

4. INCOME TAXES (continued)

Deferred income tax at 30 June relates to the following:

	2019	2018
Deferred tax assets:	**$'000**	$'000
Un-deducted expenditure	**5**	7
Accruals and provisions	**512**	439
DTA recognised on capital losses	**48**	48
DTA recognised on revenue and available fraction losses	**292**	320
	857	814
Deferred tax liabilities:		
Fair value of assets acquired in a business combination and undistributed income of associates	**(455)**	(217)
Unrealised capital gain	**(49)**	(49)
	(504)	(266)
Net deferred tax assets	**353**	548

(e) Tax losses

Tax losses brought to account

Available fraction losses utilised during the year were $422,953 leaving a remaining balance of $796,336 of which $691,236 (tax effect $207,371) have been recognised as part of deferred tax assets. In addition, there is a further $283,371 of revenue losses (tax effect $85,011) that are recognised as part of deferred tax assets that relate to entities that have a non-controlling interest and are outside the Group's primary tax group.

The Group has recognised un-recouped capital tax losses of $159,341 (2018: $159,341).

The Group has only brought to account the available fraction tax losses incurred in those entities for which the directors believe that it is probable that future taxable profit will be available, against which the unused available fraction tax losses can be utilised.

The benefit will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Tax losses not brought to account

As at 30 June 2019, the Group has un-recouped operating income tax losses subject to available fraction of $298,546 which have not been brought to account, (2018: $299,848). A further $442,860 un-recouped capital tax losses remain unrecognised.

Unrecognised temporary differences

As 30 June 2019, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2018: Nil).

4. INCOME TAXES (continued)

(f) Franking credit balance

	Parent	
	2019	2018
	$'000	$'000
The amount of franking credits available for the subsequent financial year after allowing for the current year proposed dividend are:		
Franking account balance as at the end of the financial year at 30% (2018: 30%)	**2,486**	1,822

5. EARNINGS PER SHARE

	2019	2018
	Cents	Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**7.85**	5.51
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**7.85**	5.51

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

	2019	2018
	$'000	$'000
(c) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**2,730**	1,868
For diluted earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**2,730**	1,868
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**34,754,673**	33,889,152

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

6. CASH AND CASH EQUIVALENTS

	2019	2018
	$'000	$'000
Cash at bank and on hand	**790**	452

7. RECEIVABLES

	2019	2018
	$'000	$'000
Accrued income	**1,083**	1,474
Other debtors and receivables	**1,442**	1,121
	2,525	2,595

8. OTHER CURRENT ASSETS

	2019	2018
	$'000	$'000
Prepayments	**1,024**	619
Other current assets	**24**	60
	1,048	679

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	$'000	$'000
Derivative at fair value through profit or loss	**1,478**	-
	1,478	-

For the year ended 30 June 2019, the Group has recognised a fair value gain in a derivative financial instrument.

This gain is derived from to a Shareholders Deed dated 3 June 2015 (**the Deed**) between Easton Wealth Australia Pty Ltd (**EWA**), a wholly owned subsidiary of the Group, which holds a 25% equity interest in First Financial, and the other 75% shareholder in First Financial (**the Partner**). Under the Deed, the Partner has a right to acquire all of EWAs equity interest on 3 June 2020, or if not acquired at that time, at the end of each 2-year period following that date until 3 June 2024 (call option). To exercise its right, the Partner must give at least 30 days written notice to EWA. If not acquired within the designated timeline, EWA has a further right, (put option) to sell its interest to the Partner.

Based on the formula contained in the Deed, the fair value gain that would be realised by EWA is $1.48 million if the right is exercised on 3 June 2020.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

10. EQUITY ACCOUNTED INVESTMENTS

	2019 $'000	2018 $'000
Equity accounted associated entities	**5,763**	6,061

Investments in associated entities are accounted for using the equity method in the consolidated entity and carried at cost in the respective parent entities.

(a) Carrying amounts

Interest is held in the following associated companies:

Name of company	Principal activity	Ownership interest 2019 %	Ownership interest 2018 %	Carrying amount 2019 $'000	Carrying amount 2018 $'000
First Financial Pty Ltd[1]	Wealth & financial services	**25.0**	25.0	**2,078**	2,363
Hayes Knight (NSW) Pty Ltd[2]	Accounting & tax	**33.3**	33.3	**3,685**	3,698
				5,763	6,061

The principal place of business of associated companies is Australia.

1. First Financial is a pre-eminent, Melbourne based, wealth management and financial services business, offering a range of services including:
    - Financial planning and investment advice;
    - Income protection and life (risk) insurance services; and
    - SMSF administration.

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

(b) Movements in carrying amounts

	2019 $'000	2018 $'000
Carrying amount at the beginning of the financial year	**6,061**	5,867
Share of profits after income tax – refer (c) below	**896**	1,148
Amortisation of separately identifiable intangible assets	**(236)**	(236)
Dividends received	**(958)**	(718)
Carrying amount at the end of the financial year	**5,763**	6,061

(c) Share of associates' profits or losses

	2019 $'000	2018 $'000
Profit before income tax	**1,280**	1,640
Income tax expense	**(384)**	(492)
Profit after income tax	**896**	1,148

10. EQUITY ACCOUNTED INVESTMENTS (continued)

(d) Summarised financial information for associates

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

	First Financial		HKNSW	
Summarised statement of financial position	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Current assets	**4,660**	5,405	**2,797**	2,567
Non-current assets	**10,025**	10,075	**3,740**	3,771
Current liabilities	**(3,035)**	(3,076)	**(1,135)**	(1,012)
Non-current liabilities	**(387)**	(901)	**(176)**	(119)
Net assets	**11,263**	11,503	**5,226**	5,207
Summarised statement of comprehensive income				
Revenue	**12,455**	14,333	**6,448**	6,556
Profit from operations after income tax	**2,663**	3,459[1]	**745[2]**	894

1. Includes a before tax gain on sale of $1,264k in relation to the disposal of the Lending and Finance division.
2. Includes a prior year net expense correction of ($57k).

