



Appendix 4E
Preliminary
final report
Rule 4.3A

For the year ended 30 June 2020

Easton Investments Limited
ABN 48 111 695 357

Appendix 4E

Preliminary Final Report

EASTON INVESTMENTS LIMITED
ASX:EAS
ABN:48 111 695 357

1. Reporting period and previous corresponding reporting period

Current reporting period The financial year ended 30 June 2020

Previous corresponding reporting period The financial year ended 30 June 2019

2. Results for announcement to the market

		2020 \$'000	2019 \$'000	% Change	Up/(down)
2.1	Revenues from ordinary activities	72,243	59,804	21	up
2.2	Profit from ordinary activities after tax attributable to members	1,480	2,730	46	down
2.3	Net profit for the period attributable to members	1,480	2,730	46	down

2.4 A final fully franked dividend of 2.5 cents per ordinary share in respect to the current reporting period has been declared and to be paid on 25 September 2020.

An interim fully franked dividend of 1.5 cents per ordinary share in respect of the current reporting period was paid on 1 May 2020.

2.5 The record date for the final dividend is 11 September 2020.

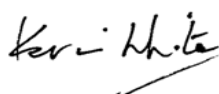
2.6 A brief explanation of any of the figures in 2.1 to 2.4

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

Easton Investments Limited's Annual General Meeting will be held at 10.30am (Sydney time) on 1 October 2020. Due to the Australian Government's recent restrictions and related concessions with respect to indoor gatherings (in response to the COVID-19 pandemic), the 2020 AGM will be held online via a live ZOOM teleconference with strictly no shareholders in physical attendance. The Notice of AGM and related Proxy Form will be available on the Company's website from 28 August 2020.



KW White
Chairman

27 August 2020



Annual Report 2020

For the year ended
30 June 2020

Easton Investments Limited
ABN 48 111 695 357

EASTON INVESTMENTS LIMITED
ABN 48 111 695 357

CORPORATE DIRECTORY

Directors

Kevin White	Chairman
John G Hayes	Managing Director
Carl Scarcella	Independent Non-executive 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

Telephone: 1300 655 695
Facsimile: (02) 9221 6305
Mail: Level 2, 115 Pitt Street SYDNEY NSW 2000
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

Easton Investments Limited's Annual General Meeting will be held at 10.30am (Sydney time) on 1 October 2020. Due to the Australian Government's recent restrictions and related concessions with respect to indoor gatherings (in response to the COVID-19 pandemic), the 2020 AGM will be held online via a live ZOOM teleconference with strictly no shareholders in physical attendance. The Notice of AGM and related Proxy Form will be available on the Company's website from 28 August 2020.

CONTENTS

Chairman's Statement	3
Managing Director's Report	6
Directors' Report	10
Auditor's Independence Declaration	30
Financial Statements:	
Consolidated statement of comprehensive income	32
Consolidated statement of financial position	33
Consolidated statement of changes in equity	34
Consolidated statement of cash flows	36
Notes to the consolidated financial statements	37
Directors' Declaration	83
Independent Auditor's Report	84
Additional Australian Securities Exchange Information	88

CHAIRMAN'S STATEMENT

The financial year ended 30 June 2020 has been a remarkably eventful year, not just for our Company, but the world at large.

My report is of course limited to our Company and related matters notwithstanding the far-reaching nature of the COVID-19 pandemic from both a world health and economic perspective.

Despite the widespread and immense disruption caused by COVID-19, our Company and its businesses have performed extremely well during these extraordinary and unprecedented times, reflecting the outstanding efforts of our people, and also due in part to the recurring nature of a significant portion of the Company's income which is derived from professional support services and products delivered online to accountants and financial planners (advisers).

Our primary focus, particularly over the last 6 months, has been on the health and welfare of our people, business continuity and supporting our advisers and accountants in a time of profound need.

Supporting our Advisers and Accountants

We understand the value of professional advice in these times of great uncertainty and anxiety, and believe that quality and far-sighted business, financial and investment advice is now more important than ever.

Our role and clear focus have been to provide our advisers and accountants with the highest levels of support and service during these worrying times as they experience increased workloads and heightened client demands.

Wealth Solutions – our advisers have made a difference

In the face of economic uncertainty and volatile markets, the value and importance of financial advice has never been more apparent. Our Wealth Solutions businesses have played a critical role in assisting our network of advisers to meet the intensified demands of their clients as they provide guidance on government initiatives, including superannuation concessions, and deliver calm, reassuring and sound advice during financially distressing times for many in our community.

Accounting Solutions – our accountants have never been busier

The same can be said about the level of support and service that our Accounting Solutions businesses have provided to our network of accounting practices who have relied on us more than ever over the last 6 months. As an example, we answered almost 16,000 help-desk calls from member firms between 1 March 2020 and 30 June 2020, and during the same period we had over 11,000 accountants attend our training and education webinars. In addition, a record number of 263 new practices have joined our network of member firms over the last 12 months and now operate under our subscription service.

Business Continuity

As activity across several of our businesses has escalated as a result of COVID-19, we have had to adapt to remote delivery of services in a number of instances. Our online capability has allowed us to move quickly and nimbly to meet the increased demands placed on our businesses and our people.

Not all plain sailing

Some of our businesses have of course been negatively impacted by COVID-19. The sharp fall in investment markets has lowered the contribution from our CARE investment solution, face to face training events were cancelled (although replaced by online training in many cases), our document businesses have experienced reduced volumes and some of our advisers and accountants have discontinued their service relationship, mainly for economic reasons in abruptly depressed market conditions.

We also made the conscious decision to defer a planned price increase for services we provide to our advisers. The price increase was intended to offset higher compliance and regulatory costs which have generally risen across the Wealth sector in order to comply with higher industry standards and guidelines. We took this decision in light of the prevailing environment, representing meaningful support for our advisers and confirming our willingness to take a longer term, accommodating stance when appropriate.

Overall, however, the very nature of our businesses and the important role that they play, combined with our business diversity, has held our Company in good stead.

CHAIRMAN'S STATEMENT (continued)

Financial Performance

Notably, over the full financial year, our Company achieved strong revenue growth of 21% to \$72.24m and Underlying Profit increased by 11% to \$5.67m.

Whilst this is a satisfactory result, boosted by the acquisition of a 60% interest in TaxBanter Pty Ltd (**TaxBanter**) in January 2020, our financial performance would have been stronger if not for the adverse impact of COVID-19 in the 2nd half of the financial year, including for the reasons referred to above.

Repositioning and Reshaping our Company

Following the appointment of Grant Samuel Corporate Finance as our corporate adviser some 12 months ago, our Company has made significant progress in terms of strategic direction and re-positioning. Directors are mindful that Easton remains a relatively small listed company with limited liquidity and, as a result, our share price remains weak and, in the opinion of Directors, does not fully reflect the underlying value of the Company or its businesses.

As an important precursor to pursuing strategic options and alternatives, the Company has undertaken a number of transactions in the 2nd half of the year to reduce its asset holdings and adopt a greater focus on core businesses in the Wealth and Accounting sectors where the Company has a clearly competitive position, defined strengths and recognised expertise.

Relevant transactions, either completed or well advanced at the date of this report, include:

- As noted above, the purchase of an initial 60% interest in TaxBanter, a leading national provider of in-house training to the accounting profession, with effect from 23 January 2020. TaxBanter is regarded as an excellent strategic fit and highly complementary to our Accounting division as it will significantly expand and broaden the Company's core training business.
- The sale of the Company's minority (25%) interest in First Financial Pty Ltd (**First Financial**), which was completed on 3 August 2020 for a cash consideration of \$3.0m. First Financial has been an excellent investment, but is not regarded as a core business holding and Directors believe that the proceeds of sale can be better invested elsewhere.
- The sell-down of the Company's interest in EWA Finance Pty Ltd (**EWF**), a small finance broking operation, in April 2020 from 70% to a nominal 10% interest. EWF was a start-up operation which continued to incur operating losses during the year and has been severely impacted by COVID-19.
- The conditional sale of the Company's minority (33.3%) interest in Hayes Knight NSW and affiliated interests (**HKNSW**) for a cash consideration of \$2.45m, which sale is subject to the approval of Easton shareholders at a meeting to be held on 1 October 2020. Whilst of strategic relevance at the time of acquisition some 6 years ago, Directors no longer consider Easton to be a natural owner of HKNSW.

These transactions have (or will when completed) reshape and simplify the Company, reposition it with a much clearer, more concentrated focus on core, growth businesses and with a significantly strengthened balance sheet.

On completion of the HKNSW transaction, the Company's net debt on a pro forma basis at 30 June 2020 will be reduced from \$8.15m to circa \$2.0m after allowing for final dividends declared by HKNSW and First Financial as part of the respective sale arrangements, together totalling \$0.6m.

It is important to note that the recent TaxBanter acquisition is expected to largely offset the loss of earnings from the proposed divestments.

The anticipated significant reduction in net debt, combined with the incremental earnings from TaxBanter, will provide increased scope for investment in core businesses and capital management in the form of dividends and on-market share buy-backs.

Increased Dividend

In this context and on the back of higher earnings, I am pleased to report that Directors have resolved to increase the final dividend from 2.0 cents per share to 2.5 cents per share fully franked, a 25% increase.

The final dividend brings the full year dividend to 4.0 cents per share fully franked (2019: 3.0 cents per share) and in line with the Company's target dividend pay-out ratio.

During the year, Directors continued to apply surplus cash to buy-back 155,148 shares on-market, which were then cancelled as part of prudent and value adding capital management.

CHAIRMAN'S STATEMENT (continued)

Looking Ahead

Importantly, as referred to above, the Company is now well placed to explore opportunities over the coming year that are considered capable of enhancing profitability and shareholder value. In this regard, Directors intend to continue to work closely with Grant Samuel to identify and investigate opportunities of a strategic and material nature.

It is also worth noting that the Company holds attractively priced call options to move to 100% ownership of TaxBanter and Tax Bytes over the next 18 months, which will involve capital investment, but which are expected to lift earnings from core training businesses to the accounting profession.

At the same time, Directors expect the Company to continue to grow core business earnings on the back of a number of discrete organic growth opportunities in each of our two core business streams, Wealth Solutions and Accounting Solutions, as outlined in the accompanying Managing Director's Report.

Like most companies today, we fully appreciate that a critical component of our future success lies in ongoing and effective investment in systems, processes and functionality as we strive to further develop the online capability, competitiveness and resilience of our core businesses. We plan to build on the progress made over the last 12 months.

In summary, Directors remain committed to creating value for our shareholders through both organic and inorganic opportunities.

Acknowledgements

Earlier this year, our Managing Director, Mr Greg Hayes, announced his plans to step down as managing director at or around the time of the Company's 2020 Annual General Meeting. Greg has led the Company for just on 6 years and, on behalf of the Board and shareholders, I would like to thank Greg for his tremendous contribution and tireless efforts over this period. Greg will step down with the Company in good shape, on a strong financial footing and with excellent growth prospects.

As recently announced, the Board has decided to move to an interim arrangement following Greg's retirement. I am pleased to report that Greg has agreed to remain on the Board as a non-executive director and will continue to play a valuable role, including by continuing on the subsidiary boards of Knowledge Shop and TaxBanter, two important businesses that contribute strongly to Easton's earnings.

At the same time, I have agreed to take on the role of Executive Chairman and interim Managing Director for the next 12 months. This interim appointment provides the Company with heightened flexibility as we look to aggressively pursue strategic opportunities over the next 12 months. It also recognises the challenges created by the COVID-19 restrictions in securing a new, replacement managing director, which is clearly a critical decision for the Company and its future prospects.

After 8 years on the Board, Mr Rodney Green stepped down as a director in April 2020 and I acknowledge the contribution that Rodney has made to our Company as an independent, non-executive director.

I would also like to acknowledge the valuable contribution made by key members of our executive team, Grahame Evans, CEO of our Wealth Solutions division and also an executive director of Easton, Lisa Armstrong, our CEO of Knowledge Shop, and Michael Harris, our CFO.

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

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



Kevin White
Chairman

Sydney, 27 August 2020

MANAGING DIRECTOR'S REPORT

Looking back over the 2020 year, it seems that COVID-19 dominates our thinking, despite it only emerging at a business level in late February. A once in a hundred year event, it has had a significant impact on much of what we do. At the outset I would like to thank everyone in the Easton team for the way they have dealt with and responded to this very unique situation. This was not simply a business issue, but one that affected people at a personal level and in the way they went about their lives.

