Rule 4.2A.3

Appendix 4D

Half-year Report
For the period ended 31 December 2019

Name of entity

EASTON INVESTMENTS LIMITED

ABN

48 111 695 357

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

Current reporting period	The half-year ended 31 December 2019
Previous corresponding reporting period	The half-year ended 31 December 2018

2. Results for announcement to the market

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

	Half-year			
	2019 $'000	**2018 $'000**	**% Change**	**Up/ (Down)**
Revenue from ordinary activities	34,186	29,505	16	Up
Profit from ordinary activities after tax attributable to members	1,058	986	7	Up
Profit for the period attributable to members	1,058	986	7	Up

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

An interim dividend has been declared of $517,267 (being 1.5 cents per ordinary share), payable on 1 May 2020.

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

17 April 2020.

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

Commentary on the results for the half-year ended 31 December 2019 is provided in the 'Review of operations' section in the attached Interim Report.

In this Appendix 4D, the consolidated entity (**the Group**) consists of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

	Half-year 2019	Half-year 2018
Net tangible asset backing per ordinary security	0.58 cents	(6.22) cents

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

a) Control gained over entities

Not applicable.

b) Control lost over entities

Not applicable.

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

Details of Dividends[1]	Cents per share	$
2019 Final dividend (paid 27 September 2019)	2.0	691,245
2020 Interim dividend[2,3]	1.5	517,267[4]

1. All dividends are fully franked at a tax rate of 30%.
2. Record date for determining entitlement to the 2020 interim dividend is 17 April 2020.
3. The 2020 interim dividend is payable on 1 May 2020.
4. Total dollar value based on number of shares at 31 December 2019 which is subject to adjustments resulting from the Share buy-back plan.

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

Not applicable.

7. Details of associates and joint venture entities

a) Details of associates

Name of Entity	Percentage Held (%)		Share of Net Profit ($'000)	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
First Financial Pty Ltd (**First Financial**)	25	25	293	307
Hayes Knight (NSW) Pty Ltd and Hayes Knight Services (NSW) Pty Ltd (together, **HKNSW**)	33.3	33.3	86	93

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
- Self-managed super fund (SMSF) administration.

HKNSW is an established, full service accounting firm based in Sydney providing a suite of professional accounting services including business services, specialist tax, superannuation, financial planning and corporate finance.

b) Details of joint venture entities

Not applicable.

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

Not applicable.

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

Not applicable.

Kevin White

Kevin White
Chairman

Sydney
20 February 2020

Easton Investments Limited ABN 48 111 695 357
Interim Report – 31 December 2019

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Easton Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report, together with the condensed interim financial report on the consolidated entity (**the Group**) consisting of Easton Investments Limited (**Easton** or **the Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019, and the independent review report thereon. The condensed interim financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

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

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

Results and dividends

The net profit after tax of the Group for the half-year ended 31 December 2019 was $1.06 million (2018: $1.00 million).

The directors have declared an interim fully franked dividend of $517,267 equivalent to 1.5 cents per share, an increase of 50% compared to the previous corresponding period. The dividend has a record date of 17 April 2020 and is to be paid on 1 May 2020.

Review of operations

Operating revenue was $34.19 million for the period, up from $29.51 million in the previous corresponding period, an increase of 16%. Statutory net profit after tax was $1.06 million, up from $1.00 million in the previous corresponding period, an increase of 6%.

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

- one-off non-operational items (acquisition-related costs, redundancy costs, impairment charges, and gains/losses on the sale of investments);
- non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

Underlying Profit was $2.27 million, an increase of 10% compared to the prior corresponding period on the back of higher revenues.

Financial performance on a comparative basis is presented in the following table:

Group performance	Dec 19	Dec 18	Increase
	$'000	**$'000**	**%**
Revenue from ordinary operating activities	34,186	29,505	16
Net Profit After Tax [1]	1,061	998	6
Underlying Profit [2]	**2,271**	**2,061**	**10**

1. Net Profit After Tax (**NPAT**) includes profit attributable to non-controlling Interests. Profit attributable to members is $1,058,000 (2018: $986,000).
2. Underlying Profit is a non-IFRS measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. See table below for reconciliation of Underlying Profit to Statutory Profit.