11. PLANT AND EQUIPMENT

Year ended 30 June 2019	**Office equipment $'000**	**Furniture & fittings $'000**	**Total $'000**
Net carrying amount as at 1 July 2018	56	66	122
Additions	65	27	92
Depreciation charge	(51)	(32)	(83)
Loss on disposal	(2)	(2)	(4)
Net carrying amount as at 30 June 2019	68	59	127
At 30 June 2019			
Cost	593	202	795
Less accumulated depreciation	(525)	(143)	(668)
Net carrying amount	**68**	**59**	**127**

11. PLANT AND EQUIPMENT (continued)

Year ended 30 June 2018	Office equipment $'000	Furniture & fittings $'000	Total $'000
Net carrying amount as at 1 July 2017	170	22	192
Additions	79	120	199
Depreciation charge	(46)	(54)	(100)
Loss on disposal	(2)	(24)	(26)
Reclass software platforms to intangibles	(145)	2	(143)
Net carrying amount as at 30 June 2018	56	66	122
At 30 June 2018			
Cost	530	288	818
Less accumulated depreciation	(474)	(222)	(696)
Net carrying amount	**56**	**66**	**122**

12. INTANGIBLE ASSETS

Year ended 30 June 2019	Client lists & relationships $'000	Goodwill $'000	Software platforms $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2018	12,404	18,663	351	871	32,289
Additions	434	-	209	-	643
Disposals	-	-	-	-	-
Impairment	-	(800)	(26)	-	(826)
Reclassification	-	-	-	-	-
Amortisation charge	(467)	-	(152)	(4)	(623)
Net carrying amount as at 30 June 2019	12,371	17,863	382	867	31,483
At 30 June 2019					
Cost	14,403	18,663	881	989	34,936
Less accumulated amortisation and impairment	(2,032)	(800)	(499)	(122)	(3,453)
Net carrying amount	**12,371**	**17,863**	**382**	**867**	**31,483**

12. INTANGIBLE ASSETS (continued)

Year ended 30 June 2018	Client lists & relationships $'000	Goodwill $'000	Software platforms $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2017	1,375	12,089	-	496	13,960
Additions	11,478	6,574	249	701	19,002
Disposals	-	-	(218)	-	(218)
Reclassification	-	-	443	(300)	143
Amortisation charge	(449)	-	(123)	(26)	(598)
Net carrying amount as at 30 June 2018	12,404	18,663	351	871	32,289
At 30 June 2018					
Cost	13,969	18,663	672	989	34,293
Less accumulated amortisation	(1,565)	-	(321)	(118)	(2,004)
Net carrying amount	**12,404**	**18,663**	**351**	**871**	**32,289**

Impairment testing

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

The recoverable amount used in the impairment test is based on value-in-use calculations using projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections have regard to a CGU's past performance and its expectation for the future.

Goodwill is allocated to the Group's cash generating units (CGUs) identified at the time of each business combination.

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

	2019 $'000	2018 $'000
Wealth Solutions	**8,101**	8,101
Accounting Solutions	**9,762**	10,562
	17,863	18,663

The following table sets out the key assumptions for those segments that have significant goodwill and other intangible assets allocated to them:

	Revenue growth rate		**Expense growth rate**		**Pre-tax discount rate**	
	2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
Wealth Solutions	**(15.0) - 5.0**	(20.0) - 5.0	**3.0-5.0**	5.0	**16.0**	16.0
Accounting Solutions	**1.5 - 5.0**	5.0	**1.5-5.0**	5.0	**16.0**	16.0

The above growth rate assumptions are applied to 2020 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2019, the Group conducted impairment tests on all cash generating units which resulted in a reduction of the carrying amount of goodwill in the document businesses. A total impairment loss of $800,000 has been recognised of which $415,500 has been applied to the goodwill of Law Central and $384,500 to the goodwill of Panthercorp. The directors consider this to be an appropriate charge in light of a continuing subdued market for company registrations and the lower trading performance of both CGUs.

13. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	**1,158**	1,173
Other payables and accruals	**1,125**	1,325
Carrying amount of trade and other payables	**2,283**	2,498

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

14. PROVISIONS AND EMPLOYEE BENEFITS

	2019 $'000	2018 $'000
Current		
Provision for annual leave	**491**	467
Provision for long service leave	**387**	274
Provision for ASIC levy	**673**	488
	1,551	1,229
Non-current		
Provision for long service leave	**134**	153

15. BORROWINGS

(a) Borrowings

	2019 $'000	2018 $'000
Current:		
Other loans	-	43
Non-current:		
Westpac facility	**6,161**	7,172
Other loans	-	21
Total non-current borrowing	**6,161**	7,193
Total borrowings	**6,161**	7,236

On 3 August 2017 the Company executed a finance agreement with Westpac Banking Corporation on the following terms:

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

The facility is secured by a limited guarantee and indemnity provided by all wholly owned entities in the Group supported by GSAs over all assets and undertakings of those entities. The facility has a 3 year term expiring 1 August 2020 and payments are made on an interest only basis.