During the June quarter the majority of our team worked remotely and engagement with our customers was primarily online. The ability of our team to adapt and position the business units to respond to the needs of our customers has allowed the company to continue its growth path, albeit at a more subdued level than was anticipated.

Key highlights in the year included:

- A net increase in accounting subscribers of 174 firms
- The acquisition of TaxBanter Pty Ltd (**TaxBanter**) in January 2020, significantly increasing our training presence
- A record 145,442 training hours delivered
- CARE Managed Accounts growing to \$1.4bn, despite the fall in investment markets
- Completion of our new adviser services model for introduction in July 2020
- Rationalisation of minority interest investments

Clearly some parts of our business performed well despite the COVID-19 impact. Other areas of the business were more adversely impacted. In particular the period between late March and mid May, saw many customers delay purchasing decisions while they addressed the impact of COVID-19 in their own business. Historically our businesses have had a distinct 2nd half earnings bias. Normalising for the part year earnings contribution from TaxBanter, this bias was much lower, reflecting the COVID impact, particularly in the last quarter.

Work commenced in the 2019 year, to increase our capacity in key areas of the business, reset of some of our resource allocation and continued development of technology, all assisted the Company to respond to a very different and fluid environment.

For the 2020 year 47% of gross contribution was delivered from recurring income streams.

Overview

Statutory profit after tax decreased by 36% to \$1.75m (2019: \$2.73m). Underlying Profit of \$5.67m increased by 11% (2019: \$5.12m).

Our Accounting Solutions division contributed Underlying Profit of \$4.68m (2019: \$3.11m).

Our Wealth Solutions division contributed Underlying Profit of \$2.93m (2019: \$3.81m).

Revenue from ordinary operations increased to \$72.24m (2019: \$59.80m) and corporate costs were relatively stable at \$1.94m (2019: \$1.80m).

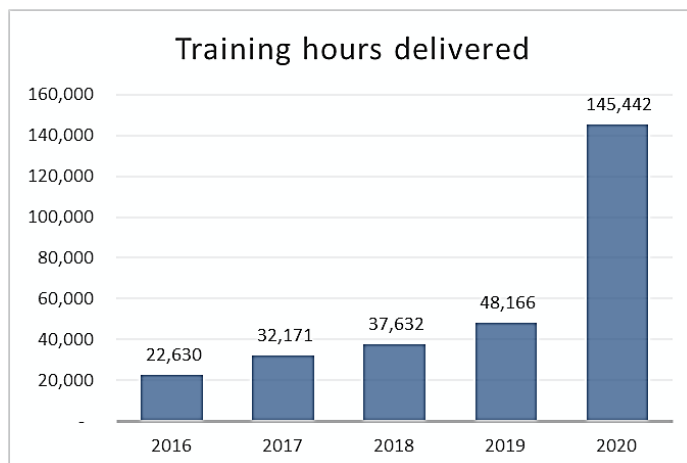
The Company's credit facility was increased to \$13m to assist in completion of the TaxBanter transaction. Net debt at balance date was \$8.15m (2019: \$5.37). Cash and undrawn facilities at balance date were \$4.85m (2019: \$4.63m). During the period the Company applied \$0.14m to the share buyback and paid out \$1.21m in dividends. Company debt will be further reduced by circa \$6m on completion of the sale of interests in First Financial and Hayes Knight.

Accounting Solutions

Led by Knowledge Shop, the division had a strong year delivering 33% growth in revenue to \$14.57m and a 51% increase in Underlying Profit to \$4.68m. Key contributors to the increase in profit were a record growth year in membership subscriptions, training increase in both hours delivered and margin improvement from higher online delivery, and an increased contribution from our document businesses.

Training was a major focus for Knowledge Shop, with a strategic objective to significantly grow training in the accounting market, together with expansion into the wealth sector. Training hours delivered grew by 202% to 145,442 hours. A major contributor to this growth was the acquisition of the 60% equity interest in TaxBanter in January 2020. This assisted the company to achieve meaningful scale with professional development programs provided in face to face, in house, webinar and video based formats.

MANAGING DIRECTOR'S REPORT (continued)



The 4th quarter is a peak training period in the market. Whilst it was necessary to cancel all face to face and in-house training, more than 80% of the programs were able to be converted to online delivery. There was also a training surge as the market looked for professional development covering the various Government stimulus packages such as JobKeeper. This resulted in more than 70,000 training hours being delivered in the 4th quarter, all online, and enjoying the higher profit margin from this format.

In its first full year of providing training to the wealth market, Knowledge Shop delivered 8,205 hours. This will increase as the company expands its training library and presence in this sector.

The document businesses were adversely affected by COVID-19, particularly in the period between late March and the end of May. As accountants were managing working remotely and dealing with client concerns related to JobKeeper, normal business was put on hold. This represented a short-term downturn, however June trading provided some recovery. Allowing for this, the benefit of the cost restructure completed in the 2019 year and access to JobKeeper, these businesses provided an improved contribution to earnings.

Wealth Solutions

Results were more subdued in our wealth business. Despite revenue increasing by 18% to \$57.67m, Underlying Profit fell by 23% to \$2.93m. There were a number of contributors to this including:

- The impact on COVID-19 on normal business flow
- Market downturn over March through to early May, adversely impacting our CARE Managed Accounts
- A reduction in advisers under Limited licence, leading to a reduced subscription income
- A decision to delay introduction of a new adviser fee model, while they managed the initial COVID-19 impact
- Increased investment in compliance and training

At June 30, the Company had 592 advisers on licence, continuing its position as a top ten dealer group in Australia based on adviser numbers. Full adviser numbers grew marginally with the primary reduction being accountants under Limited Licence (150). In some cases these accountants ceased being on licence due to the cost and time in training required. However, it was also reflected in firms who had multiple accountants on licence and where a commercial decision was taken that they could meet their client requirements with fewer authorised representatives.

Whilst CARE suffered from the general financial market downturn in the 2nd half of the year, the investment philosophy was maintained throughout. This avoided any panic reaction to short term market movements and allowed clients to benefit from the market rebound that occurred late in the financial year. Over the year, funds in CARE grew by \$200m to \$1.4bn.

In response to the changing business model and requirements in financial services, the Company developed a new adviser fee model which was planned for implementation in early 2020.

MANAGING DIRECTOR'S REPORT (continued)

With the uncertainty created by COVID-19 and the client servicing demands placed on advisers, the Company took a decision to further support advisers by delaying the introduction of the new fee model. This provided advisers with some practical financial support during a very demanding period. The new fee model was introduced in July 2020.

Continuing its direction from 2019, the Company continued to invest heavily in compliance and training. This was designed to better equip advisers to operate in the current environment, and also provides the Company with greater visibility of adviser performance and trends. Under our audit and compliance program a relatively small number of cases (27) were identified during the year and for which \$155k was paid in remediation, most of which was recovered from advisers. Whilst our target is, and always will be zero in cases requiring remediation, the low number of cases supports the effectiveness of our compliance management.

Despite the more subdued results for the year, the growth in revenue reflects our advisers growing their businesses. This together with our continued investment in technology to support adviser training, monitoring and client engagement will allow the Company to benefit from the increasing demand for quality financial advice.

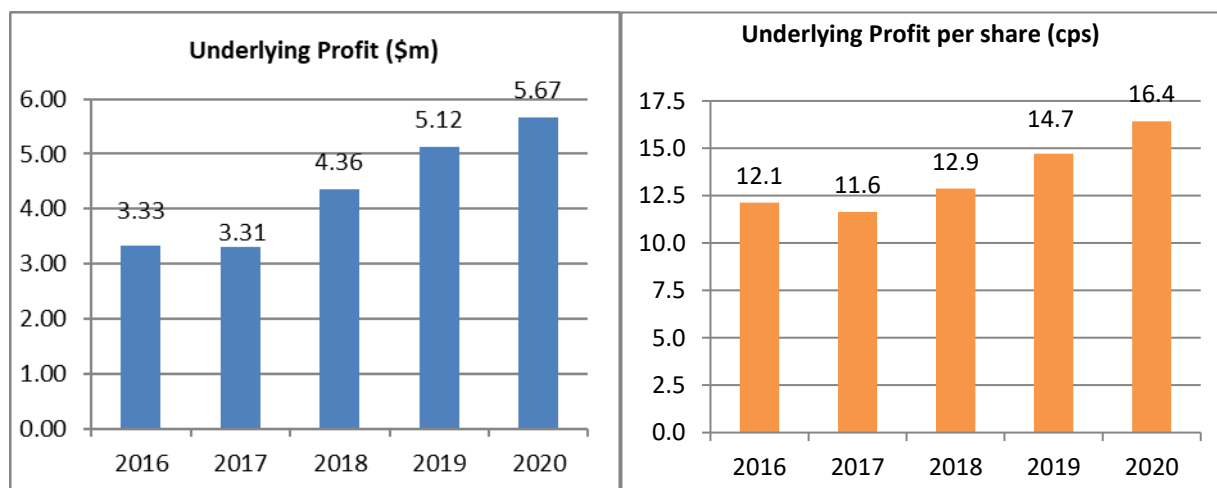
Financial Performance

Statutory Profit (being net profit after tax) decreased to \$1.75m (2019: \$2.73m), down 36%. The downward result is largely attributed to higher impairment charges in the current year compared to a one off gain in the prior year in relation to the First Financial call option derivative.

Underlying Profit increased to \$5.67m (2019: \$5.12m), up 11%.

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 16.4 cents per share (2019: 14.7 cents) up 12%.



The Company has now delivered four consecutive years of continued growth in Underlying Profits and Underlying Profits per share, with an increase in dividends of 33% for the 2020 year.

As previously announced the Company entered into agreements to divest its minority interest in First Financial Pty Ltd (**First Financial**) and Hayes Knight (NSW) Pty Ltd and affiliated interests (**HKNSW**). These divestments will strengthen the Company's balance sheet and provide a tighter focus around its core businesses. The First Financial transaction completed on 3 August 2020 and in anticipation of completion of the HKNSW transaction, the carrying value of this business has been reduced by \$1.3m. This charge against intangible assets is a non cash expense and aligns the carrying value to the sale value agreed and for which approval will be sought at a meeting of shareholders.

Our share of Underlying Profits from minority interests in First Financial and HKNSW reduced to \$1.07m (2019: \$1.33m). Earnings lost through these divestments should be compensated for by full year earnings contribution from TaxBanter.

MANAGING DIRECTOR'S REPORT (continued)

Our Expectations Going Forward

The Company has a clear intent to focus on its core businesses, and to build meaningful scale in those areas where we have core expertise and can deliver a differentiated offer to our market. Whilst the coming year will not be without its challenges the businesses are well positioned to continue their growth path. As they have done over recent months, they will need to continue to pivot their engagement with the market, based on environmental conditions and in particular the continuing impact of COVID-19.

Both divisions enjoy multiple revenue and earnings streams. This lessens our exposure to single event issues. Accepting the current environment, we expect:

- Training hours delivered to increase to more than 200,000 hours, with growth in both the accounting and wealth sectors, and online training being the dominant delivery format
- Continued growth in Knowledge Shop subscribers
- Continued growth in our adviser businesses, with selective increase in adviser numbers
- CARE expanded into other distribution channels
- To continue to develop differentiated adviser service offers, including for the self licensed market
- To increasingly apply technology solutions that promote efficiency and enhance customer engagement

The progression of these strategies should continue to drive revenue and earnings with increasing levels of recurring income. The Company will continue to be alert to acquisition and other scale opportunities that could add strategic value.

The convergence of accounting and wealth continues, and through its integrated businesses the Company is a major provider to both sectors. Through our deep engagement with these markets we are able to support their continued growth and development. Importantly too, we are able to identify trends and opportunities that promote thought leadership and market direction.

The Company has a strong management team committed to the growth and development of its business units, with a focus on both quality and excellence. Our businesses enjoy an enviable reputation in their markets and the foundation blocks are well established for them to accelerate their growth. It has been a pleasure to lead this team over the last six years and to see the Company grow from its early beginnings. I am confident that it will continue to grow and deliver increasing value to all of its stakeholders.



Greg Hayes
Managing Director
27 August 2020

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 2020, 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 (resigned 9 April 2020)
- 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 2020 was \$1.75m (2019: \$2.73m).