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

	31 December 2019 $'000	31 December 2018 $'000
Normalised EBITA for the half-year	**2,271**	2,061
Add/(deduct) normalisation adjustments[1]:		
Restructuring & acquisition costs	**(254)**	(57)
Equity accounting adjustments for interest and tax[2]	**(210)**	(185)
Reverse impact of AASB16 - Leases	**11**	-
Fair value adjustment derivative financial instrument	**125**[3]	-
Reported EBITA for the half-year	**1,943**	1,819
Add/(deduct):		
Net interest expense	**(196)**	(236)
Amortisation of intangible assets	**(442)**	(422)
Statutory operating profit before tax for the half-year	**1,305**	1,161
Income tax expense	**(244)**	(163)
Statutory profit after tax for the half-year	**1,061**	998
Net profit after tax attributable to non-controlling interests	**3**	12
NPAT attributable to members	**1,058**	986

1. Normalisation adjustments have not been subject to auditor review and are intended to provide greater insight into the underlying performance of the Group.
2. Adjustments to gross up the share of profits from equity accounted investments for interest and taxation have been applied to both HKNSW and First Financial in order to compare wholly owned and partially owned businesses on a like-for-like basis.
3. Fair value adjustment of derivative financial instrument in relation to a call option under the shareholders deed of First Financial exercisable in June 2020.

Analysis by segment

The Group continues to take a leading position in the convergence of the wealth and accounting sectors. Services to these sectors are provided through two divisions, Accounting Solutions and Wealth Solutions. Both divisions focus on delivering solutions to their respective markets which include operational, compliance, growth and training needs. 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 is comprised 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 on a comparative basis is summarised below:

Wealth Solutions	**Dec 19**	**Dec 18**	**Increase/(decrease)**
	$'000	**$'000**	**%**
Revenue from ordinary operating activities	28,436	24,402	16
Segment result – Normalised EBITA	1,520	1,685	(10)

The Group's Wealth Solutions division provides a range of dealer group services to a large network of advisers comprised of full advisers (**ARs**) and limited authorised advisers (**LARs**). The division achieved strong revenue growth in the 1st half, up 16% to $28.44 million. Underlying Profit (Normalised EBITA) decreased by 10% to $1.52 million, compared to the prior corresponding period due partly to a loss of $0.17 million incurred with the establishment of a finance broking business, EWF.

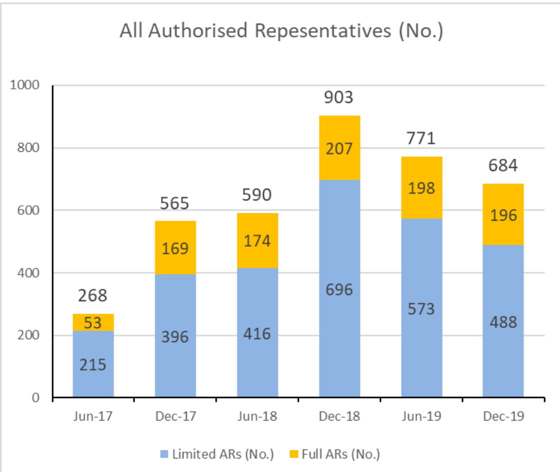
On a like for like basis, Underlying Profit from the Wealth Solutions division was marginally ahead of the prior corresponding period. Strong revenue growth was offset by increased investment in compliance, monitoring and training systems.

