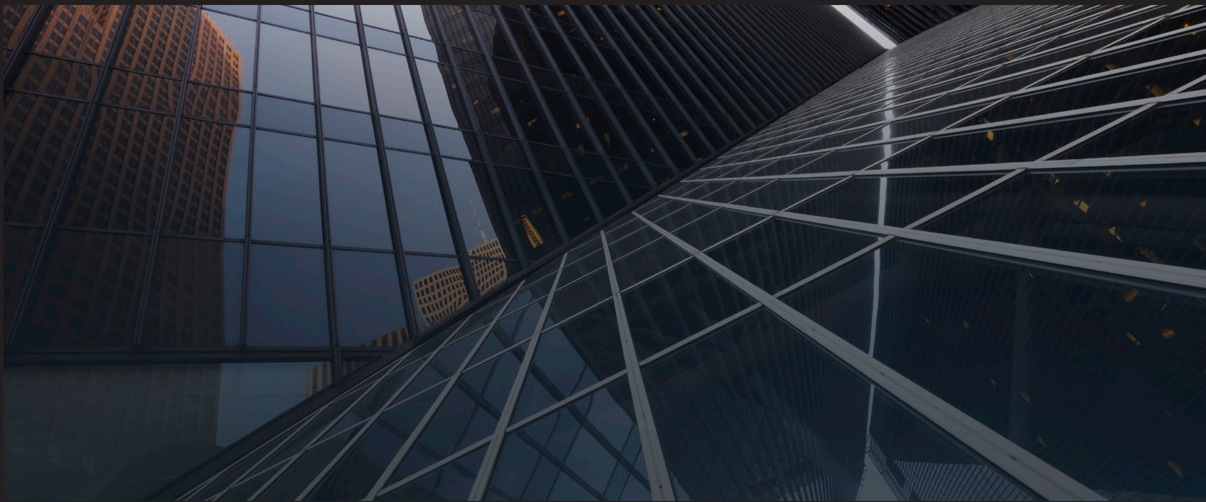
EVANS DIXON



# FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

Evans Dixon Limited
(ACN 609 913 457)

# Contents

# Directors' report

## INTRODUCTION

The directors of Evans Dixon Limited (the **Company**) submit herewith the financial report of the consolidated entity comprising the Company and its controlled entities (herein referred to as the **Group**) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## DIRECTORS

The names of the directors of Evans Dixon Limited during or since the end of the half-year are:

- David Evans, Executive Chairman
- Alan Dixon, Executive Director (until 31 October 2019), Non-Executive Director (from 1 November 2019)
- Sally Herman, Non-Executive Director
- Josephine Linden, Non-Executive Director
- Peter Anderson, Non-Executive Director (resigned 8 July 2019)

## REVIEW AND RESULTS OF OPERATIONS

### OPERATING AND FINANCIAL REVIEW

#### Evans Dixon financial performance by operating segment

| A$m | Wealth Advice | E&P | Funds Management | Corporate Unallocated | Total |
|---|---|---|---|---|---|
| Net revenue[1] | 44.6 | 27.1 | 31.2 | - | 102.9 |
| Underlying EBITDA[2] | 9.9 | 8.7 | 7.9 | (5.7) | 20.8 |
| Underlying NPATA[3] | | | | | 8.8 |

*Notes:*

*1. Net revenue is defined as gross revenue less cost of sales including trading execution, clearing and settlement costs, commissions paid relating to real estate brokerage services, costs directly incurred in the provision of construction, project management, design and architectural services.*

*2. Underlying EBITDA adjusts for one-off or non-recurring items. See reconciliation in Non-IFRS information section for further information.*

*3. Underlying NPATA is defined as underlying net profit after tax, before amortisation of acquired intangibles and one-off or non-recurring items. See reconciliation in Non-IFRS information section for further information.*

# Directors' report (*cont.*)

## GROUP PERFORMANCE

The Group recorded total revenues[4] of $115.1 million with net revenues of $102.9 million after deducting cost of sales for the half-year to 31 December 2019. Net revenues were down 7% versus $110.2 million from the prior corresponding period. The Group recorded underlying EBITDA of $20.8 million which was down 22% on the prior corresponding period of $26.7 million, after adjusting the prior corresponding period underlying EBITDA for the impact of AASB 16. The Group's underlying EBITDA margin of 20% compared to the prior corresponding period of 24%[5].