The directors have declared the payment of a final, fully franked dividend of 2.5 cents per share. This dividend has a record date of 11 September 2020 and is to be paid on 25 September 2020. This is in addition to a 1.5 cent interim, fully franked dividend that was paid on 1 May 2020.

REVIEW OF OPERATIONS

Operating revenue from ordinary operating activities increased to \$72.24m, up from \$59.80m in the previous year, a rise of 21%.

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 and lease accounting under AASB 16 Leases);
- non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

Underlying Profit increased by 11% to \$5.67m on the back of increased operating revenue and part year contributions from a new business acquisition.

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

Financial performance	2019/20	2018/19	Increase/(decrease)
	(\$m)	(\$m)	(%)
Operating revenue from ordinary operating activities	72.24	59.80	21
Statutory net profit after tax ¹	1.75	2.73	(36)
Underlying Profit ²	5.67	5.12	11

1. Statutory net profit after tax includes profit attributable to Non-controlling Interests. Profit attributable to members is \$1.48m (2019: \$2.73m).

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.

DIRECTORS' REPORT (continued)

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 after tax for the current and previous years:

	2020	2019
	\$'000	\$'000
Normalised EBITA for the year	5,668	5,116
Add/(deduct) normalisation adjustments:		
Equity accounted adjustments for interest, tax and amortisation ¹	(356)	(434)
Restructure and acquisition costs	(344)	(118)
Fair value adjustment derivative financial instrument ²	202	1,478
Gain on disposal – First Financial ²	32	-
Loss on disposal – EWA Finance Pty Ltd (EWF) ³	(24)	-
Impairment of intangible assets ⁴	(1,300)	(800)
Impairment of software platform	-	(26)
Fair value adjustment of contingent consideration ⁵	1	101
Prior year revenue adjustment/policy change	-	(54)
Statutory EBITA for the year	3,879	5,263
Deduct: Amortisation	(972)	(859)
Net interest expense	(456)	(451)
Statutory operating profit before tax for the year	2,451	3,953
Income tax expense	(702)	(1,227)
Statutory net profit after tax for the year	1,749	2,726
Deduct: Net profit/(loss) attributable to Non-controlling interests	269	(4)
Net profit after tax attributable to members	1,480	2,730

- 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.
- Fair value adjustment of derivative financial instrument in relation to a call option under the shareholders deed of First Financial. On 5 May 2020, the Call Option was exercised by the majority share holder of First Financial and final settlement and transfer of shares was completed on 3 August 2020. Refer note 9 in the financial report.
- Effective 30 April 2020, the Group sold down its interest in EWF to the non-controlling interest, so that the Group's equity holdings are reduced to 10%. Accordingly, the Group no longer consolidates the results of EWF and recorded a small loss on disposal in the current year.
- Impairment charge of \$1.3m applied to HKNSW and associated brand name in Hayes Knight National Group. Classified as a disposal group held for sale at 30 June 2020. In the prior year, an impairment charge applied to the carrying value of goodwill for Law Central \$415,500 and Panthercorp \$384,500.
- Fair value adjustment for the deferred consideration of The SMSF Expert. Refer note 18 in the financial report.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Analysis by segment

The Group continues to service the wealth and accounting sectors through its two operating divisions, **Wealth Solutions** and **Accounting Solutions**. The increasing number of firms that are offering services across both wealth and accounting places the Group in a strong strategic position to provide integrated, online services to these firms.

Segment performance is summarised below:

Segment Result	2019/20 1 st Half	2019/20 2nd Half	2019/20 Full Year	2018/19 Full Year	Increase/ (decrease)
	(\$m)	(\$m)	(\$m)	(\$m)	(%)
Wealth Solutions	1.52	1.41	2.93	3.81	(23)
Accounting Solutions	1.73	2.95	4.68	3.11	51
Net Contribution	3.25	4.36	7.61	6.91	10
Corporate Overheads	(0.98)	(0.96)	(1.94)	(1.79)	8
Group Underlying Profit	2.27	3.40	5.67	5.12	11

Overall, the Group's two operating divisions achieved an uplift in Underlying Profit of 10% to \$7.61m despite the 2nd half impact of COVID-19, reflecting in part the resilient nature of the Group's earnings from important services and support provided to accountants and advisers.

Financial performance would have been stronger if not for the adverse impact of COVID-19 in the 2nd half of the financial year, historically the period where the Group has a strong earnings bias. The full impact of COVID-19 is not represented in the 2nd half results due to the acquisition of a 60% interest in TaxBanter Pty Ltd (**TaxBanter**) in January 2020, which made a contribution of \$0.75m to the Accounting Solutions result.

Comments on each of the Group's segments, including the 2nd half impact of COVID-19, 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%

The performance of the Wealth Solutions division during 2019/20 is summarised below:

Wealth Solutions	2019/20	2018/19	Increase/(decrease)
	(\$m)	(\$m)	(%)
Revenue from ordinary operating activities	57.67	48.84	18
Segment result - Underlying Profit	2.93	3.81	(23)

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

Wealth Solution achieved revenue growth of 18%, whilst Underlying Profit (**Normalised EBITA**) fell by 23%.

Gross fee revenue from full authorised representatives (**ARs**) increased by 20% to \$47.85m. This uplift in revenue reflects continued growth in adviser practices.

Net revenue after deducting the AR revenue share resulted in a 10% net increase in gross contribution from ARs.

Full AR numbers remained relatively stable with 169 on license at the end of the financial year compared to 176 on a like for like basis after allowing for the divestment of First Financial.

The Group's CARE investment philosophy, delivered through a portfolio of Managed Accounts, continued to grow with funds under management at 30 June 2020 of \$1.40 billion, up 17%. CARE and other platform revenue grew to \$4.48m, up 25% compared to the prior corresponding year, although the sharp fall in investment markets in the 2nd half of the year reduced both platform revenue and earnings.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

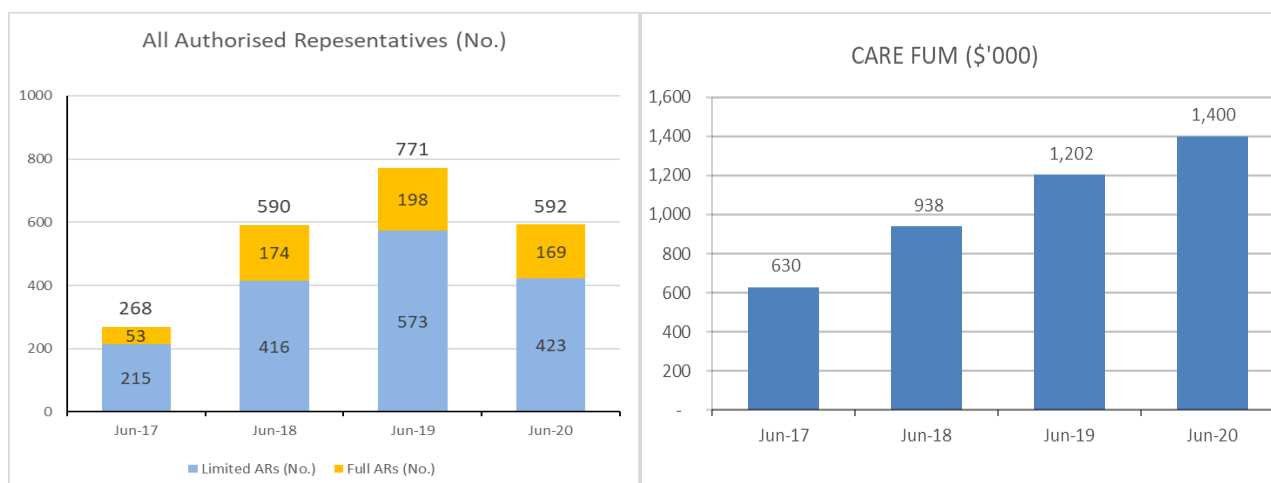
Subscription revenue fell by 4% during the year to \$3.33m, primarily due to a reduction in revenue from Limited Authorised Representative (LARs). Following the sharp increase in LAR registrations driven by FASEA requirements prior to 1 January 2019, there has been some rationalisation as accountants have assessed their positions in light of the increasing ongoing compliance and education obligations as well as business impact of COVID-19. The number of LARs on licence at 30 June 2020 fell by 26% to 423 which resulted in a corresponding 13% fall in associated LAR subscription revenue. Subscription revenue earned from full ARs remained relatively stable in line with the number of full AR advisers on licence.

Despite strong revenue growth, the division's Underlying Profit was impacted by significant investment in compliance, monitoring and training systems.

Underlying Profit was also impacted by a reduced share of earnings contribution from First Financial due to its effective disposal on 3 June 2020. First Financial contributed Underlying Profit of \$0.75m (2019: \$0.95m)

In addition, EWF continued to incur losses until its disposal on 30 April 2020 amounting to \$0.27m compared to a loss of \$0.20m in the prior corresponding year.

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



2. Accounting Solutions

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

- Knowledge Shop Pty Ltd (**Knowledge Shop or KS**) – 100%
- Tax Bytes Pty Ltd (**Taxbytes**) – 65%
- TaxBanter Pty Ltd (**TaxBanter or TBR**) – 60% acquired 23 January 2020
- Panthercorp CST Pty Ltd (**Panthercorp or PC**) – 100%
- Law Central Co. Pty Ltd (**Law Central or LC**) – 60.2% (classified as held for sale at 30 June 2020)
- Hayes Knight NSW Pty Ltd (**HKNSW**) – 33.3% (classified as held for sale at 30 June 2020)

The performance of the Accounting Solutions segment during 2019/20 is summarised below:

Accounting Solutions	2019/20	2018/19	Increase
	(\$m)	(\$m)	(%)
Revenue from ordinary operating activities	14.57	10.96	33
Segment result - Underlying Profit	4.68	3.11	51

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

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.

The Accounting Solutions division continued to grow with revenue increasing by 33% to \$14.57m and Underlying Profit increasing by 51% to \$4.68m. The result was boosted by the acquisition of a 60% interest in TaxBanter (TBR) on 23 January 2020 which contributed \$3.10m in revenue and \$0.75m in Underlying Profit in the current year. On a like for like basis, excluding the additional contribution from TBR, Underlying Profit increased by 27%.

Member subscription revenue through Knowledge Shop (KS), continued to grow with a 16% increase in subscriber members and a corresponding 13% increase in subscription revenue to \$4.86m.

Training revenue increased by 117% to \$5.22m, largely due to the contribution from TBR from 23 January 2020. Excluding the contribution of TBR, training revenue grew marginally by 3% after disruption to face to face events in the 2nd half of the year due to COVID-19. However, the business enjoyed a much higher margin from its online replacement events. KS increased its online format revenue by 63%, while the face to face format fell by 18%. TBR who primarily provides face to face formats was able to convert 80% of its programs to online delivery.

KS's expansion into the wealth sector continued over the year where training demand has increased significantly under the FASEA requirements.

Revenue and earnings contribution from the Group's documents businesses (Panthercorp and Law Central) were adversely affected by COVID-19, particularly in the period between late March and the end of May 2020 when accountants were mainly working remotely and immersed with client enquiries related to the COVID-19 stimulus package. Revenue fell by 3% to \$3.91m and Underlying Profit increased by \$0.38m on the back of the cost restructure completed in the prior year, together with the benefit of the JobKeeper subsidy.

Other revenue of \$0.59m (2019: \$0.21m) was largely attributed to COVID-19 stimulus subsidy revenue of \$0.44m.

HKNSW, which is classified as held for sale at balance date, was impacted by COVID-19 with the Group's share of Underlying Profit down by 15% to \$0.33m compared to \$0.38m in the prior corresponding year.

Cashflow and capital management

Net cash inflow from operating activities during the year was \$2.34m (2019: \$2.22m). In addition, the Group received dividends from associates of \$0.76m.

During the year, a cash payment of \$4.18m, (\$3.64m after adjusting for cash acquired) was made as consideration for the acquisition of 60% of TaxBanter, as well as \$0.05m as the final contingent payment for the acquisition of The SMSF Expert.

The Group has continued to invest in software platforms with \$0.22m invested in the current year.

A final dividend of \$0.69m for the 2019 financial year was paid in addition to the 2020 interim dividend of \$0.52m.

The Company continued the share buy-back plan with a further 155,148 shares purchased on market and cancelled during the year.

At balance date, net debt after including cash reserves, amounted to \$8.15m (2019: \$5.37m).