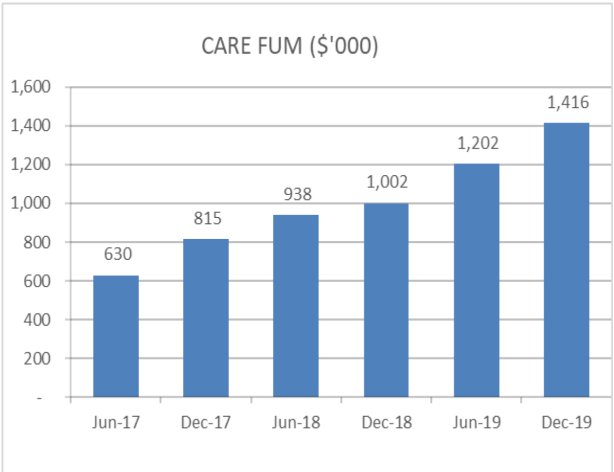
Full adviser revenue increased by 16% over the prior corresponding period while the number of advisers on license remained stable. LAR subscription revenue decreased by 3% over the prior corresponding period while the number of LARs on licence decreased by 31%. Following the momentum of LAR registrations that were required by 1 January 2019, there has been some rationalisation as accountants have assessed their positions in light of the increasing ongoing compliance and education obligations. The contraction in adviser numbers will not result in a corresponding percentage reduction in revenue, when measured against the prior period. Subscription revenue is recognised on a monthly basis following advisers coming on to licence and in the 2019 year a significant number of LARs came on to licence mid-way through the year resulting in only a part year subscription revenue being recognised.

The Group's investment solution CARE, delivered though a portfolio of managed accounts, continued to perform strongly. Funds under management grew to in excess of $1.42bn at 31 December 2019, compared to $1.00bn at the end of the prior corresponding period, an increase of 41%.

First Financial, the Group's equity accounted investment continued to improve on prior corresponding period share of profits.

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





2. Accountings Solutions

The Group's Accounting Solutions division is comprised 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 division on a comparative basis is summarised below:

Accounting Solutions	Dec 19	Dec 18	Increase
	$'000	**$'000**	**%**
Revenue from ordinary operating activities	5,750	5,095	13
Segment result – Normalised EBITA	1,731	1,307	32

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

The division continued to achieve strong growth during the 1st half with revenue increasing by 13% to $5.75 million. Underlying Profit (Normalised EBITA) increased by 32% to $1.73 million compared to the prior corresponding period.

The training business has performed well during the current period with training revenue up 37% and subscription member revenue up 16% on prior corresponding period. Underlying profit in the training business increased by 24% compared with the prior corresponding period. Part of the increase in training services during the period has been driven through expansion into the wealth sector where training demand has increased significantly under the FASEA requirements. The training business has invested in specialist resources to position itself as an industry leader with training capability in both the accounting and wealth sectors.

The legal document businesses have achieved an improved performance after a soft result in FY19 which was consistent with an Australia wide market downward trend for new company registrations. This improvement reflects a modest upturn in company registrations, together with cost saving initiatives introduced during the last 12 months.

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

The Group's businesses 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 period was $0.68 million (2018: inflow $0.63 million). In addition, the Group received dividends from associates of $0.63 million. This cash inflow has provided adequate funds to meet capital commitments, service debt, pay dividends and continue with the share buy-back plan.

During the period a final dividend of $0.69 million for the 2019 financial year was paid.

Under the Company's share buy-back plan, 130,148 shares at an outlay of $0.12 million have been purchased on-market and cancelled as at 31 December 2019.

At balance date, net debt after including cash reserves, amounted to $5.23 million (31 December 2018: $6.49 million).

On 23 January 2020, the Group renewed and restructured its existing $10 million finance facility by extending for an additional 3 year term. In addition, a $3 million acquisition facility was approved to assist with the acquisition of Tax Banter.

Outlook

In the second half of last year, the Company announced that it had appointed Grant Samuel Corporate Finance to undertake a strategic review of the Company, its businesses and prospects. The review highlighted the need for the Company to focus on its core business strengths and to continue to explore all options to create meaningful scale.

Accordingly, the Board intends to investigate opportunities to streamline the Company and build scale as part of a clear strategic focus to develop, or otherwise be part of a much larger business with a strong competitive position and national market presence.

At the same time, Directors expect further improvement in underlying performance in the 2nd half.

Notably, the Company's core businesses have a strong 2nd half bias to earnings, as reflected in prior year results. This is partly due to continuing organic growth and also a natural seasonal business skew.

Directors remain extremely positive about the Company's prospects over the medium to long term outlook on the back of a number of discrete organic growth opportunities within and across different business units, including:

- Higher earnings flowing from the Wealth Solutions division as a result of on-going growth in adviser businesses and the introduction of a new dealer group pricing model;
- Continued growth in CARE as the managed accounts solution is expanded beyond the Company's adviser network and through the release of CARE Essentials which is designed for a broader range of investors;
- Continued growth in Knowledge Shop's subscriber membership base;
- Accelerated growth in training both in the Wealth and Accounting sectors; and
- Growth and extension of services provided by Knowledge Shop to its market.