15. BORROWINGS (continued)

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods. Under the terms of the $10 million facility, all covenant ratios are applied on a Group EBITDA basis.

(b) Loan facilities

	2019	2018
	$'000	$'000
Bank loan facilities	**10,000**	10,000
Amount utilised	**6,161**	7,172
Unused loan facility	**3,839**	2,828

16. PROVISION FOR CONTINGENT CONSIDERATION

	2019	2018
	$'000	$'000
At 1 July:		
Current:	-	413
Additions during the year at fair value	**141**[1]	-
Fair value adjustments during the year	**(101)**[2]	-
Payments/agreed payable	**-**	(413)[3]
Provision for contingent consideration	**40**	-

1. Contingent consideration for SMSF Expert.
2. Fair value adjustment for SMSF Expert contingent consideration.
3. Final contingent consideration payment for Panthercorp.

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

17. OTHER LIABILITIES

	2019	2018
	$'000	$'000
Deferred revenue	**601**	846

18. CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

	Number of shares	$'000
1 July 2018	**34,851,966**	**26,574**
Share buy-back[1]	(237,347)	(205)
30 June 2019	**34,614,619**	**26,369**
1 July 2017	**28,400,330**	**18,629**
- 11 August 2017 consideration shares issued to the majority shareholders at an issue price of $1.29 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,268,406	4,216
- Transaction costs for issue of ordinary shares to majority shareholders of GPS IP Group Holdings Limited		(14)
- 7 September 2017, consideration shares issued to the minority shareholders at an issue price of $1.18 per ordinary share for the acquisition of GPS IP Group Holdings Limited subject to 24 months escrow	3,183,230	3,757
- Transaction costs for issue of ordinary shares to minority shareholders of GPS IP Group Holdings Limited		(14)
30 June 2018	**34,851,966**	**26,574**

1. On 21 November 2018, the directors announced that the Company intended to implement a share buy-back which took effect on 13 December 2018. The buy-back is conducted within the 10/12 limit and therefore is limited to a maximum of 3,485,196 ordinary shares in a 12 month period. Amounts stated above are net of transaction costs.

(b) Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held. Ordinary shares have no par value.

(c) Employee share scheme

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

(d) Performance rights

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

(e) Capital risk management

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

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

18. CONTRIBUTED EQUITY (continued)

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

The gearing ratios:

	Notes	**2019 $'000**	2018 $'000
Total borrowings	15	**(6,161)**	(7,236)
Add: cash and cash equivalents	6	**790**	452
Net cash and borrowings		**(5,371)**	(6,784)
Total equity		**32,302**	30,789
Total capital		**37,673**	37,573
Gearing ratio		**14%**	18%

19. RESERVES

	Other reserve $'000	**Total $'000**
Year ended 30 June 2019		
At 1 July 2018	25	25
Transfer to retained earnings	(25)	(25)
At 30 June 2019	-	-
Year ended 30 June 2018		
At 1 July 2017	25	25
At 30 June 2018	**25**	**25**

Other reserve
The other reserve relates to share options granted to the shareholders of API Capital as consideration for the Group's 19.9% interest in API Capital. The options granted were cancelled pursuant to an Option Cancellation Deed which was approved by shareholders at the annual general meeting on 29 November 2013. During 2019, this balance was transferred to retained earnings.

20. RETAINED EARNINGS

	2019 $'000	2018 $'000
Balance 1 July	**3,965**	2,097
Profit attributable to owners of the Company	**2,730**	1,868
Transfer from reserves	**25**	-
Less dividends paid	**(1,044)**	-
Balance 30 June	**5,676**	3,965

21. NON-CONTROLLING INTERESTS

	2019 $'000	2018 $'000
Contributed equity	**424**	364
Retained profits	**(167)**	(139)
	257	225

(a) Summarised financial information

Easton Wealth Finance

In January 2019 the Group established Easton Wealth Finance (EWF), a finance broking business aimed at creating a capability for accountants and wealth advisers to assist their clients' financing needs. EWF operates nationally and provides a full range of finance solutions including domestic mortgages, investment and commercial loans, business working capital, leasing and SMSF borrowing. The Group holds a 70% interest in EWF with one non-controlling equity partner.

Summarised statement of financial position	**2019 $'000**
Current assets	**25**
Current liabilities	**(23)**
Current net assets	**2**
Non-current assets	**60**
Non-current liabilities	**-**
Non-current net assets	**60**
Net assets	**62**
Summarised statement of comprehensive income[1]	
Revenue	**-**
Profit after tax for the period	**(138)**
Profit allocated to NCI	**(41)**
Summarised cash flows[1]	
Cash outflow from operating activities	**(176)**
Cash outflows from investing activities	**(1)**
Cash inflows from financing activities	**177**
Net increase in cash and cash equivalents	**-**

1. Income and cashflow information is effective from January 2019 being the date of establishment.

21. NON-CONTROLLING INTERESTS (continued)

Taxbytes

The Group holds a 65% interest in Taxbytes Pty Ltd.