Acquisition of TaxBanter

On 23 January 2020, the Group completed the acquisition of 60% of the issued share capital of TaxBanter, 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. Under the agreement there is a Put Call Option to acquire the remaining 40% of Tax Banter's share capital in 2 years from the original acquisition date.

The consideration included an upfront cash payment of \$4.18m, to be followed by a contingent consideration component not exceeding \$0.50m calculated at a progressive rate linked to earnings growth in excess of 6% annum over a 2 year period from the acquisition date as well as \$0.03m on collection of some nominated opening debtors.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

First Financial Call Option

On 5 May 2020, the 75% majority shareholder in First Financial, (**the FF Partner**) exercised a Call Option under a Shareholders Deed which entitled the FF Partner to acquire the Group's 25% equity interest for \$3.02m. A cash settlement was received on 31 July 2020 and the sale completed 3 August 2020. With effect from 3 June 2020, being the Call Option date, the Group derecognised the equity accounted investment and recognised a receivable for the agreed consideration. During the year ended 30 June 2019, the Group recognised a fair value gain of \$1.48m in relation to the Call Option on the expectation that it would be exercised by the FF Partner in the current year. In the current year, a further and final fair value gain of \$0.23m was recognised in the statement of comprehensive income.

Disposal of equity interest in EWA Finance

On 30 April 2020, the Group sold down its equity interest in EWA Finance Pty Ltd (**EWF**) from 70% to 10% to the 30% minority shareholder in EWF (**the EWF Partner**). EWF was established in 2019 to provide a finance broking service and is still in start up phase and incurring losses. The EWF Partner intends to continue to develop the business and the Group will retain a nominal 10% equity interest. No consideration was received for the disposal of the Groups equity interest. Consolidated in the current year Group earnings is a trading loss for EWF of \$0.27m together with a loss on disposal of \$0.02m.

Outlook

The Company's focus, intentions, plans and priorities for the coming year are outlined in the Chairman's Statement and the Managing Director's Report. Overall, Directors are positive about the Company's outlook and growth prospects over the next 12 months despite economic and business uncertainty.

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

Divestment of equity interest in HKNSW

On 20 July 2020 the Group entered into a conditional sale agreement to sell its equity interest in HKNSW to the other HKNSW shareholders for a cash consideration of \$2.45m plus an agreed final dividend payment of \$0.20m. The proposed sale is a related party transaction as it involves the disposal of a significant asset of the Group, representing more than 5% of the Group's net assets, and as the buyers include Easton's Managing Director Greg Hayes and his related party. As a result, the proposed sale is conditional on shareholder approval at the Company's forthcoming AGM.

Divestment of equity interest in First Financial

On 28 July 2020, the Group received a final dividend from First Financial of \$0.39m and on 31 July 2020 received the cash proceeds of \$3.02m relating to the sale of the Group's interest in First Financial. The transaction was completed on 3 August 2020.

Succession Planning

On 17 August 2020, the Company announced its succession plans following Mr Greg Hayes' decision earlier in the year to step down as managing director at the Company's 2020 Annual General Meeting to be held on 1 October 2020. Under an interim arrangement, the Chairman, Mr Kevin White, has agreed to take on the role of Executive Chairman and interim Managing Director and Mr Hayes has agreed to remain on the Board a non-executive director. This arrangement will take effect immediately after the forthcoming Annual General meeting and has a 12 month horizon.

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 operating in the financial services sector.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chair of the Board Member of the Nomination & Remuneration Committee Member of the Audit and Risk Committee	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	3,060,000

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 Nomination & Remuneration Committee Chair of the Wealth Regulatory Compliance Project	
Interests in shares, options and rights	Ordinary shares – Easton Investments Limited	150,000

John G. Hayes B.Bus, FCPA, CTA - 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	5,933,705

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

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 18 years' experience as a 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.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Kevin White	14	14	5	5	4	4
Rodney Green	11	10	5	4	3	3
Carl Scarcella	14	13	5	5	4	4
John G. Hayes	14	14	5*	5*	-	-
Grahame Evans	14	14	5*	5*	-	-

*In attendance ex-officio.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

COMMITTEE MEMBERSHIP

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

- Carl Scarcella - Chairman
- Kevin White

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

- Kevin White - Chairman
- Carl Scarcella

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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.

DIRECTORS' REPORT (continued)

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).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2020 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 2019 Annual General Meeting (AGM)
- (g) Details of remuneration of KMP
- (h) Service agreements
- (i) Details of Combined Incentive Scheme for 2020
- (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 (resigned 9 April 2020)
- 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 Nomination & Remuneration Committee (**NRC**) is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

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

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(c) Executive remuneration policy and framework

Remuneration policy

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

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

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

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

Executive pay for 2020

For the year ending 30 June 2020, 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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Combined Incentive Scheme (CIS)

The Group presently operates a remuneration incentive scheme which combines Short-term Incentives and Long-term Incentives into a Combined Incentive Scheme (CIS). Certain executives are granted an annual target CIS opportunity which for the 2020 financial year ranges between 25%-50% of base salary, (2019: 25% - 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 NRC in conjunction with the Managing Director after assessing the achievement of the KPIs of each KMP.

(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 (2019: \$nil).

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

	2020	2019	2018	2017	2016
Revenue (\$'000)	\$72,243	\$59,804	\$50,788	\$17,230	\$19,458
Normalised EBITA (\$'000)	\$5,668	\$5,116	\$4,361	\$3,306	\$3,333
Net profit/(loss) before tax (\$'000)	\$2,451	\$3,953	\$2,428	\$2,002	(\$318)
Net profit/(loss) after tax (\$'000)	\$1,749	\$2,726	\$1,772	\$1,477	(\$352)
Share price at end of year	\$0.75	\$0.94	\$1.03	\$1.30	\$1.50
Basic earnings per share	4.30cps	7.85cps	5.51cps	5.35cps	(1.25)cps
Diluted earnings per share	4.30cps	7.85cps	5.51cps	5.35cps	(1.25)cps
Dividends paid or declared	4cps	3cps	2cps	-	-
Remuneration linked to share price (\$'000)	\$nil	\$nil	\$nil	\$nil	\$29

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(e) Non-executive director remuneration policy

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

Non-executive directors receive a Board fee which is inclusive of fees for chairing or participating on Board committees. They do not receive performance-based pay. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently of the fees of non-executive directors based on comparative roles in the external market. During the year, the Chairman was entitled to be paid a fixed remuneration of \$78,750 per annum including superannuation contributions (2019: \$75,000). Other non-executive directors were each entitled to be paid a fixed remuneration of \$52,500 per annum (2019:\$50,000) including superannuation contributions as well as any agreed fees for additional duties.

The Constitution of the Company provides that non-executive directors as a whole may be paid or provided remuneration of an aggregate maximum total of \$300,000 per annum, (2019: \$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 2019 Annual General Meeting (AGM)

The Company received more than 83% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(g) Details of remuneration of KMP

Remuneration for the year ended 30 June 2020

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

1. Rodney Green resigned 9 April 2020.

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration for the year ended 30 June 2019

	Short-term employee benefits			Post employment benefits	Termination benefits	Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Other	Superannuation		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)

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

Name	Fixed remuneration		At risk - CIS	At risk - CIS
	2020	2019	2020	2019
Executive directors				
John G. Hayes	100%	100%	-	-
Grahame Evans	100%	86%	-	14%
Other KMP				
Lisa Armstrong	82%	89%	18%	11%
Michael Harris	88%	92%	12%	8%

(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 2020 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	\$378,000	6 months
Grahame Evans	No fixed term	Employee - 6 months Employer - 6 months	\$345,000	6 months
Other KMP				
Lisa Armstrong	No fixed term	Employee - 6 months Employer - 3 months	\$282,340	3 months
Michael Harris	No fixed term	Employee - 3 months Employer - 3 months	\$302,400	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 2020; they are reviewed annually by the NRC.

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 2020

Under the 2020 CIS, certain employees including the following KMP were given specific KPIs that were designed to generate outcomes that are aligned to the Group's business plan which include both short and long term metrics. The CIS award is subject to performance conditions that focus on Group earnings (MD & CFO) and individual business unit earnings (business unit managers), acquisition targets and operational targets. Each assessment area is weighted differently for each KMP.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

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

KPI	Executive	Key considerations in achievement
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, compliance and sales metrics including growth initiatives, product development, compliance and risk management, 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 2020, the NRC assessed the performance of the MD, and the NRC and MD jointly assessed the performance of the other KMP against their respective KPIs. The NRC recommended and the Board approved the following CIS awards.

KMP	Maximum CIS as a % of Base Salary	Actual CIS awarded	Actual CIS awarded as a % of maximum CIS
MD	50%	-	-
CFO	25%	\$40,000	53%
MD – Easton Wealth	35%	-	-
MD - Knowledge Shop	35%	\$60,000	61%

For the actual CIS awarded for 2020, the NRC has given the KMP the option of taking 100% of the awarded amount as an upfront cash payment following the completion of the 2020 financial audit or to defer 50% as part of the CIS plan.

DIRECTORS' REPORT (continued)

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:

2020 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
K White	3,251,666	-	3,251,666
R Green ¹	420,000	-	420,000
JG Hayes ²	6,361,305	20,000	6,381,305
G Evans	1,002,771	-	1,002,771
C Scarcella	150,000	-	150,000
L Armstrong ²	6,361,305	20,000	6,381,305

1. Rodney Green resigned 9 April 2020.

2. JG Hayes and L Armstrong are related parties of each other, shares held by JG Hayes and directly associated entities, 5,933,705, shares held by L Armstrong 447,600.

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 2020, 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:

	2020 \$	2019 \$
<i>Amounts recognised as revenue</i>		
Recovery of dealer group costs	11,245	12,720
	11,245	12,720
<i>Amounts recognised as expense</i>		
Administrative support	60,000	60,000
Dealer group related adviser fees	516,282	428,263
Help desk and technical training support	450,637	395,934
Occupancy and infrastructure	247,716	269,346
Professional fees & outsourced accounting	158,434	121,048
Expense reimbursements	87,201	75,294
	1,520,270	1,349,885

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:

<i>Amounts recognised as assets and liabilities</i>	2020 \$	2019 \$
Current assets (amounts receivable)	-	5,227
Current liabilities (amounts payable)	42,199	41,850

End of audited Remuneration Report.

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



Kevin White

Chairman – Nomination & Remuneration Committee

Sydney

27 August 2020

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 2020, 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
Director

BDO Audit Pty Ltd

Sydney

27 August 2020

Easton Investments Limited
Annual Financial Report – 30 June 2020
Contents

	<u>Page no.</u>
Consolidated statement of comprehensive income	32
Consolidated statement of financial position	33
Consolidated statement of changes in equity	34
Consolidated statement of cash flows	36
Notes to the consolidated financial statements	
1. Segment information	37
2. Revenue	40
3. Other income and expense items	40
4. Income taxes	41
5. Earnings per share	43
6. Cash and cash equivalents	43
7. Receivables	43
8. Other current assets	44
9. Derivative financial instruments	44
10. Disposal group held for sale	44
11. Equity accounted investments	46
12. Plant and equipment	48
13. Right of use assets and lease liabilities	48
14. Intangible assets	49
15. Trade and other payables	51
16. Provisions and employee benefits	51
17. Borrowings	51
18. Provision for contingent consideration	52
19. Other liabilities	52
20. Contributed equity	53
21. Retained earnings	54
22. Non-controlling interests	54
23. Business combinations	57
24. Cash flow statement reconciliation	59
25. Related party disclosures	60
26. Commitments	62
27. Contingencies	63
28. Events after the balance sheet date	63
29. Financial instruments	63
30. Information relating to Easton Investments Limited (“the Parent entity”)	67
31. Auditors’ remuneration	68
32. Summary of significant accounting policies	69
33. Critical accounting estimates and significant judgements	81
Directors’ declaration	83
Independent auditor’s report	84
Additional Australian Securities Exchange information	88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Revenue from ordinary operating activities			
Services		71,682	59,574
Other revenue		561	230
	2	72,243	59,804
Other income	3	235	1,579
Share of net profit after tax of associates accounted for using the equity method	11	718	896
Expenses from ordinary operating activities			
Adviser share and other direct costs		(51,668)	(43,375)
Salaries and employee benefits expenses	3	(11,223)	(8,456)
Occupancy expenses		(377)	(685)
Professional fees and consultants		(1,564)	(1,310)
Administration expenses		(1,135)	(943)
Corporate costs		(328)	(318)
IT expenses		(677)	(456)
Marketing expenses		(209)	(245)
Other expenses		(414)	(312)
Finance costs	3	(458)	(454)
Depreciation and amortisation	3	(1,362)	(942)
Net loss on disposal of fixed assets		(6)	(4)
Net loss on disposal of subsidiary		(24)	-
Impairment of software platforms		-	(26)
Impairment of intangible assets	3	(1,300)	(800)
Total expenses from ordinary operations		(70,745)	(58,326)
Profit before income tax		2,451	3,953
Income tax expense	4	(702)	(1,227)
Net profit for the year		1,749	2,726
Total comprehensive income for the year			
		1,749	2,726
Profit/(loss) for the year is attributable to:			
Non-controlling interests		269	(4)
Owners of the Company		1,480	2,730
		1,749	2,726
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		269	(4)
Owners of the Company		1,480	2,730
		1,749	2,726
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	5	4.30	7.85
Diluted earnings per share (cents)	5	4.30	7.85