These factors should continue to drive revenue and earnings growth. As always, regulatory changes and market conditions can affect the Company and directors are mindful of their potential to impact performance.

Significant events after the balance date

Tax Banter

On 23 January 2020, the Group executed agreements to acquire a 60% controlling interest in Tax Banter Pty Ltd (**Tax Banter**). Tax Banter is a leading national provider of in-house tax training to the accounting profession. The acquisition further enhances the Group's training capability, increasing both market share and resources. Approximate turnover and EBITA on a normalised and annualised basis is $7.0 million and $1.7 million respectively.

Under the agreement, the Group will:

- Acquire 60% of the share capital for $4.28 million in cash of which 90% was paid on 23 January 2020 with the balance subject to adjustment after confirming the opening net asset position, and payable in March 2020;
- Enter into a Put Call Option to acquire the remaining 40% of share capital in 2 years; and
- Provide an earn-out incentive not exceeding $500,000, calculated at a progressive rate linked to earnings growth in excess of 6% per annum over the next 2 years.

At the time of this financial report, there is insufficient detail to finalise the purchase price accounting for the Tax Banter business combination which will be reflected in the second half of the 2020 financial year.

Significant events after the balance date (continued)

Refinance

On 21 January 2020, Westpac Banking Corporation confirmed approval of a renewal and restructure of the Group's existing $10 million debt facility which was due to expire on 1 August 2020. In addition, Westpac approved a new $3 million acquisition facility to assist in financing the Tax Banter transaction. The two facilities have a 3 year term. The $10 million facility is a principal and interest loan, with a debt amortisation on a facility reduction basis, calculated on a notional 7 year amortisation term. The $3 million facility is an interest only loan. No changes were made to the existing security structure.

At balance date, the existing facility has been classified as a current liability as the renewal has been approved after 31 December 2019.

Executive and Board Succession Planning

On 17 February 2020, Mr Greg Hayes, the Managing Director of Easton, gave notice under the terms of his contract that he plans to retire as managing director of the Company. Mr Hayes has a 6-month notice period, but agreed to remain in his role until the 2020 Annual General Meeting or longer if necessary to give the Company ample time to find a suitable replacement.

The Company also announced on that same date that Mr Rodney Green has confirmed his intention to step down from the Board as a non-executive director in coming months. Mr Green is the Company's longest serving director and his decision will facilitate an on-going Board renewal process.

Rounding of amounts

The parent entity and the consolidated entities have applied the relief available under ASIC Corporations (Rounding in financial/directors' reports) Instrument 2016/191 and accordingly, the amounts in the condensed 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 dollars.

Auditors' independence declaration

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

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

Kevin White
Chairman
Sydney
20 February 2020

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF EASTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

As lead auditor for the review of Easton Investments Limited and the entities it controlled for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Tim Aman
Partner

BDO East Coast Partnership

Sydney, 20 February 2020

	Note	Half-year	
		2019	2018
		$'000	$'000
Revenue from ordinary operating activities			
Services		**34,146**	29,460
Other revenue		**40**	45
	1	**34,186**	29,505
Other income		**125**	-
Share of net profit of associates accounted for using the equity method		**379**	400
Expenses from ordinary operating activities			
Adviser share and other direct costs		**(25,429)**	(21,741)
Salaries and employee benefits expense		**(4,809)**	(4,267)
Occupancy expenses		**(183)**	(306)
Professional fees and consultants		**(840)**	(578)
Administration expense		**(497)**	(470)
Corporate costs		**(172)**	(153)
IT expenses		**(326)**	(203)
Marketing expenses		**(135)**	(171)
Other expenses		**(184)**	(145)
Finance costs		**(198)**	(238)
Depreciation and amortisation		**(612)**	(470)
Net loss on disposal of fixed assets		**-**	(2)
Profit before income tax		**1,305**	1,161
Income tax expense		**(244)**	(163)
Profit for the half-year		**1,061**	998
Total comprehensive income for the half-year		**1,061**	998
Profit for the half-year is attributable to:			
Non-controlling interests		**3**	12
Owners of the Company		**1,058**	986
		1,061	998
Total comprehensive income for the half-year is attributable to:			
Non-controlling interests		**3**	12
Owners of the Company		**1,058**	986
		1,061	998
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic and diluted earnings per share		**3.07**	2.83