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

Summarised statement of financial position	2019 $'000	2018 $'000
Current assets	**387**	85
Current liabilities	**(153)**	(78)
Current net assets	**234**	7
Non-current assets	**566**	657
Non-current liabilities	**(25)**	(20)
Non-current net assets	**541**	637
Net assets	**775**	644
Summarised statement of comprehensive income[1]		
Revenue	**686**	283
Profit after tax for the period	**201**	89
Profit allocated to NCI	**72**	31
Summarised cash flows[1]		
Cash inflows from operating activities	**277**	116
Cash outflows from investing activities	**-**	(555)
Cash inflows from financing activities	**34**	475
Net increase in cash and cash equivalents	**311**	36

1. Income and cashflow information is effective from 11 January 2018 being the date of acquisition.

Law Central

The Group holds a 60.2% interest in Law Central Co. Pty Ltd.

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

Summarised statement of financial position	2019 $'000	2018 $'000
Current assets	**55**	79
Current liabilities	**(122)**	(101)
Current net liabilities	**(67)**	(22)
Non-current assets	**163**	178
Non-current liabilities	**(103)**	(45)
Non-current net assets	**60**	133
Net assets	**(7)**	111

21. NON-CONTROLLING INTERESTS (continued)

Summarised statement of comprehensive income

	2019 $'000	2018 $'000
Revenue	**517**	628
Loss after tax for the period	**(90)**	(260)
Loss allocated to NCI	**(35)**	(127)

Summarised cash flows

	2019 $'000	2018 $'000
Cash outflows from operating activities	**(64)**	(112)
Cash outflows from investing activities	**-**	(13)
Cash inflows from financing activities	**58**	124
Net decrease in cash and cash equivalents	**(6)**	(1)

(b) Transactions with non-controlling interests

During the year, the Group established Easton Wealth Finance Pty Ltd (EWF) with one non-controlling equity partner holding 30% of the share capital. EWF received subscribed capital of $200,000 of which the non-controlling interest contributed $60,000.

On 7 December 2017, Law Central made a rights issue offer to its shareholders to raise $200,000 for working capital purposes. The rights issue was offered on a proportional basis and was underwritten by Easton. The final allocation of shares issued on 26 March 2018 resulted in non-controlling interests subscribing for 4,575,264 of the 20,000,000 shares offered for a consideration of $45,753.

22. ACQUISITION OF SUBSIDIARY

On 2 October 2018, the Group completed the acquisition of 100% of the issued share capital of The SMSF Expert Pty Ltd (**SMSF Expert**). SMSF Expert holds a limited Australian financial services licence which authorises accountants to provide SMSF advice services, a requirement following the removal of the accountants exemption in July 2016. This acquisition complements the Group's existing limited authorised representative (**LAR**) offering through Merit Wealth and GPS Wealth. Under a subscription model, SMSF Expert provides dealer services to circa 80 accountants at acquisition date. The consideration includes an upfront cash payment of $310,000, followed by a deferred consideration on the first anniversary of $141,000 subject to a minimum revenue performance hurdle and collection of opening debtors.

The transaction has been classified as an acquisition of intangible asset in the form of a client list.

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

(i) Purchase consideration:

	2 October 2018 $'000
Cash	310
Contingent consideration	141[1]
	451

1. Contingent consideration has a fair value adjustment applied as at 30 June 2019 resulting in a revised value of $40,000.

22. ACQUISITION OF SUBSIDIARY (continued)

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

	2 Oct 2018 $'000
Cash	62
Trade debtors	75
Prepayments	36
Deferred tax asset	28
Trade payables	(91)
Provisions	(93)
Net identifiable assets acquired	**17**
Separately identifiable intangible asset - Client list	434
Net assets acquired	**451**

(iii) Revenue and profit contribution:
The acquired subsidiary contributed revenues of $251,000 and net profit before tax of $162,000 to the Group for the period 2 October 2018 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated proforma revenue and net profit before tax from continuing operations for the year ended 30 June 2019 would have been $332,000 and $229,000 respectively. The accounting policies of the newly acquired subsidiary are consistent with the Group's accounting policies.

23. CASH FLOW STATEMENT RECONCILIATION

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

	2019 $'000	2018 $'000
Net profit after income tax	**2,726**	1,772
Adjustments for non-cash items:		
Depreciation	**83**	100
Amortisation	**859**	833
Loss on disposal of plant and equipment	**4**	26
Impairment of intangible assets – software platform	**26**	218
Impairment of intangible assets - goodwill	**800**	-
Share of associates' net profit	**(896)**	(1,149)
Fair value adjustment to contingent consideration	**(101)**	-
Fair value adjustment to derivative financial instrument	**(1,478)**	-
Changes in assets and liabilities		
Increase in trade, other receivables and other assets	**(430)**	(2,194)
(Increase)/decrease in deferred tax assets	**(15)**	231
(Decrease)/increase in trade and other payables	**(217)**	681
Increase in provisions and employee benefits	**116**	119
Increase/(decrease) in current tax liability	**500**	(199)
Increase/(decrease) in deferred tax liability	**238**	(61)
Net cash flows from operating activities	**2,215**	377