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 2020

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,000	790
Receivables	7	7,087	2,525
Other current assets	8	813	1,048
Assets forming part of disposal group held for sale	10	2,901	-
Derivative financial instruments	9	-	1,478
Total current assets		11,801	5,841
Non-current assets			
Equity accounted investments	11	-	5,763
Plant and equipment	12	126	127
Right of use assets	13	543	-
Intangible assets	14	39,025	31,483
Deferred tax assets	4	690	857
Total non-current assets		40,384	38,230
TOTAL ASSETS		52,185	44,071
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,516	2,283
Provisions and employee benefits	16	2,227	1,551
Current tax liability	4	282	495
Provision for contingent consideration	18	468	40
Lease liabilities	13	349	-
Liabilities associated with disposal held for sale	10	257	-
Other liabilities	19	620	601
Total current liabilities		6,719	4,970
Non-current liabilities			
Provisions and employee benefits	16	318	134
Borrowings	17	9,152	6,161
Deferred tax liabilities	4	82	504
Lease liabilities	13	226	-
Total non-current liabilities		9,778	6,799
TOTAL LIABILITIES		16,497	11,769
NET ASSETS		35,688	32,302
EQUITY			
Contributed equity	20	26,234	26,369
Retained earnings	21	5,939	5,676
Equity attributable to owners of the Company		32,173	32,045
Non-controlling interests	22	3,515	257
TOTAL EQUITY		35,688	32,302
Net tangible assets per share (cents)		(13.03)	1.34

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 2020

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 2019	26,369	5,676	-	32,045	257	32,302
Profit for the year	-	1,480	-	1,480	269	1,749
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,480	-	1,480	269	1,749
Transactions with owners in their capacity as owners:						
Share buy-back	(135)	-	-	(135)	-	(135)
Dividends paid	-	(1,208)	-	(1,208)	(133)	(1,341)
Non-controlling interest recognised on business combination	-	-	-	-	3,082	3,082
Derecognition of non-controlling interest on sell down of EWF	-	-	-	-	40	40
Opening adjustment for AASB 16 Leases	-	(9)	-	(9)	-	(9)
At 30 June 2020	26,234	5,939	-	32,173	3,515	35,688

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 2020

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 CASH FLOWS

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Fees and adviser revenue received		78,090	65,888
Payments to advisers, suppliers and employees		(74,100)	(62,719)
Cash generated from operations		3,990	3,169
Interest received		2	3
Finance costs paid		(407)	(454)
Income tax paid		(1,245)	(503)
Net cash flows from operating activities	24	2,340	2,215
Cash flows from investing activities			
Payments for plant and equipment		(61)	(92)
Payments for other intangible assets		(236)	(208)
Payments for acquisition of a subsidiary, net of cash acquired		(3,674)	(248)
Dividends received from associates		758	958
Reclassification of subsidiary cash held as part of disposal group held for sale – Law Central		(104)	-
Net cash outflow on disposal of subsidiary - EWF		(17)	-
Net cash (outflow)/inflow from investing activities		(3,334)	410
Cash flows from financing activities			
Proceeds from the issue of shares		-	60
Payments under share buy-back		(135)	(205)
Payments of principle of lease liabilities		(309)	-
Proceeds from/(repayment) of borrowings		2,989	(1,074)
Dividends paid to Company shareholders		(1,208)	(1,044)
Dividends paid to non-controlling interests in subsidiaries		(133)	(24)
Net cash inflow/(outflow) from financing activities		1,204	(2,287)
Net increase in cash held		210	338
Cash at the beginning of the financial year		790	452
Cash at the end of the financial year	6	1,000	790

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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.

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

- (i) **Wealth Solutions** comprising GPS Wealth, Merit Wealth, SMSF Expert, Hayes Knight Referral Services and Easton Wealth Protection. This segment 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 Knowledge Shop, Taxbytes, TaxBanter (from 23rd January 2020), Panthercorp, Law Central and Hayes Knight NSW. This segment provides professional support, help desk, training and legal documents primarily to the accounting sector. Hayes Knight NSW is a traditional accounting firm; and
- (iii) **Corporate** comprises the parent entity (Easton Investments Limited) which includes head office and corporate costs.

Geographical Segments

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

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

(i) *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group except for normalised adjustments. Normalised adjustments are applied to earnings before interest, taxation, depreciation and amortisation (EBITA) to derive "Normalised EBITA". Normalised EBITA typically excludes the effects of non-recurring costs such as restructuring costs, impairments, share-based payments, fair value adjustments and accounting for leases under AASB 16 - Leases. The CODM view Normalised EBITA as the best reflection of underlying business performance and refer to it as "Underlying Profit"

(ii) *Intersegment transactions*

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

(iii) *Segment assets and liabilities*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

1. SEGMENT INFORMATION (continued)

(c) Segment results

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

Consolidated 2020	Wealth Solutions \$'000	Accounting Solutions \$'000	Corporate \$'000	Total \$'000
Revenue from ordinary operating activities				
Full adviser gross fees	47,850	-	-	47,850
CARE & other platform income	4,481	-	-	4,481
Subscription services	3,325	4,855	-	8,180
Training	7	5,220	-	5,227
Legal documents	-	3,910	-	3,910
Other fees & referral income	692	58	-	750
Expense recoveries	1,284	-	-	1,284
Other revenue & interest income	31	530	-	561
Total revenue from ordinary operating activities	57,670	14,573	-	72,243
Timing of revenue				
Services recognised over time	7,805	4,855	-	12,660
Services recognised at a point in time	49,865	9,718	-	59,583
Total revenue from ordinary operating activities	57,670	14,573	-	72,243
Normalised EBITA – (non IFRS)	2,930	4,679	(1,941)	5,668
<i>Reconciliation to IFRS Net profit before tax (Normalisation adjustments)</i>				
Equity accounted adjustments for interest, tax and amortisation	(258)	(98)	-	(356)
Restructuring & acquisition costs	(212)	(39)	(93)	(344)
Loss on disposal of subsidiary - EWF	(24)	-	-	(24)
Gain on disposal - First Financial	32	-	-	32
Fair value contingent consideration - SMSF	1	-	-	1
Fair value derivative - First Financial	202	-	-	202
Impairment of intangible assets	-	(1,300)	-	(1,300)
Statutory EBITA				3,879
Interest revenue				2
Finance costs				(458)
Amortisation				(972)
Net profit before tax				2,451
<i>Significant items of segment expenses</i>				
Adviser share and other direct costs	48,413	3,255	-	51,668
Salaries and employee benefits	4,288	5,521	1,414	11,223
Professional fees	901	320	343	1,564
Finance costs	20	31	407	458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

1. SEGMENT INFORMATION (continued)

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				
Full adviser gross fees	39,786	-	-	39,786
CARE & other platform income	3,588	-	-	3,588
Subscription services	3,459	4,302	-	7,761
Training	16	2,410	-	2,426
Legal documents	-	4,036	-	4,036
Other fees & referral income	986	86	-	1,072
Expense recoveries	905	-	-	905
Other revenue & interest income	98	124	8	230
Total revenue from ordinary operating activities	48,838	10,958	8	59,804
Timing of revenue				
Over time	7,090	4,258	-	11,348
At a point in time	41,748	6,700	8	48,456
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
<i>Reconciliation to IFRS Net profit before tax (Normalisation adjustments)</i>				
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 policy change	(54)	-	-	(54)
Fair value contingent consideration - SMSF	101	-	-	101
Fair value derivative - First Financial	1,478	-	-	1,478
Impairment of goodwill	-	(800)	-	(800)
Statutory EBITA				5,263
Interest revenue				3
Finance costs				(454)
Amortisation				(859)
Net profit before tax				3,953
<i>Significant items of segment expenses</i>				
Adviser share 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

2. REVENUE

	2020	2019
	\$'000	\$'000
Revenue from ordinary operating activities		
<i>Sales revenue</i>		
Fees, adviser revenue & recoveries (refer note 1)	71,682	59,574
Interest income	2	3
Other revenue	559	227
	72,243	59,804

3. OTHER INCOME AND EXPENSE ITEMS

	2020	2019
	\$'000	\$'000
Profit from before income tax has been determined after the following items:		
<i>Other income</i>		
Fair value adjustment - contingent consideration SMSF Expert	1	101
Fair value adjustment - derivative financial instrument First Financial	202	1,478
Gain on disposal First Financial	32	-
	235	1,579
<i>Employee benefits expense</i>		
Salaries and wages	9,212	6,821
Defined contribution superannuation expense	799	632
Other employee benefits & related employment expenses	1,212	1,003
	11,223	8,456
<i>Depreciation and amortisation of non-current assets</i>		
<i>Depreciation</i>		
Office equipment	44	51
Furniture, fittings and leasehold improvements	40	32
Finance leases – AASB 16	306	-
	390	83
<i>Amortisation</i>		
Client lists and relationships	597	467
Client lists and relationships - equity accounted investments	219	236
Software platforms and other intangible assets	156	156
	972	859
<i>Total depreciation and amortisation of non-current assets</i>	1,362	942
<i>Finance costs expensed</i>		
Bank loans and overdrafts	408	454
Finance leases – AASB 16	29	-
Notional interest on contingent consideration – TaxBanter	21	-
	458	454
<i>Impairment charges</i>		
HKNSW – equity accounted investment (refer note 11b)	1,180	-
Hayes Knight National Group – brand name (refer to note 14)	120	-
Panthercorp	-	385
Law Central	-	415
	1,300	800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

4. INCOME TAXES

	2020 \$'000	2019 \$'000
(a) Components of tax expense		
Current tax expense	1,002	1,107
Deferred tax (benefit)/expense	(300)	120
Total	702	1,227

(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	2,451	3,953
Prima facie income tax on the profit before income tax at 30% (2019: 30%)	735	1,186
Tax effect of:		
Non-allowable deductions	411	258
Amortisation of intangible assets	95	95
Tax benefit arising from franked dividend rebate and tax losses brought to account	(201)	(254)
Other non-assessable income	(320)	(70)
Adjustments to opening balances on acquisition	(18)	-
Under provision in prior year	-	12
Income tax expense attributable to profit or loss	702	1,227

(c) Current tax

Current tax relates to the following:

Current tax (liability)/receivable

Opening balance	(495)	5
Charged to income	(1,022)	(1,107)
Utilisation of tax losses	35	116
Tax payments	1,489	503
Acquisitions/disposals	(309)	-
Under provision prior year	-	(12)
Amount transferred to disposal group held for sale	20	-
Closing balance	(282)	(495)

(d) Deferred tax

Deferred tax relates to the following:

Deferred tax assets/(liabilities)

Opening balance	353	548
Charged to income net of available fraction losses utilised	265	(223)
Acquisitions/disposals	82	28
Amount transferred to disposal group held for sale	(92)	-
Closing balance	608	353

Amounts recognised in the consolidated statement of financial position:

Deferred tax asset	690	857
Deferred tax liability	(82)	(504)
	608	353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

4. INCOME TAXES (continued)

Deferred income tax at 30 June relates to the following:

	2020 \$'000	2019 \$'000
<i>Deferred tax assets:</i>		
Un-deducted expenditure	3	5
Accruals and provisions	511	512
DTA recognised on capital losses	48	48
DTA recognised on revenue and available fraction losses	128	292
	690	857
<i>Deferred tax liabilities:</i>		
Fair value of assets acquired in a business combination and undistributed income of associates	(33)	(455)
Unrealised capital gain	(49)	(49)
	(82)	(504)
Net deferred tax assets	608	353

(e) Tax losses

Tax losses brought to account

Available fraction losses utilised during the year were \$73,962 leaving a remaining balance of \$722,096 of which \$427,054 (tax effect \$128,116) have been recognised as part of deferred tax assets. In addition, there is a further \$217,493 of revenue losses (tax effect \$65,247) that are recognised as part of deferred tax assets that relate to disposal group held for sale.