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

	Note	**31 December 2019 $'000**	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**868**	790
Receivables		**3,014**	2,525
Other current assets		**451**	1,048
Derivative financial instruments		**1,603**	1,478
Total current assets		**5,936**	5,841
Non-current assets			
Equity accounted investments		**5,390**	5,763
Plant and equipment		**113**	127
Right of use assets		**489**	-
Intangible assets		**31,311**	31,483
Deferred tax assets		**897**	857
Total non-current assets		**38,200**	38,230
TOTAL ASSETS		**44,136**	44,071
LIABILITIES			
Current liabilities			
Trade and other payables		**2,844**	2,283
Provisions and employee benefits	4	**821**	1,551
Borrowings		**6,096**	-
Current tax liability		**245**	495
Provision for contingent consideration	6	**-**	40
Lease liabilities		**288**	-
Contract liabilities		**173**	601
Total current liabilities		**10,467**	4,970
Non-current liabilities			
Provisions and employee benefits	4	**557**	134
Borrowings		**-**	6,161
Lease liabilities		**216**	-
Deferred tax liabilities		**368**	504
Total non-current liabilities		**1,141**	6,799
TOTAL LIABILITIES		**11,608**	11,769
NET ASSETS		**32,528**	32,302
EQUITY			
Contributed equity	3	**26,254**	26,369
Retained earnings		**6,032**	5,676
Equity attributable to owners of the Company		**32,286**	32,045
Non-controlling interests		**242**	257
TOTAL EQUITY		**32,528**	32,302
Net tangible assets per share (cents)		**0.58**	1.34

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

Consolidated	**Ordinary shares $'000**	**Retained earnings $'000**	**Reserves $'000**	**Owners of the parent $'000**	**Non-controlling interest $'000**	**Total $'000**
Balance at 1 July 2019	**26,369**	**5,676**	**-**	**32,045**	**257**	**32,302**
Adjustment for AASB16 - Leases	-	(11)	-	(11)	-	(11)
Balance restated	**26,369**	**5,665**	**-**	**32,034**	**257**	**32,291**
Profit for the half-year	-	1,058	-	1,058	3	1,061
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	1,058	-	1,058	3	1,061
Transactions with owners in their capacity as owners:						
Capital contribution - NCI	-	-	-	-	45	45
Share buy-back	(115)	-	-	(115)	-	(115)
Dividends paid	-	(691)	-	(691)	(63)	(754)
Balance at 31 December 2019	**26,254**	**6,032**	**-**	**32,286**	**242**	**32,528**
Balance at 1 July 2018	**26,574**	**3,965**	**25**	**30,564**	**225**	**30,789**
Profit for the half-year	-	986	-	986	12	998
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	986	-	986	12	998
Transactions with owners in their capacity as owners:						
Share buy-back	(40)	-	-	(40)	-	(40)
Dividends paid	-	(697)	-	(697)	(24)	(721)
Balance at 31 December 2018	**26,534**	**4,254**	**25**	**30,813**	**213**	**31,026**

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

	Half-year	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Fees and commissions received	**36,749**	32,356
Payments to suppliers and employees	**(35,207)**	(31,143)
Cash generated from operations	**1,542**	1,213
Interest received	**2**	2
Finance costs paid	**(198)**	(238)
Income taxes paid	**(669)**	(351)
Net cash inflow from operating activities	**677**	626
Cash flows from investing activities		
Payment for investment in subsidiary net of cash	**(38)**	(248)
Payments for property, plant and equipment and software platforms	**(175)**	(128)
Dividends received from associates	**633**	808
Net cash inflow from investing activities	**420**	432
Cash flows from financing activities		
Proceeds from borrowings	**-**	60
Repayments of borrowings	**(66)**	(43)
Principal payments of lease liabilities	**(129)**	-
Payments under share buy-back plan	**(115)**	(40)
Dividend paid to shareholders	**(691)**	(697)
Contribution from minority interest	**45**	-
Dividend paid to minority interest	**(63)**	(24)
Net cash (outflow) from financing activities	**(1,019)**	(744)
Net increase in cash and cash equivalents	**78**	314
Cash and cash equivalents at the beginning of the half-year	**790**	452
Cash and cash equivalents at the end of the half-year	**868**	766

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

1. Segment information

(i) Description of segments

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

The Group's reporting segments are based on business solutions provided to the wealth and accounting sectors. It is recognised that there is a strong trend emerging with the 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 internal synergies.