23. CASH FLOW STATEMENT RECONCILIATION (continued)

(b) Reconciliation of cash

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

	2019 $'000	2018 $'000
Cash at bank (refer to note 6)	**790**	452

24. RELATED PARTY DISCLOSURES

(a) Parent entity

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

(b) Subsidiaries

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

		Proportion of ownership interest and voting power held (%)	
Subsidiary Name	**Country of incorporation**	**2019**	2018
Easton Wealth Australia Pty Ltd	Australia	**100.0**	100.0
Easton Wealth Protection Pty Ltd	Australia	**100.0**	100.0
Easton Wealth Asia Pty Ltd	Australia	**100.0**	100.0
Easton Asset Management Pty Ltd	Australia	**100.0**	100.0
Easton Accounting & Tax Pty Ltd	Australia	**100.0**	100.0
Easton Distribution Services Pty Ltd	Australia	**100.0**	100.0
Knowledge Shop Pty Ltd	Australia	**100.0**	100.0
HK Financial Services Pty Ltd	Australia	**100.0**	100.0
Merit Wealth Pty Ltd	Australia	**100.0**	100.0
Merit Wealth Finance Pty Ltd	Australia	**100.0**	100.0
Merit Planning Pty Ltd	Australia	**100.0**	100.0
Hayes Knight Referral Services Pty Ltd	Australia	**100.0**	100.0
Hayes Knight National Group Pty Ltd	Australia	**100.0**	100.0
Panthercorp CST Pty Ltd	Australia	**100.0**	100.0
Pandocs Pty Ltd	Australia	**80.0**	80.0
Law Central Co. Pty Ltd	Australia	**60.2**	60.2
GPS IP Group Holdings Pty Ltd	Australia	**100.0**	100.0
GPS IP Pty Ltd	Australia	**100.0**	100.0
Accountants Insurance Services Pty Ltd	Australia	**100.0**	100.0
GPS Wealth Limited	Australia	**100.0**	100.0
Pathway to Wealth Pty Ltd	Australia	**100.0**	100.0
PTW Care Pty Ltd	Australia	**100.0**	100.0
Personal Insurance Solutions Australia Pty Ltd	Australia	**100.0**	100.0
Tax Bytes Pty Ltd	Australia	**65.0**	65.0
The SMSF Expert Pty Ltd	Australia	**100.0**	-
Easton Wealth Finance Pty Ltd	Australia	**70.0**	-

24. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel compensation

	2019	2018
	$	$
Short-term employment benefits	**1,438,353**	1,314,693
Post-employment benefits	**97,438**	96,204
Total remuneration	**1,535,791**	1,410,897

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 28.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
Transactions with associates[1]	**$**	$
Fees and other revenue received from associates		
Fees associated with Referral Rights Agreement - First Financial	**-**	63,636
Dividend received - First Financial	**725,018**	484,941

1. HKNSW is an associate of the Group and also a related party of two of the Group's KMP. Transactions with HKNSW are disclosed below in notes 24(e) and 24(f).

	2019	2018
Transactions with associates	**$**	$
Fees paid to associates		
Adviser revenue on paid to First Financial through Merit Wealth AFSL net of commission received.	**-**	(15,689)[1]
Payments for use of office facilities - First Financial	**-**	(90,263)

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

(e) Outstanding balances arising from related party transactions

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019	2018
	$	$
Current payables		
Entities controlled by key management personnel:	**41,850**	27,020
- HKNSW	**41,850**	27,020
Current receivables		
Entities controlled by key management personnel:		
- HKNSW	**5,227**	2,376

24. RELATED PARTY DISCLOSURES (continued)

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

Expenses reimbursement

During the year, the Company paid $39,026 to Hayes Knight (NSW) Pty Ltd, a related party of JG Hayes and L Armstrong for the reimbursement of out of pocket expenses at cost incurred by JG Hayes in the course of fulfilling his duties for the Group (2018: $69,763).

Services

During the year, the Group paid to T&C Consulting Services Pty Ltd, a related party of C Scarcella:

- $50,000 as a non-executive director, (2018: $50,000).
- $5,833 for Chair of the Wealth Regulatory Compliance Project (2018: nil)

Pursuant to a services agreement between Hayes Knight (NSW) Pty Ltd and Knowledge Shop Pty Ltd, Merit Wealth Pty Ltd and Hayes Knight Referral Services Pty Ltd, the Group paid the following fees to Hayes Knight (NSW) Pty Ltd, a related party of JG Hayes and L Armstrong:

- $121,048 for professional fees relating to specialist tax advice, accounting and consulting fees (2018: $198,852);
- $406,121 for adviser fees paid (2018: $384,716);
- $395,934 for help desk and technical training support (2018: $413,583);
- $284,529 for occupancy and infrastructure services (2018: $321,623); and
- $103,227 for administration fees (2018: $176,998).

Revenue

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

- $12,720 for recovery of dealer group fees (2018: $18,676); and
- $233,101 fully franked dividends (2018: $233,101).

25. COMMITMENTS

(a) Lease commitments – the Group as lessee

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

(i) Payments recognised as an expense

	2019	2018
	$'000	$'000
Minimum lease payments	**732**	701
	732	701

(ii) Non-cancellable operating lease commitments

	2019	2018
Not later than 1 year	**405**	161
Later than 1 year and not later than 5 years	**462**	21
Later than 5 years	**-**	-
	867	182

(b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2019 (2018: Nil).

(c) Loan commitments

Refer to note 15, for details on borrowings

26. CONTINGENCIES

There were no contingent liabilities as at 30 June 2019 (2018: Nil).

27. EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 30 June 2019 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

28. FINANCIAL INSTRUMENTS

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

The Group's risk management framework considers the risk of unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is overseen by the Audit and Risk Committee which monitors financial risk as part of its risk register.

The Group holds the following financial instruments:

	2019	2018
	$'000	$'000
Financial assets		
Cash and cash equivalents	**790**	452
Trade and other receivables	**2,525**	2,595
Derivative financial instrument	**1,478**	-
Total financial assets	**4,793**	3,047
Financial liabilities		
Trade and other payables	**2,283**	2,498
Borrowings	**6,161**	7,236
Contingent consideration	**40**	-
Total financial liabilities	**8,484**	9,734

The Group's operating activities expose it to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

(a) Market price risk

Market price risk represents the loss that would be recognised if the value of global financial markets were to decline. The Group earns financial planning revenue which is based on fees charged for service and is not directly linked to financial markets, thereby mitigating market price risk in the Group's Wealth Solutions segment. The Group has also earnt portfolio management fee revenue which is more closely linked to global equity market values and based on funds under management. The funds under management is subject to market risk in that the base will increase during periods of market growth, but decrease during periods of market decline. This exposure primarily relates to funds that are held on external platforms guided by the Group's CARE philosophy. There are many variables that have an impact on global financial markets including a combination of price, currency and interest rate risks and the directors believe that sensitivity analysis based on movement in funds under management derived from price risk in isolation does not provide a meaningful assessment of the Group's exposure.

28. FINANCIAL INSTRUMENTS (continued)

(b) Currency risk

Exposure to currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group does not hold any material foreign currency denominated financial instruments.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Non-derivative interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts.

The Group's exposure to market interest rates arises primarily from drawdowns of debt finance and commercial banks which expose the Group to variable interest rates.

The Group seeks to match the type of securities which are used as collateral with an ability for such securities to provide an income stream to assist in the servicing of the debt. Whilst the Group hopes to achieve at least a cash flow neutral outcome from this asset-liability management, there is no guarantee such an outcome will be achieved due to the equity, and thus variable distribution and dividend nature of the securities from which income is derived.

Due to the simplistic nature of the Group's debt financing, policies and procedures in relation to risk management of the debt position are generally prescribed to the Group in the form of maximum available loan amounts and rate of interest charged.

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

30 June 2019	Weighted average interest rate %	Fair value $'000	Floating interest rate $'000	Non interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	0.50	-	1	789	790
Trade and other receivables	-	-	-	2,525	2,525
Derivative financial instrument	5.00	1,478	-	-	1,478
Financial liabilities:					
Trade and other payables	-	-	-	(2,283)	(2,283)
Borrowings	5.06	-	(6,161)	-	(6,161)
Contingent consideration	-	-	-	(40)	(40)
Net financial assets/(liabilities)		**1,478**	**(6,160)**	**991**	**(3,691)**

28. FINANCIAL INSTRUMENTS (continued)

30 June 2018	Weighted average interest rate %	Fair value $'000	Floating interest rate $'000	Non interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	0.40	-	22	430	452
Trade and other receivables	-	-	-	2,595	2,595
Financial liabilities:					
Trade and other payables	-	-	-	(2,498)	(2,498)
Borrowings	5.14	-	(7,236)	-	(7,236)
Net financial assets/(liabilities)		**-**	**(7,214)**	**527**	**(6,687)**

For the year ended 30 June 2019, if average interest rates had changed by +/- 1% (100 basis points), assuming all other variables held constant, the pre-tax profit for the year would have been approximately $66,607 lower/higher (2018: $62,940 lower/higher).

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

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

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

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

At balance date the Group does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Group. At balance date 71% of trade receivables are within approved credit terms (2018: 74%). All trade receivables that are not impaired are expected to be received.

The Group's cash investments are managed internally under Board approved guidelines. Funds are invested for the short-term with the major Australian banks which have a Standard & Poor's short-term rating of A1+.

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

28. FINANCIAL INSTRUMENTS (continued)

(e) Liquidity risk

Liquidity risk includes the risk that, as a result of the Group's operational liquidity requirements:

- the Group will not have sufficient funds to settle a transaction on the due date;
- the Group will be forced to sell financial assets at a value which is less than fair value; or
- the Group may be unable to settle or recover a financial asset at all.

To help mitigate these risks the Group attempts to ensure the entity has accessible liquidity in the form of cash and access to bank financing. All financial assets and liabilities have maturity of less than 12 months.

(f) Fair values of financial assets and liabilities

Financial assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

Refer to the table in note 28 (c) for allocation of financial liabilities by level.

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

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

	2019	2018
	$'000	$'000
At 1 July	**-**	413
Additions during the year at fair value	**141**	-
Payments/payable	**-**	(413)
Fair value adjustments during the year	**(101)**	-
At 30 June	**40**	-

The valuation technique used to fair value the provision for contingent consideration is discounted cash flow and the significant unobservable input is a discount rate of 15%. If the discount rate had changed by +/- 1% (100 basis points), assuming all other variables held constant, the impact on pre-tax profit for the year would have been $nil. (2018: $nil lower/higher).

(g) Reconciliation of net financial assets to net assets

	2019	2018
	$'000	$'000
Net financial assets and liabilities as above	**(3,691)**	(6,687)
Non financial assets and liabilities	**35,993**	37,476
Net assets per statement of financial position	**32,302**	30,789

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

The accounting policies of Easton Investments Limited (the Parent Entity), which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 31 for a summary of the significant accounting policies relating to the Group.