The Group has recognised un-recouped capital tax losses of \$159,341 (2019: \$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 2020, the Group has un-recouped operating income tax losses subject to available fraction of \$297,275 which have not been brought to account, (2019: \$298,546). A further \$442,860 un-recouped capital tax losses remain unrecognised.

Unrecognised temporary differences

As 30 June 2020, 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 (2019: Nil).

(f) Franking credit balance

	Parent 2020 \$'000	2019 \$'000
The amount of franking credits available for the subsequent financial year before allowing for any current year proposed dividends are:		
Franking account balance as at the end of the financial year at 30% (2019: 30%)	3,206	2,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

5. EARNINGS PER SHARE

	2020 Cents	2019 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>4.30</u>	<u>7.85</u>
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>4.30</u>	<u>7.85</u>

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

	2020 \$'000	2019 \$'000
(c) Earnings used in calculating earnings per share		
<i>For basic earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<u>1,480</u>	<u>2,730</u>
<i>For diluted earnings per share:</i>		
Net profit attributable to ordinary equity holders of the Company	<u>1,480</u>	<u>2,730</u>
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	<u>34,506,546</u>	<u>34,754,673</u>

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

	2020 \$'000	2019 \$'000
Cash at bank and on hand	<u>1,000</u>	<u>790</u>

7. RECEIVABLES

	2020 \$'000	2019 \$'000
Accrued income	1,916	1,083
Other debtors and receivables	5,171 ¹	1,442
	<u>7,087</u>	<u>2,525</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

8. OTHER CURRENT ASSETS

	2020 \$'000	2019 \$'000
Prepayments	793	1,024
Other current assets	20	24
	813	1,048

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 \$'000	2019 \$'000
Derivative at fair value through profit or loss	-	1,478
	-	1,478

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

This gain was derived from a Shareholders Deed dated 3 June 2015 (**the Deed**) between Easton Wealth Australia Pty Ltd (**EWA**), a wholly owned subsidiary of the Group, which held a 25% equity interest in First Financial, and the other 75% shareholder in First Financial (**the Partner**). Under the Deed, the Partner was able to exercise a Call Option with an effective date of 3rd of June 2020 which allowed it to acquire all of EWA's equity interest. In anticipation of the likelihood that the Call Option would be exercised, a fair value gain of \$1.48 million was recognised on 30 June 2019. Upon exercising the Call Option on 5th May 2020, the Group has derecognised the derivative financial instrument as well as the equity accounted investment in First Financial and recognised a receivable in note 7 for the agreed sale price of \$3.02 million.

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. DISPOSAL GROUP HELD FOR SALE

	2020 \$'000
<i>Assets held as part of disposal group held for sale</i>	
- HKNSW equity accounted investment	2,621
- Law Central	280
Total Assets as part of disposal group held for sale	2,901
<i>Liabilities as part of disposal group held for sale</i>	
- Law Central	(257)
Total Liabilities as part of disposal group held for sale	(257)
Net Assets of disposal group held for sale	2,644

(a) HKNSW

- (i) On 20 July 2020, the Group announced that it had executed a share sale and purchase deed to sell its 33.3% interest in Hayes Knight NSW Pty Ltd and Hayes Knight Services Pty Ltd (**HKNSW**) for a sale price of \$2.45 million. The transaction is subject to Easton Investments Limited shareholder approval. Upon shareholder approval, it is expected that settlement will occur in October 2020. As part of the agreement, a final fully franked dividend of \$0.20 million will also be paid by HKNSW on or before completion.

An impairment charge of \$1.30 million was recognised in the year to reduce the carrying amount of the equity accounted investment (\$1.18 million) and associated intangible assets held in Hayes Knight National Group (\$0.12 million) to the agreed fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

10. DISPOSAL GROUP HELD FOR SALE (continued)

(ii) The following equity accounted investment has been reclassified as held for sale. Performance information of HKNSW is also disclosed in note 11(d).

Carrying amounts

Interest is held in the following associated companies:

Name of company	Principal activity	Ownership interest	Carrying amount
		2020 %	2020 \$'000
HKNSW ¹	Accounting & tax	33.3	2,621
			<u>2,621</u>

1. Reclassified as disposal group held for sale, previously equity accounted investments.

(b) Law Central

(i) The Company has entered into discussions with another shareholder in Law Central Co. Pty Ltd (**Law Central**) in relation to the sale of the Company's 60.2% equity interest. At the date of this report, Directors are of the view that it is likely that a binding sale agreement will be entered into the over coming months.

(ii) The following assets and liabilities were reclassified as held for sale in relation to Law Central. Performance information of Law Central is also disclosed in note 22(iv).

Summarised statement of financial position	2020 \$'000
Cash	104
Receivables	27
Other current assets	11
Plant and equipment	1
Intangible assets	46
Deferred tax assets	91
Total assets of disposal group held for sale	<u>280</u>
Trade and other payables	36
Provisions and employee entitlements	64
Current tax liability	20
Other liabilities	137
Total liabilities of disposal group held for sale	<u>257</u>
Net assets	<u>23</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

11. EQUITY ACCOUNTED INVESTMENTS

	2020 \$'000	2019 \$'000
Equity accounted associated entities	-	5,763

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		Carrying amount	
		2020 %	2019 %	2020 \$'000	2019 \$'000
First Financial Pty Ltd ¹	Wealth & financial services	-	25.0	-	2,078
Hayes Knight (NSW) Pty Ltd ²	Accounting & tax	33.3	33.3	-	3,685
				-	5,763

The principal place of business of associated companies is Australia.

1. First Financial is a 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.

The First Financial equity accounted investment has been derecognised with an effective date of 3 June 2020 upon the exercise of Call Option referred in note 9.

2. HKNSW is a 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.

The HKNSW equity accounted investment has been reclassified to disposal group held for sale in note 10 subsequent to a sale process initiated during 2020 and which resulted in the execution of a share sale and purchase deed on 20 July 2020.

(b) Movements in carrying amounts

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the financial year	5,763	6,061
Share of profits after income tax - refer (c) below	718	896
Amortisation of separately identifiable intangible assets	(219)	(236)
Dividends received	(758)	(958)
Derecognise First Financial on exercise of Call Option effective 3 June 2020	(1,703)	-
Impairment charge - HKNSW (refer note 10)	(1,180)	-
Reclassify HKNSW to disposal group held for sale (refer note 10)	(2,621)	-
Carrying amount at the end of the financial year	-	5,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

11. EQUITY ACCOUNTED INVESTMENTS (continued)

(c) Share of associates' profits or losses

	2020 \$'000	2019 \$'000
Profit before income tax	1,026	1,280
Income tax expense	(308)	(384)
Profit after income tax	718	896

(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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Summarised statement of financial position				
Current assets	-	4,660	3,143	2,797
Non-current assets	-	10,025	3,813	3,740
Current liabilities	-	(3,035)	(1,039)	(1,135)
Non-current liabilities	-	(387)	(181)	(176)
Net assets	-	11,263	5,736	5,226
Summarised statement of comprehensive income				
Revenue	11,054	12,455	6,760	6,448
Profit from operations after income tax	2,066¹	2,663	688	745

1. Results up to 3 June 2020 being the First Financial Call Option date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

12. PLANT AND EQUIPMENT

	Office equipment \$'000	Furniture & fittings \$'000	Total \$'000
Year ended 30 June 2020			
Net carrying amount as at 1 July 2019	68	59	127
Additions	17	44	61
Net carrying amount of business combination	-	29	29
Depreciation charge	(44)	(40)	(84)
Loss on disposal	-	(6)	(6)
Transfer to assets held for sale - Law Central	-	(1)	(1)
Net carrying amount as at 30 June 2020	41	85	126
At 30 June 2020			
Cost	582	360	942
Less accumulated depreciation	(541)	(275)	(816)
Net carrying amount	41	85	126
Year ended 30 June 2019			
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

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

The Group leases 3 office sites across NSW, QLD and WA. Lease terms are up to 4 years. Lease payments are discounted at the Group's incremental borrowing rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

(a) Amounts recognised in the balance sheet

	2020 \$'000	2019 \$'000
Right of use assets		
Office premises	543	-
Lease liabilities		
Current	349	-
Non-current	226	-
	575	-

(b) Amounts recognised in the consolidated statement of comprehensive income

	2020 \$'000	2019 \$'000
Depreciation charge under AASB 16 of right of use assets - Office premises	306	-
Finance costs under AASB 16 - Office premises	29	-
	335	-
Total cash outflow for occupancy costs including the above premises leases, short-term service agreements and outgoings	670	685

14. INTANGIBLE ASSETS

	Client lists & relationships \$'000	Goodwill \$'000	Software platforms \$'000	Other \$'000	Total \$'000
Year ended 30 June 2020					
Net carrying amount as at 1 July 2019	12,371	17,863	382	867	31,483
Additions	16	-	220	-	236
Addition on business combination	4,212	3,098	-	915	8,225
Impairment - Hayes Knight National Group	-	-	-	(120)	(120)
Amortisation	(597)	-	(151)	(5)	(753)
Reclassification to disposal group held for sale - Law Central	(23)	-	-	(23)	(46)
Net carrying amount as at 30 June 2020	15,979	20,961	451	1,634	39,025
At 30 June 2020					
Cost	18,582	21,761	1,101	1,854	43,298
Less accumulated amortisation and impairment	(2,603)	(800)	(650)	(220)	(4,273)
Net carrying amount	15,979	20,961	451	1,634	39,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

14. INTANGIBLE ASSETS (continued)

Year ended 30 June 2019	Client lists & relationships	Goodwill	Software platforms	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount as at 1 July 2018	12,404	18,663	351	871	32,289
Additions	434	-	209	-	643
Impairment	-	(800)	(26)	-	(826)
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/ impairment	(2,032)	(800)	(499)	(122)	(3,453)
Net carrying amount	12,371	17,863	382	867	31,483

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:

	2020	2019
	\$'000	\$'000
Wealth Solutions	8,101	8,101
Accounting Solutions	12,860	9,762
	20,961	17,863

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	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Wealth Solutions	(15.0) - 3.0	(15.0) - 3.0	1.5 - 3.0	3.0-5.0	12.5	16.0
Accounting Solutions	1.5 - 3.0	1.5 - 3.0	1.5 - 3.0	1.5-5.0	12.5	16.0

The above growth rate assumptions are applied to 2021 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2020, the Group conducted impairment tests on all cash generating units and determined that their carrying values were not in excess of their recoverable amounts with the exception of HKNSW which has been classified as held for sale and has been recorded at fair value. Accordingly, an impairment charge of \$1.30 million has been recognised to reduce HKNSW by \$1.18 million (refer note 11b) and associated intangible assets of Hayes Knight National Group by \$0.12 million (note 14 above) to the agreed sale price and expected dividend payment in October 2020. (2019: goodwill impairment \$800,000, comprising \$415,500 for Law Central and \$384,500 for Panthercorp).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

15. TRADE AND OTHER PAYABLES

	2020	2019
	\$'000	\$'000
<i>Current</i>		
Trade payables	1,144	1,158
Other payables and accruals	1,372	1,125
Carrying amount of trade and other payables	<u>2,516</u>	<u>2,283</u>

Trade and other payables are generally settled on 30 day terms. Interest rates are disclosed in note 29 (c). Due to the short-term nature of these payables, their carrying value represents a reasonable approximation of their fair value.

16. PROVISIONS AND EMPLOYEE BENEFITS

	2020	2019
	\$'000	\$'000
<i>Current</i>		
Provision for annual leave	796	491
Provision for long service leave	509	387
Provision for ASIC levy	922	673
	<u>2,227</u>	<u>1,551</u>
<i>Non-current</i>		
Provision for long service leave	<u>318</u>	134

17. BORROWINGS

(a) Borrowings

	2020	2019
	\$'000	\$'000
<i>Non-current:</i>		
Westpac facility	9,152	6,161
Total borrowings	<u>9,152</u>	<u>6,161</u>

On 17 March 2020, the Company executed finance agreements with Westpac Banking Corporation to add to and extend its existing finance facility to the following terms:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

17. BORROWINGS (continued)

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods. Under the terms of the combined facilities, all covenant ratios are applied on a Group EBITDA basis.