The Group's reportable segments are as follows:

- **Wealth Solutions** (comprising GPS Wealth, Merit Wealth, Easton Wealth Finance and First Financial). 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, finance broking and managed accounts. First Financial is a traditional financial planning business;
- **Accounting Solutions** (comprising Knowledge Shop, Taxbytes, Law Central and Panthercorp and Hayes Knight NSW). This segment contains businesses that provide professional support, help desk, training and legal documents primarily to the accounting sector. Hayes Knight NSW is a traditional accounting firm; and
- **Corporate** which comprises the parent entity (Easton Investments Limited) and includes head office and corporate costs.

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

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

The basis of accounting used for reporting by operating segments is consistent with that disclosed in the Group's 2019 Annual Report with the exception of the new lease standard AASB16 Leases effective for reporting periods commencing on or after 1 January 2019, refer to note 8.

1. Segment information (continued)

(iii) Segment results

The segment information provided on reportable segments for the half-year ended 31 December 2019 is as follows:

Consolidated Half-year 2019	Wealth Solutions $'000	Accounting Solutions $'000	Corporate $'000	Total $'000
Revenue from ordinary operating activities				
Full adviser gross fees	23,529	-	-	23,529
CARE & other platform income	2,252	-	-	2,252
Subscription services	1,610	2,380	-	3,990
Training	7	1,333	-	1,340
Legal documents	-	1,980	-	1,980
Other revenue	1,016	40	-	1,056
Sundry income	22	17	-	39
Total revenue from ordinary operating activities	**28,436**	**5,750**	**-**	**34,186**
Timing of revenue				
Over-time	3,862	2,380	-	6,242
At a point in time	24,574	3,370	-	27,944
	28,436	**5,750**	**-**	**34,186**
Normalised EBITA – (non IFRS)	**1,520**	**1,731**	**(980)**	**2,271**
Normalisation adjustments				
Restructuring costs	(184)	(11)	(59)	**(254)**
Equity accounted adjustments for interest and tax	(172)	(38)	-	**(210)**
Reverse impact of AASB16 - Leases	7	4	-	**11**
Fair value adjustment derivative financial instrument	125	-	-	**125**
Statutory EBITA				**1,943**
Interest revenue				**2**
Finance costs				**(198)**
Amortisation				**(442)**
Net profit before tax				**1,305**
Significant items of segment expenses				
Adviser share and other direct costs	23,647	1,782	-	**25,429**
Salaries and employee benefits	2,341	1,769	699	**4,809**
Professional fees and consultants	497	152	191	**840**

1. Segment information (continued)

The segment information provided on reportable segments for the half-year ended 31 December 2018 is as follows:

Consolidated Half-year 2018	**Wealth Solutions $'000**	**Accounting Solutions $'000**	**Corporate $'000**	**Total $'000**
Revenue from continuing operations				
Full adviser gross fees	20,206	-	-	20,206
CARE & other platform income	1,714	-	-	1,714
Subscription services	1,669	2,052	-	3,721
Training	16	971	-	987
Legal documents	-	1995	-	1,995
Other revenue	771	65	-	836
Sundry income	26	12	8	46
Total revenue from ordinary operating activities	**24,402**	**5,095**	**8**	**29,505**
Timing of revenue				
Over-time	3,383	2,053	-	5,436
At a point in time	21,019	3,042	8	24,069
	24,402	**5095**	**8**	**29,505**
Normalised EBITA – (non IFRS)	**1,685**	**1,307**	**(931)**	**2,061**
Normalisation adjustments				
Restructuring costs	(32)	(24)	(1)	**(57)**
Equity accounted adjustments for interest and tax	(144)	(41)	-	**(185)**
Statutory EBITA				**1,819**
Interest revenue				**2**
Finance costs				**(238)**
Amortisation				**(422)**
Net profit before tax				**1,161**
Significant items of segment expenses				
Adviser share and other direct costs	20,169	1,572	-	**21,741**
Salaries and employee benefits	1,962	1,655	650	**4,267**
Professional fees and consultants	330	130	118	**578**