(a) Summarised statement of financial position	2019 $'000	2018 $'000
Current assets	**75**	73
Non-current assets	**28,621**	33,470
Total assets	**28,696**	33,543
Current liabilities	**819**	388
Non-current liabilities	**9,753**	12,183
Total liabilities	**10,572**	12,571
Net Assets	**18,124**	20,972
Contributed equity	**26,369**	26,574
Accumulated losses	**(8,245)**	(5,602)
Total equity	**18,124**	20,972

(b) Summarised statement of comprehensive income

Loss of the parent entity	**(1,600)**	(1,400)
Total comprehensive loss of the parent entity	**(1,600)**	(1,400)

(c) Parent entity guarantees
The parent has not provided any guarantees in relation to debts of its subsidiaries.

(d) Parent entity contingent liabilities
The parent has no contingent liabilities as at the date of this report.

(e) Parent entity contractual commitments
The parent has no contractual commitments for the acquisition of property, plant or equipment.

30. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2019[1] $	2018 $
(a) BDO/Pitcher Partners		
Audit and review of financial statements	**150,700**	200,000
Total remuneration of Pitcher Partners	**150,700**	200,000
(b) Non BDO/Pitcher Partners audit firms		
Audit and review of financial statements	**-**	-
Total remuneration of non-Pitcher Partners audit firms	**-**	-

1. BDO replaced Pitcher Partners as the Group auditors in 2019.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity (**the Group**), consisting of Easton Investments Limited (**Easton** or **the Company**) and the entities it controls.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Easton Investments Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 21 August 2019.

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

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

(i) Compliance with IFRS
The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(iii) Critical accounting estimates
The preparation of these financial statements requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in note 32.

(iv) New and amended standards adopted by the Group

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

These Standards replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by 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.

Upon adopting AASB 9 on 1 July 2018, there has been no impact on the Group's financial statements given the current lines of business transactions and therefore no adjustments have been made. The impact from the application of the simplified approach to measuring expected credit losses was not material and did not result in an adjustment been made.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The directors believe the current practices of revenue recognition are consistent with this standard apart from the revenue recognised for referral rights agreements (RRAs). Under AASB 15 revenue is recognised in line with upfront payments which gives the territory owner immediate access to the services under the agreement where previously revenue was recognised over a 18 month claw-back period. On adoption of this standard, there has been 1 RRA entered into which resulted in an additional $100,000 being recognised in the current year that otherwise would have been recognised over future periods. No restatements to comparatives have been necessary as there was no balance of deferred revenue from previous RRAs.

New standards and interpretations not operative as at 30 June 2019

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 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.

Under AASB 16, the Group will recognise a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to operating lease expenses under AASB 117. EBITDA results will be positively impacted as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group will adopt this standard from 1 July 2019, using the modified retrospective approach, whereby the accumulative effect of adopting AABS 16 will be recognised at 1 July 2019, with no restatement comparative. The estimated impact on adoption is:

Recognition of new right-of-use assets	$634,036
Recognition of new lease liabilities	$634,036.

(b) Principles of consolidation

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

(i) Subsidiaries

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

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Associates

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

(iii) Equity method

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

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

(iv) Non-controlling interests

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

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

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

(v) Changes in ownership interests

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

If the Group loses control over a subsidiary, it:

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

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

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

(d) Foreign currency translation and balances

(i) Functional and presentation currency
The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(e) Revenue

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

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

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

Accounting Solutions revenue*:*

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

(ii) Membership subscription revenue
Membership subscription to accounting solutions help desk and practice support services is recognised over time on a monthly basis in line with the providing accessibility to the support services.

(iii) Document sales
Legal document revenue is recognised at the point in time the documents are delivered to the customer.

Wealth Solutions revenue:

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Licensee Fees from approved platforms
License service fees are received from platform providers over time in line with the provision of management and administration of client investment and superannuation funds.

(iii) Initial and on-going commissions on insurance products
Upfront commission is recognised as revenue at a point in time, being when the policy is placed by the provider. The performance obligation with respect to on-going commissions revenue are to introduce or refer successful insurance policy applications. The performance obligation for on-going commissions revenue is therefore satisfied at the point in time the policy is placed by the provider.

Factors contributing to uncertainty include:

- Duration an adviser may be licensed under one of the Group AFSLs
- Potential legislative changes in relation to grandfathered commissions resulting from Royal Commission
- Client initiated changes of insurance provider
- Insurance provider changes to providing on-going commission

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

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

Other revenue:

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

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

(f) Other income

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

(g) Income tax and other taxes

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

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

(ii) Other taxes

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

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

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

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

(iii) Tax consolidation

The Group has applied tax consolidation legislation to form one tax-consolidated group for all wholly owned subsidiaries. The Company being the head entity, and the subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This means that:

- the head entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances only; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as intercompany payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations. Tax accounting for entities with a non-controlling interest are accounted for on a standalone basis.

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases
Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases
Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Business combinations

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

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

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of non-financial assets

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Investments and other financial assets

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

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

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

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

(iii) Financial liabilities
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Impairment of financial assets

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

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

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

Refer to note 28 (f) for classification of financial assets and liabilities by fair value.