(b) Loan facilities

	2020 \$'000	2019 \$'000
Bank loan facilities	13,000	10,000
Amount utilised	9,152	6,161
Unused loan facility	3,848	3,839

18. PROVISION FOR CONTINGENT CONSIDERATION

	2020 \$'000	2019 \$'000
<i>Current:</i>		
Balance at 1 July	40	-
Additions during the year at fair value	446 ¹	141 ⁴
Fair value adjustments during the year	20 ²	(101) ²
Payments/agreed payable	(38) ³	-
Provision for contingent consideration	468	40

1. Contingent consideration for TaxBanter

2. Fair value adjustment for TaxBanter 2020 and SMSF Expert 2019

3. Final contingent consideration payment for SMSF Expert

4. Initial contingent consideration for SMSF Expert

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

19. OTHER LIABILITIES

	2020 \$'000	2019 \$'000
Deferred revenue	620	601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

20. CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

	Number of shares	\$'000
1 July 2019	34,614,619	26,369
Share buy-back ¹	(155,148)	(135)
30 June 2020	34,459,471	26,234
1 July 2018	34,851,966	26,574
- Share buy-back ¹	(237,347)	(205)
30 June 2019	34,614,619	26,369

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

(b) Ordinary shares

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

(c) 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.

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	2020 \$'000	2019 \$'000
Total borrowings	17	(9,152)	(6,161)
Add: cash and cash equivalents	6	1,000	790
Net cash and borrowings		(8,152)	(5,371)
Total equity		35,688	32,302
Total capital		43,840	37,673
Gearing ratio		19%	14%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

21. RETAINED EARNINGS

	2020 \$'000	2019 \$'000
Balance 1 July	5,676	3,965
Profit attributable to owners of the Company	1,480	2,730
Transfer from reserves	-	25
Less dividends paid	(1,208)	(1,044)
Adjustment on adoption of AASB 16 Leases	(9)	-
Balance 30 June	<u>5,939</u>	<u>5,676</u>

22. NON-CONTROLLING INTERESTS (NCI)

	2020 \$'000	2019 \$'000
Contributed equity	3,446	424
Retained profits	69	(167)
	<u>3,515</u>	<u>257</u>

(a) Summarised financial information

(i) TaxBanter

On the 23rd January 2020, the Group acquired a 60% equity interest in TaxBanter Pty Ltd. (refer note 23)

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

	2020 \$'000
Summarised statement of financial position	
Current assets	1,080
Current liabilities	(1,470)
Current net assets	<u>(390)</u>
Non-current assets	1,940
Non-current liabilities	(44)
Non-current net assets	<u>1,896</u>
Net assets	<u>1,506</u>
Summarised statement of comprehensive income¹	<u>2020 \$'000</u>
Revenue	3,104
Profit after tax for the period	537
Profit allocated to NCI	236
Summarised cash flows¹	<u>2020 \$'000</u>
Cash inflows from operating activities	416
Cash outflows from investing activities	(5)
Cash outflows from financing activities	(400)
Net increase in cash and cash equivalents	<u>11</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

22. NON-CONTROLLING INTERESTS (continued)

(ii) EWA Finance

In January 2019 the Group established EWA Finance Pty Ltd (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 initially held a 70% interest in EWF with one non-controlling equity partner. Effective 30 April 2020, the Group executed an agreement with the non-controlling equity partner to sell down its equity interest from 70% to 10% for \$1. Accordingly, the Group no longer consolidates the results of EWF in its financial statements.

	2020 \$'000	2019 \$'000
Summarised statement of financial position		
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
	2020 \$'000	2019 \$'000
Summarised statement of comprehensive income¹		
Revenue	13	-
Profit after tax for the period	(271)	(138)
Profit allocated to NCI	(57)	(41)
	2020 \$'000	2019 \$'000
Summarised cash flows¹		
Cash outflow from operating activities	(271)	(176)
Cash outflows from investing activities	-	(1)
Cash inflows from financing activities	289	177
Net increase in cash and cash equivalents	18	-

1. Income and cashflow information is effective from January 2019 through to 30 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

22. NON-CONTROLLING INTERESTS (continued)

(iii) Taxbytes

The Group holds a 65% interest in Tax Bytes Pty Ltd.

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

	2020 \$'000	2019 \$'000
Summarised statement of financial position		
Current assets	159	387
Current liabilities	(106)	(153)
Current net assets	53	234
Non-current assets	566	566
Non-current liabilities	(9)	(25)
Non-current net assets	557	541
Net assets	610	775
	2020 \$'000	2019 \$'000
Summarised statement of comprehensive income		
Profit after tax for the period	656	686
Profit allocated to NCI	212	201
	79	72
	2020 \$'000	2019 \$'000
Summarised cash flows		
Cash inflows from operating activities	184	277
Cash outflows from investing activities	-	-
Cash (outflows)/inflows from financing activities	(396)	34
Net (decrease)/increase in cash and cash equivalents	(212)	311

(iv) 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 and intangible assets recognised on consolidation.

	2020 \$'000	2019 \$'000
Summarised statement of financial position		
Current assets	280	55
Current liabilities	(257)	(122)
Current net assets/(liabilities)¹	23	(67)
Non-current assets	-	163
Non-current liabilities	-	(103)
Non-current net assets	-	60
Net assets/(liabilities)	23	(7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

22. NON-CONTROLLING INTERESTS (continued)

	2020	2019
	\$'000	\$'000
Summarised statement of comprehensive income		
Revenue	574	517
Profit after tax for the period	30	(90)
Profit allocated to NCI	11	(35)
Summarised cash flows	2020	2019
	\$'000	\$'000
Cash inflows/(outflows) from operating activities	46	(64)
Cash outflows from investing activities	(1)	-
Cash inflows from financing activities	32	58
Net increase/(decrease) in cash and cash equivalents	77	(6)

1. Law Central's assets and liabilities have been reclassified as part of disposal group held for sale and accordingly have been treated as current as at 30 June 2020.

(b) Transactions with non-controlling interests

During the year, the Group acquired a 60% equity interest in TaxBanter Pty Ltd for the sum of \$4,623,242. The consideration was paid to the remaining non-controlling interest equity holders. (see note 23)

During the year, the Group sold down its equity interest in EWF from 70% to 10% for the sum of \$1. During the year, non-controlling interest made a \$45,000 equity contribution in addition to a \$60,000 contribution during 2019.

23. BUSINESS COMBINATIONS

On 23 January 2020, the Group completed the acquisition of 60% of the issued share capital of TaxBanter Pty Ltd (**TBR**). TBR 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. Under the agreement there is a Put Call Option to acquire the remaining 40% of TBRs share capital in 2 years from the date of original acquisition.

The consideration included an upfront cash payment of \$4,176,870, plus a contingent consideration component not exceeding \$500,000 calculated at a progressive rate linked to earnings growth in excess of 6% annum over the 2 year period from the acquisition date as well as \$25,518 upon collection of some nominated opening debtors.

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

(i) Purchase consideration:

	23 January 2020 \$'000
Cash	4,177
Contingent consideration	446 ¹
Non-controlling interest	3,082
	7,705

1. Contingent consideration has a fair value adjustment applied as at 30 June 2020 to allow for the net present value of the expected future payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

23. BUSINESS COMBINATIONS (continued)

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

	23 January 2020 \$'000
Cash	542
Trade debtors	189
Prepayments	19
Property plant & equipment	29
Deferred tax asset	125
Trade payables	(284)
Deferred income	(591)
Provision for taxation	(55)
Provisions & employee entitlements	(494)
Net identifiable liabilities acquired	(520)
Goodwill	3,098
Brand name	915
Separately identifiable intangible asset - Client list	4,212
Net assets acquired	7,705

(iii) *Revenue and profit contribution:*

The acquired subsidiary contributed revenues of \$3.10 million and net profit before tax of \$0.75 million to the Group for the period 23 January 2020 to 30 June 2020. If the acquisition had occurred on 1 July 2019, consolidated proforma revenue and net profit before tax for the year ended 30 June 2020 would have been \$6.80 million and \$1.52 million respectively. The accounting policies of the newly acquired subsidiary are consistent with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

24. CASH FLOW STATEMENT RECONCILIATION

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

	2020 \$'000	2019 \$'000
Net profit after income tax	1,749	2,726
<i>Adjustments for non-cash items:</i>		
Depreciation	390	83
Amortisation	972	859
Loss on disposal of plant and equipment	6	4
Loss on disposal of subsidiary - EWF	24	-
Gain on disposal of associate – First Financial	(32)	-
Impairment of intangible assets – software platform	-	26
Impairment of separately identifiable intangible assets	1,300	-
Impairment of intangible assets – goodwill	-	800
Share of associates' net profit	(718)	(896)
Fair value adjustment to contingent consideration	(1)	(101)
Fair value adjustment to derivative financial instrument - First Financial	(202)	(1,478)
Notional interest on lease liabilities	29	-
Notional interest charge on contingent consideration - TaxBanter	21	-
<i>Changes in assets and liabilities</i>		
Increase in trade, other receivables and other assets	(1,204)	(430)
Decrease/(increase) in deferred tax assets	147	(15)
Increase/(decrease) in trade and other payables	297	(217)
Increase in provisions and employee benefits	237	116
(Decrease)/increase in current tax liability	(248)	500
(Decrease)/increase in deferred tax liability	(427)	238
Net cash flows from operating activities	2,340	2,215

(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:

	2020 \$'000	2019 \$'000
Cash at bank (refer to note 6)	1,000	790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

25. RELATED PARTY DISCLOSURES

(a) Parent entity

The parent entity within the Group is Easton Investments Limited (refer to note 30 for information relating to the parent entity).

(b) Subsidiaries

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

Subsidiary Name	Country of incorporation	Proportion of ownership interest and voting power held (%)	
		2020	2019
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	100.0
EWA Finance Pty Ltd	Australia	10.0	70.0
TaxBanter Pty Ltd	Australia	60.0	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

25. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel compensation

	2020	2019
	\$	\$
Short-term employment benefits	1,491,399	1,438,353
Post-employment benefits	98,380	97,438
Total remuneration	1,589,779	1,535,791

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 29.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2020	2019
	\$	\$
<i>Transactions with associates¹</i>		
<i>Fees and other revenue received from associates</i>		
Dividend received - First Financial	675,017	725,018

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 25(e) and 25(f).

(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:

	2020	2019
	\$	\$
<i>Current payables</i>		
Entities controlled by key management personnel:		
- HKNSW	42,199	41,850
	42,199	41,850
<i>Current receivables</i>		
Entities controlled by key management personnel:		
- HKNSW	-	5,227
	-	5,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

25. RELATED PARTY DISCLOSURES (continued)

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

Services

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

- \$52,500 as a non-executive director, (2019: \$50,000).
- \$10,000 for Chair of the Wealth Regulatory Compliance Project (2019: \$5,833)

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:

- \$158,434 for professional fees relating to specialist tax advice, accounting and consulting fees (2019: \$121,048);
- \$516,282 for dealer group related adviser fees paid (2019: \$428,263);
- \$450,637 for help desk and technical training support (2019: \$395,934);
- \$247,716 for occupancy and infrastructure services (2019: \$269,346);
- \$60,000 administrative support fees (2019: \$60,000); and
- \$87,201 expense reimbursements and cost recoveries (2019: \$75,294)

Revenue

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

- \$11,245 for recovery of dealer group fees (2019: \$12,720); and
- \$83,250 fully franked dividends (2019: \$233,101).

26. COMMITMENTS

(a) Lease commitments – the Group as lessee

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

(i) Payments recognised as an expense

	2020 \$'000	2019 \$'000
Minimum lease payments	749	732
	749	732

(ii) Non-cancellable operating lease commitments

	2020 \$'000	2019 \$'000
Not later than 1 year	630	405
Later than 1 year and not later than 5 years	300	462
Later than 5 years	-	-
	930	867

(b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2020 (2019: Nil).

(c) Loan commitments

Refer to note 17, for details on borrowings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

27. CONTINGENCIES

There were no contingent liabilities as at 30 June 2020 other than contingent consideration in relation to the acquisition of TaxBanter Pty Ltd referred to in note 23 (2019: Nil).