2. Dividends

Dividends paid to members during the period were as follows:

	Half-year	
	2019	2018
	$'000	$'000
	691	697
	691	697

A final fully franked dividend for the year ended 30 June 2019 of 2 cents per ordinary share was paid 27 September 2019.

An interim dividend for 2020 has been declared of 1.5 cents per ordinary share, with a record date of 17 April 2020, payable on 1 May 2020.

3. Equity securities issued

Movements in ordinary share capital	**Number of shares**	**$'000**
1 July 2019	34,614,619	26,369
- Share buy-back[1]	(130,148)	(115)
31 December 2019	**34,484,471**	**26,254**
1 July 2018	34,851,966	26,574
- Share buy-back[1]	(48,872)	(40)
31 December 2018	34,803,094	26,534

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.

4. Provisions and employee entitlements

	31 December 2019 $'000	30 June 2019 $'000
Current		
Provision for annual leave	**438**	491
Provision for long service leave	**383**	387
Provision for ASIC levy	**-**	673[2]
	821	1,551
Non-current		
Provision for long service leave	**175**	134
Provision for ASIC levy	**382[1]**	-
	557	134

1. Half year prorated estimation of the ASIC levy payable for the June 2020 year which will be invoiced by ASIC after January 2021.
2. Provision of estimated June 2019 levy recognized at June 2019, now recognized in trade creditors upon ASIC issuing its final costing for the 2019 levy and a final invoice due to be received.

4. Provisions and employee entitlements (continued)

ASIC Levy Provision
For the 30 June 2019 levy, a provision for $673,000 was recognised at 30 June 2019 based on a preliminary budget estimate issued by ASIC prorated to the number of actual advisers the Group had registered on the ASIC Financial Advisers Register (**FAR**) at 30 June 2019. At 31 December 2019, final costings for the 2019 financial year have been issued by ASIC which required a $174,000 adjustment to Fees and Commissions in the current period. The final June 2019 levy liability is now recognised in Trade and other payables.

For the 30 June 2020 levy, the liability to be incurred will be calculated on the number of advisers registered on the FAR at 30 June 2020. Based on the present number of advisers registered on the FAR through one of the Group's licencing options and using the prior year ASIC levy rate, a future liability is likely to be incurred of approximately $764,000. At 31 December 2019, the Group has adopted an accounting position to recognise a portion of this anticipated liability on a prorated basis.

In each year, the Group operates a full cost recovery process from its advisers through a range of payment options which has been recognised in accrued revenue in line with the liability.

5. Significant events occurring after balance date

Tax Banter
On 23 January 2020, the Group executed agreements to acquire a 60% controlling interest in Tax Banter Pty Ltd (**Tax Banter**). Tax Banter is a leading national provider of in-house training to the accounting profession. The acquisition further enhances the Group's training capability by providing additional scale, depth and spread of technical resources. Approximate turnover and EBITA on a normalised and annualised basis is $7.0 million and $1.7 million respectively.

Under the agreement, the Group will:
- Acquire 60% of the share capital for $4.28 million in cash of which 90% was paid on 23 January 2020 with the balance subject to adjustment after confirming the opening net asset position, and payable in March 2020.
- Enter into a Put Call Option to acquire the remaining 40% of share capital in 2 years.
- Provide an earn-out incentive not exceeding $500,000, calculated at a progressive rate linked to earnings growth in excess of 6% per annum over the next 2 years.

At the time of this financial report, there is insufficient detail to finalise the purchase price accounting for the Tax Banter business combination which will be reflected in the second half of the 2020 financial year.