(m) Plant and equipment

Cost and valuation

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

Depreciation

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

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

The useful lives for each class of asset are:

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

Derecognition

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

(n) Goodwill and intangibles

Goodwill

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

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 31(j) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

- Client contracts and related client relationships not exceeding 15 years

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

(o) Trade and other payables

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Borrowings

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

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

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

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

(q) Provisions and employee benefits

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits
(i) Short-term employee benefit obligations
Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations
The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled wholly within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Share-based payments
The Company has a share-based payment employee share ownership scheme via the Easton Investments Share Ownership Plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options or performance rights that are expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(v) Bonus plans
The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(vi) Termination benefits
Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(r) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, options or performance rights are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

32. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

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

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

32. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

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

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may be recognised.

The carrying amount of goodwill at 30 June 2019 was $17,862,931 (30 June 2018: $18,662,931). Impairment losses of $800,000 have been recognised against goodwill during the year (2018:nil). Details of impairment testing are set out in note 12.

Impairment of non-financial assets other than goodwill
All non-financial assets are assessed for impairment at each reporting date or when there may be indicators of impairment by evaluating whether their carrying amount is in excess of their recoverable amount.

Value-in-use calculations are based on projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future.

The carrying amount of intangible assets other than goodwill at 30 June 2019 was $13,619,918 (30 June 2018: $13,626,052). Refer to note 12.

Income tax
Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

The Group only brings to account tax losses incurred in those entities for which the directors believe that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised.

Fair value measurements
Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to note 28(f).

Share-based payment transactions
The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair value assessment includes the probability of non-market conditions being met.

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

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 31 to 78 in accordance with the *Corporations Act 2001*:

a. comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

b. as stated in note 31, the consolidated financial statements also comply with International Financial Reporting Standards; and

c. give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the executive director and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

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

On behalf of the Board.

Kevin White

Kevin White
Chairman

Sydney
21 August 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Easton Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Easton Investments Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Goodwill impairment assessment

Key audit matter	How the matter was addressed in our audit
The Group's disclosures in respect to Goodwill and impairment assessment are included note 12 of the financial statements. Annual impairment testing requires a significant amount of judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates. The critical assumptions used by Management are disclosed in note 12. The assumptions and complexity of the calculations have made the impairment assessment of goodwill a Key Audit Matter.	In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to: • Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets. • Evaluating the appropriateness of Management's identification of the Group's cash generating units. • Recalculating the mathematical accuracy of the impairment models. • Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to testing the accuracy of Management's projections. • In conjunction with our valuation specialists, assessing the discount rates and EBITDA multiples utilised in the recoverable amount calculations. • Applying a sensitivity analysis to Management's key assumptions. • We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 29 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Easton Investments Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Tim Aman
Partner

Sydney, 21 August 2019

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 19 August 2019.

(a) Distribution of equity securities

Ordinary share capital
As at 19 August 2019 there were 34,610,276 shares held by 472 shareholders, all of which were quoted on the ASX. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range	Number of shares	Holders
1 - 1,000	30,951	158
1,001 - 5,000	158,974	50
5,001 - 10,000	387,740	48
10,001 - 100,000	5,340,669	157
100,001 - over	28,691,942	59
TOTAL	**34,610,276**	**472**

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

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Notification date	Ordinary shares held Number	%
Ordinary shareholders			
Greg Hayes (direct and associated entities)	08/09/2017	5,913,705[1]	17.09
Kevin White (direct and associated entities)	08/09/2017	3,060,000[1]	8.84
Pie Funds Management Limited	11/09/2017	2,640,059[2]	7.63
		11,613,764	33.56

1. Shareholding as at 19 August 2019.
2. Shareholding at date of notification.

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION
(continued)

(c) Twenty largest holders of quoted equity securities as at 19 August 2019

	Fully paid ordinary shares	
	Number	**Held %**
Ordinary shareholders		
Mr Kevin White & Mrs Margaret White <White Family Super Fund A/C>	3,060,000	8.84
Greg Hayes	2,932,072	8.47
National Nominees Limited	2,795,422	8.08
A.C.N 098 682 556 Pty Ltd	2,444,445	7.06
Mr Peter Geoffrey Hollick	1,030,000	2.98
Holman Corporation Pty Ltd <Holman Family Trust	990,852	2.86
Citicorp Nominees Pty Ltd	902,847	2.61
Mr Grahame David Evans & Mrs Catherine Jane Evans	891,754	2.58
RJM TC Pty Ltd <The McGregor Family Trust	767,336	2.22
Craig Rosen	681,036	1.97
HP Capital Pty Ltd	666,667	1.93
Mr Alistair David Strong	600,000	1.73
Mr Anthony Raymond White	563,495	1.63
Marsel Holdings Pty Ltd <Hayes Super Fund A/C>	537,188	1.55
Top Pocket Pty Ltd <Top Pocket Super Fund A/C>	533,334	1.54
Top Pocket Pty Ltd	530,400	1.53
HSBC Custody Nominees (Australia) Limited	529,977	1.53
Lisa Armstrong	447,600	1.29
Mini Investments Pty Ltd	420,000	1.21
Dixon Trust Pty Limited	419,900	1.21
Shane Anthony Bransby	408,904	1.18
	22,153,229	64.01

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

(d) Restricted securities

As at 19 August 2019, there were 3,225,800 restricted ordinary shares subject to voluntary escrow.

(e) Voting rights

On a show of hands, every shareholder present in person or by proxy holding ordinary securities in the Company shall have one vote and upon a poll each ordinary security shall have one vote.