The decrease in underlying EBITDA compared to the prior corresponding period is due to reduced contributions from the E&P (formerly Corporate & Institutional) and Funds Management segments. The key drivers behind movement in underlying EBITDA are discussed in the business segment overview below. Offsetting the reduction in underlying EBITDA from E&P and Funds Management was a small increase in the underlying EBITDA of the Wealth Advice segment and a reduction in Corporate Unallocated costs.

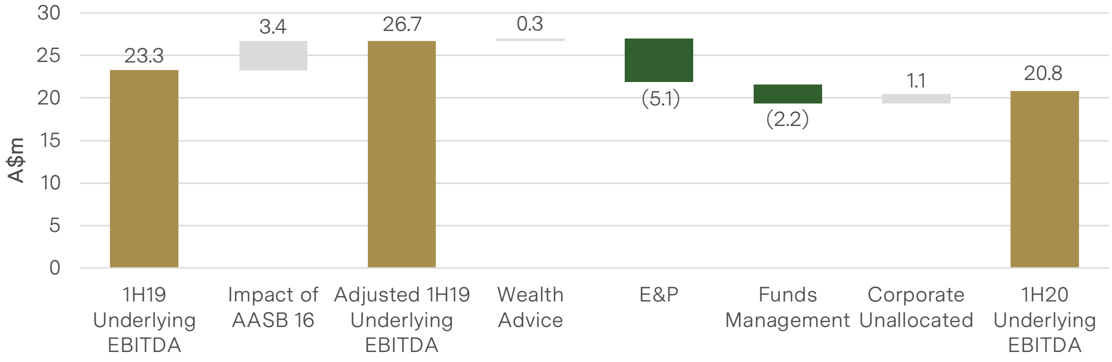
Underlying net profit after tax before amortisation of acquired intangibles and one-off or non-recurring items (**NPATA**) was $8.8 million, which was 41% below the prior corresponding period. This resulted in underlying earnings per share of 3.9 cents, calculated using weighted shares outstanding of 224.8 million for the period to 31 December 2019.

The consolidated statutory profit of the Group after providing for income tax for the half-year ended 31 December 2019 was $2.1 million compared to $12.4 million for the prior corresponding period. The effective tax rate for the half-year ended 31 December 2019 was 61% which increased from 30% during the prior corresponding period. The increase in the effective tax rate was due primarily to USA related pre-tax operating losses and the impairment of the property, plant & equipment in the USA. Losses relating to these items are not recognised as a deferred tax asset which results in a higher effective tax rate when calculated as against consolidated pre-tax operating profits. The Group expects the effective tax rate to decrease in future periods as the impairment relating to property, plant & equipment is non-recurring.

*4. Excludes interest income of $0.1 million.*

*5. Underlying EBITDA margin is defined as underlying EBITDA divided by net revenue.*

### Segment contribution to underlying EBITDA versus prior corresponding period




## NON-IFRS INFORMATION

We disclose certain financial measures such as net revenue, underlying EBITDA and underlying NPATA which are not prepared in accordance with IFRS and are therefore considered 'non-IFRS' financial measures. The directors believe that the non-IFRS financial information provides useful information to investors because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of the business' performance. We use non-IFRS measures consistently in our internal planning and forecasting, reporting and ongoing business management.

Our non-IFRS financial measures reflect adjustments for items that the Directors consider are one-off or non-recurring in nature. The table below sets out the adjustments to EBITDA and NPAT that were made for 1H20 and 1H19.