Refinance
On 21 January 2020, Westpac Banking Corporation confirmed approval of a renewal and restructure of the Group's existing $10 million debt facility which was due to expire on 1 August 2020. In addition, Westpac approved a new $3 million acquisition facility to assist in financing the Tax Banter transaction. The two facilities have a 3 year term. The $10 million facility is a principal and interest loan, with debt amortisation on a facility reduction basis, calculated on a notional 7 year amortisation term. The $3 million facility is an interest only loan. No changes were made to the existing security structure.

At balance date, the existing facility has been classified as a current liability as the renewal has been approved after 31 December 2019.

Executive and Board Succession Planning
On 17 February 2020, Mr Greg Hayes, the Managing Director of Easton, gave notice under the terms of his contract that he plans to retire as managing director of the Company. Mr Hayes has a 6-month notice period, but agreed to remain in his role until the 2020 Annual General Meeting or longer if necessary to give the Company ample time to find a suitable replacement.

The Company also announced on that same date that Mr Rodney Green has confirmed his intention to step down from the Board as a non-executive director in coming months. Mr Green is the Company's longest serving director and his decision will facilitate an on-going Board renewal process.

6. Fair value of financial assets and liabilities

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

The Group has recorded contingent consideration at fair value which is a level 3 financial liability within the fair value hierarchy.

The Group applies a 15% discount rate to expected future cash flows relating to contingent consideration where material.

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

	Half-year	
	2019	2018
	$'000	$'000
At 1 July	**40**	-
Additions during the period at fair value	**-**	141[1]
Fair value adjustment	**(2)**	-
Payments	**(38)**	-
At 31 December	**-**	141

1. Contingent consideration for SMSF Expert at date of completion which was reduced to $40,000 at 30 June 2019 and subsequently settled in December 2019.

7. Basis of preparation of half-year report

This condensed financial report for the interim half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Easton Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

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

As at 31 December 2019 the consolidated entity had total net assets of $32.53 million (30 June 2019: $32.30 million). For the 6 months ending 31 December 2019, the consolidated entity had net cash inflow from operating activities of $0.68 million, (31 December 2018: inflow $0.63 million).

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

(i) Debt classification – the Group's finance facility at balance date which was drawn to $6.10 million has been classified as a current liability due the facility term expiring on 1 August 2020. On 23 January 2020, the existing $10 million debt facility has been renewed and restructured along with an additional $3 million acquisition facility. The restructured facilities have 3 year terms which reclassify the amount drawn to non-current liabilities from 23 January 2020. Refer to note 5.

(ii) Included in net current liabilities as at 31 December 2019 is $0.17 million of deferred income representing payments for non-refundable dealer group fees (30 June 2019: $0.60 million). This amount has no anticipated future cash outflow effect; and

(iii) Management project continued growth in profitability and continuing positive cashflow in the 2nd half of the 2020 financial year.

8. New and amended accounting standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for either the current or future reporting periods, some of which are relevant to the Group.

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

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

AASB 16 replaced AASB 117: Leases and introduces a single lessee accounting model that requires 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 now recognises 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 is higher when compared to operating lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (operating activities) component.

The Group adopted this standard on 1 July 2019, using the modified retrospective approach, whereby the accumulative effect of adopting AABS 16 was recognised at 1 July 2019, with no restatement comparative. The impact on adoption was:

Recognition of new right-of-use assets	$621,821
Recognition of new lease liabilities	$632,882
Retained earnings	($11,061)

The impact of adopting on AASB 16 on profit and loss for the 6 month period to 31 December 2019 was:

Depreciation expense	$133,247
Interest Expense	$14,455
Rent expense	($143,319)
Impact on net profit before tax	($4,383)

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these, which are all effective for the period beginning 1 January 2020 are:

(i) IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
(ii) IFRS 3 Business Combinations (Amendment – Definition of Business)
(iii) Revised Conceptual Framework for Financial Reporting

The Group is still assessing the impact of these amendments however does not expect there to be any material impact on the financial statements when adopted.

The directors declare that the condensed consolidated financial statements and notes of the consolidated entity set out on pages 12 to 22 in accordance with the *Corporations Act 2001*:

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

(ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.

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

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

Kevin White
Chairman
Sydney
20 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Easton Investments Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Easton Investments Limited (the 'Company') and its subsidiaries (collectively the 'Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO East Coast Partnership

BDO

Tim Aman
Partner

Sydney, 20 February 2020