28. EVENTS AFTER THE BALANCE SHEET DATE

Divestment of equity interest in HKNSW

On 20 July 2020 the Group entered into a conditional sale agreement to sell its equity interest in HKNSW to the other HKNSW shareholders for a cash consideration of \$2.45 million as well as an agreed final dividend payment of \$0.20 million. The proposed sale is a related party transaction as it involves the disposal of a significant asset of the Group, representing more than 5% of the Group's net assets, and as the buyers include Easton's Managing Director Greg Hayes and his related party. As a result, the proposed sale is conditional on shareholder approval at the Company's forthcoming AGM.

Divestment in equity interest in First Financial

On 28 July 2020, the Group received a final dividend from First Financial of \$0.39 million and on 31 July 2020 received the cash proceeds of \$3.02 million relating to the sale of the Group's interest in First Financial which completed on 3 August 2020.

Succession Planning

On 17 August 2020, the Company announced its succession plans following the Mr Greg Hayes' decision earlier in the year to step down as managing director at the Company's 2020 Annual General Meeting to be held on 1 October 2020. Under an interim arrangement, the Chairman, Mr Kevin White, has agreed to take on the role of Executive Chairman and interim Managing Director and Mr Hayes has agreed to remain on the Board a non-executive director. This arrangement will take effect immediately after the forthcoming Annual General meeting and has a 12 month horizon.

29. 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:

	2020	2019
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1,000	790
Trade and other receivables	7,087	2,525
Derivative financial instrument	-	1,478
Total financial assets	8,087	4,793
Financial liabilities		
Trade and other payables	2,517	2,283
Borrowings	9,151	6,161
Contingent consideration	468	40
Total financial liabilities	12,136	8,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

29. FINANCIAL INSTRUMENTS (continued)

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

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

(a) Market price risk

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

(b) Currency risk

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

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

(c) Interest rate risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

29. FINANCIAL INSTRUMENTS (continued)

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

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

30 June 2019	Weighted average interest rate %	Fair value level	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	3	1,478	-	-	1,478
Financial liabilities:						
Trade and other payables	-		-	-	(2,283)	(2,283)
Borrowings	5.06		-	(6,161)	-	(6,161)
Contingent consideration	-	3	-	-	(40)	(40)
Net financial assets/(liabilities)			1,478	(6,160)	991	(3,691)

For the year ended 30 June 2020, 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 \$72,956 lower/higher (2019: \$66,607 lower/higher).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

29. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

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

At balance date the Group does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Group. At balance date 64% of trade receivables are within approved credit terms (2019: 71%). All trade receivables that are not impaired are expected to be received.

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

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

(e) Liquidity risk

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

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

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

(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 29 (c) for allocation of financial liabilities by level.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

29. FINANCIAL INSTRUMENTS (continued)

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

	2020 \$'000	2019 \$'000
At 1 July	40	-
Additions during the year at fair value	446	141
Payments	(38)	-
Fair value adjustments during the year	20	(101)
At 30 June	468	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 12%. If the discount rate had changed by +/- 1% (100 basis points), assuming all other variables held constant, the impact on pre-tax profit for the year would have been \$1,455. (2019: \$nil higher/lower).

(g) Reconciliation of net financial assets to net assets

	2020 \$'000	2019 \$'000
Net financial assets and liabilities as above	(4,049)	(3,691)
Non financial assets and liabilities	39,737	35,993
Net assets per statement of financial position	35,688	32,302

30. 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 32 for a summary of the significant accounting policies relating to the Group.

(a) Summarised statement of financial position

	2020 \$'000	2019 \$'000
Current assets	34	75
Non-current assets	28,722	28,621
Total assets	28,756	28,696
Current liabilities	527	819
Non-current liabilities	13,258	9,753
Total liabilities	13,785	10,572
Net Assets	14,971	18,124
Contributed equity	26,233	26,369
Accumulated losses	(11,262)	(8,245)
Total equity	14,971	18,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

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

(b) Summarised statement of comprehensive income

	2020	2019
	\$'000	\$'000
Loss of the parent entity	(1,808)	(1,600)
Total comprehensive loss of the parent entity	(1,808)	(1,600)

(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.

31. 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.

	2020	2019
	\$	\$
(a) Auditors of the Group – BDO¹ and related network firms		
Audit and review of financial statements		
- Group	160,000	122,500
- Controlled entities	10,000	9,000
Other statutory assurance services		
- Controlled entities (FS71)	7,000	6,000
Other assurance services	-	13,200
Total remuneration of BDO	177,000	150,700
(b) Non-BDO audit firms		
Audit and review of financial statements	-	-
Total remuneration of non-BDO audit firms	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. 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 27 August 2020.

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 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 AASB 16 was recognised at 1 July 2019, with no restatement comparative. The impact on adoption was:

Recognition of new right-of-use assets	\$614,089
Recognition of new lease liabilities	\$625,871
Deferred tax	\$3,318
Retained earnings	(\$8,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact of adopting on AASB 16 on profit and loss for the year was:

Depreciation expense	\$305,689
Interest Expense	\$28,374
Rent expense	<u>(\$176,403)</u>
Impact on net profit before tax	(\$157,660)

New standards and interpretations not operative as at 30 June 2020

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.

(b) Principles of consolidation

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

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Equity method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(c) **Segment reporting**

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

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

(d) **Foreign currency translation and balances**

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue

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

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

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

Accounting Solutions revenue:

(i) Training revenue

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

(ii) Membership subscription revenue

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

(iii) Document sales

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

Wealth Solutions revenue:

(i) Fee for service and general advice fees

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

(ii) 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 is also ongoing in line with policy reviews and maintenance. The performance obligation for on-going commissions revenue is therefore satisfied at the point in time the service is delivered.

Factors contributing to uncertainty include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Referral rights agreements

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

Other revenue:

(i) Interest income

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

(ii) Dividends and distributions

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

(f) Other income

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

(g) Income tax and other taxes

(i) Income tax

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

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(i) Business combinations

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability will be recognised in accordance with *AASB 9 Financial Instruments*, in profit or loss. When the contingent consideration is classified as equity, it should not be remeasured and any subsequent settlement is accounted for within equity.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

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

(l) Investments and other financial assets

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

Classification

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

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

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

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

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

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

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

Business Model Assessment

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

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

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

Assessment whether contractual cash flows are SPPI

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Reclassifications

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

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

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

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

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

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

(iii) Financial liabilities

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

Classification, subsequent measurement and gains and losses

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

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

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

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

(iv) Impairment of financial assets

Fair value measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(m) Plant and equipment

Cost and valuation

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

Depreciation

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

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

The useful lives for each class of asset are:

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

Derecognition

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

(n) Goodwill and intangibles

Goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 32(j) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

- Client contracts and related client relationships not exceeding 15 years

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

(o) Trade and other payables

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

(p) Borrowings

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

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(iv) Share-based payments

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

(v) Bonus plans

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

(vi) Termination benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contributed equity

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

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(t) Comparatives

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

33. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies described in note 32, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of goodwill

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

The carrying amount of goodwill at 30 June 2020 was \$20.96 million (30 June 2019: \$17.86 million). Impairment losses of \$nil have been recognised against goodwill during the year (2019: \$0.80 million). Details of impairment testing are set out in note 14.

Impairment of non-financial assets other than goodwill

All non-financial assets are assessed for impairment at each reporting date or when there may be indicators of impairment by evaluating whether their carrying amount is in excess of their recoverable amount. Impairment losses of \$1.30 million have been recognised against the carrying value of HKNSW and associated intangible assets during the year (2019: \$nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

33. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

The carrying amount of non-financial assets other than goodwill at 30 June 2020 was \$23.14 million (30 June 2019: \$22.89 million).

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 29 (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 82 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 32, 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 2020 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 2020.

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

On behalf of the Board.



Kevin White
Chairman

Sydney
27 August 2020

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 controlled entities (collectively the 'Group'), which comprises the consolidated statement of financial position as at 30 June 2020, 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 consolidated 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 consolidated financial position as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

Key audit matters

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

Accounting for the acquisition of TaxBanter Pty Limited

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 23 of the consolidated financial report, the Group acquired a 60% equity interest in TaxBanter Pty Limited (an equity incorporated in Australia).</p> <p>The audit of the accounting for this acquisition is a key audit matter due to the significant judgment and complexity involved in assessing the determination of the fair value of identifiable intangible assets and the final purchase price which included contingent deferred consideration.</p> <p>The assumptions and complexity of the calculations have made the accounting for the acquisition of TaxBanter Pty Limited a Key Audit Matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> - Reviewing the sale and purchase agreement to verify the costs of acquisition and assess the accounting impact of any conditions relating to the acquisition; - Assessing the estimation of the contingent consideration by challenging the key assumptions including discount rate and probability of achievement of future profit targets; - Comparing the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information of the acquired businesses; - Assessing how the Group estimated the fair value of the assets and liabilities identified in the acquisition; - Obtaining a copy of the external Purchase Price Allocation ('PPA') report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition; and - Assessing the adequacy of the Group's disclosures of the acquisition.

Carrying value of Goodwill - Impairment Assessment

Key audit matter	How the matter was addressed in our audit
<p>The Group's disclosures in respect to Goodwill and impairment assessment are included note 14 of the consolidated financial report. Annual impairment testing requires a significant amount of judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates.</p>	<p>In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - 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;

The critical assumptions used by Management are disclosed in note 13.

The assumptions and complexity of the calculations have made the impairment assessment of goodwill a Key Audit Matter.

- 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; and
- 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 2020, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 Group are responsible for the preparation of the consolidated 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 consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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



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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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 23 to 32 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Easton Investments Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Tim Aman'. Above the signature, the letters 'BDO' are written in a simple, hand-drawn style.

Tim Aman
Director

Sydney, 27 August 2020

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 26 August 2020.

(a) Distribution of equity securities

Ordinary share capital

As at 26 August 2020 there were 34,379,471 shares held by 503 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	33,019	162
1,001 - 5,000	235,984	74
5,001 - 10,000	457,905	58
10,001 - 100,000	5,023,759	151
100,001 - over	28,628,804	58
TOTAL	34,379,471	503

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

(b) Substantial shareholders

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

Ordinary shareholders	Notification date	Ordinary shares held Number	%
Greg Hayes (direct and associated entities)	08/09/2017	5,933,705 ¹	17.22
Kevin White (direct and associated entities)	08/09/2017	3,060,000 ¹	8.88
Pie Funds Management Limited	10/06/2020	2,976,152 ²	8.64
Peter Geoffrey Hollick (direct and associated entities)	14/02/2020	2,475,866 ²	7.18
		14,445,723	41.92

1. Shareholding as at 26 August 2020.

2. Shareholding at date of notification.

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

(continued)

(c) Twenty largest holders of quoted equity securities as at 26 August 2020

	Fully paid ordinary shares	
	Number	Held %
Ordinary shareholders		
National Nominees Limited	3,305,871	9.59
Greg Hayes	2,932,072	8.51
A.C.N 098 682 556 Pty Ltd	2,444,445	7.09
Mr Kevin White & Mrs Margaret White <White Family Super Fund A/C>	1,609,827	4.67
Mr Peter Geoffrey Hollick	1,100,000	3.19
Mr Kevin White & Margaret White	1,000,000	2.90
Mr Grahame David Evans & Mrs Catherine Jane Evans	891,754	2.59
Citicorp Nominees Pty Ltd	834,197	2.43
Craig Rosen	825,702	2.40
Hollywood Aust Pty Ltd	803,908	2.34
HP Capital Pty Ltd	666,667	1.94
Mr Alistair David Strong	620,000	1.80
Mr Anthony Raymond White	563,495	1.64
Marsel Holdings Pty Ltd <Hayes Super Fund A/C>	537,188	1.56
Top Pocket Pty Ltd <Top Pocket Super Fund A/C>	533,334	1.55
Top Pocket Pty Ltd	530,400	1.54
Dixon Trust Pty Limited	479,455	1.39
HSBC Custody Nominees (Australia) Limited	466,336	1.36
DMX Capital Partners Limited	449,308	1.31
Lisa Armstrong	447,600	1.30
	<u>21,041,559</u>	<u>61.20</u>

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 27 August 2020, there were nil restricted ordinary shares subject to voluntary escrow.

(e) Voting rights

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