### Underlying reconciliation

| A$m | 1H20 | 1H19 |
|---|---|---|
| EBITDA | 19.1 | 25.5* |
| Other acquisition related expenses | - | 1.2 |
| Employee termination costs | 1.7 | - |
| **Underlying EBITDA** | **20.8** | **26.7*** |

** Includes adjustment to reflect impact of AASB 16 of $3.4 million.*

| | | |
|---|---|---|
| Statutory NPAT | 2.1 | 12.4 |
| Amortisation of acquired intangibles (after tax) | 1.9 | 1.7 |
| Employee termination costs (after tax) | 1.3 | - |
| Impairment of property, plant & equipment | 3.5 | - |
| Public company and other acquisition related expenses (after tax) | - | 0.9 |
| **Underlying NPATA** | **8.8** | **15.0** |

The 1H20 underlying EBITDA adjustments include $1.7 million in expenses relating to employee termination costs, which reflect the significant changes to staff numbers made across the Group following the operational review ($1.3 million after tax). 1H19 has been adjusted for $1.2 million in expenses relating to the acquisition of Fort Street Advisers, due diligence expenses and other pre-acquisition expenses relating to Evans & Partners ($0.9 million after tax). 1H20 underlying NPATA after tax adjustments also include:

- $1.9 million relating to amortisation of intangible assets that arose from the merger with Evans & Partners, acquisition of Fort Street Advisers and the company's IPO (1H19: $1.7 million); and
- $3.5 million of impairment to property, plant and equipment which relates to furniture and leasehold improvements located in the USA which are no longer being used by the Group.

## BUSINESS SEGMENT OVERVIEW

### WEALTH ADVICE

Wealth Advice net revenue for the period was $44.6 million, up 1% on the prior corresponding period of $44.1 million. Underlying EBITDA of $9.9 million for the period was up 3% on the prior corresponding period of $9.6 million, after adjusting the prior corresponding period underlying EBITDA for the impact of AASB 16. Brokerage and Capital Markets revenue in the Wealth Advice segment increased by 3% compared to the prior corresponding period, while revenue from advice and other services was flat. These results highlight the resilience of the Wealth Advice segment given the challenging operating environment for the wealth advice industry.

Funds under advice (**FUA**) increased to $21.0 billion, up 4% on FUA at 30 June 2019 and up 17% on FUA at 31 December 2018. This increase was supported by robust fund inflows and positive global markets performance with no material change to total client numbers over the period. During the period, the business continued to invest in client focused advice technologies (advice and workflow delivery system) with the aim of delivering greater customer engagement, adviser productivity and compliance. This investment also positions the business to effectively implement future regulatory changes.

### E&P (FORMERLY CORPORATE & INSTITUTIONAL)

The E&P brand was established to consolidate the Evans Dixon Corporate Advisory and the Evans and Partners Institutional and Research businesses under a single, unified brand. The re-branding underpins the objective to build E&P as a market-leading provider of corporate and institutional investment solutions for our client base. To achieve this, E&P will continue its investment in high quality research and idea generation overlaid by a market leading capability in M&A, equity capital markets and debt capital markets.

E&P net revenue for the period was $27.1 million, down 13% on the prior corresponding period of $31.0 million. Underlying EBITDA of $8.7 million for the period was down 37% on the prior corresponding period of $13.8 million, after adjusting the prior corresponding period underlying EBITDA for the impact of AASB 16. Although E&P secured a number of key transactions during 1H20, corporate revenues were softer when compared to a strong prior corresponding period. E&P also recorded lower institutional equities revenues as a result of the ongoing transition to a new international alliance. Despite this, E&P continued to increase client share of wallet against its boutique peers in a softer market.

### FUNDS MANAGEMENT

Funds Management net revenue for the period was $31.2 million, down 11% on the prior corresponding period of $35.1 million. Underlying EBITDA of $7.9 million for the period was down 22% on the prior corresponding period of $10.1 million, after adjusting the prior corresponding period underlying EBITDA for the impact of AASB 16. The decline in underlying EBITDA compared to the prior corresponding period was driven primarily by the reduction in non-funds under management based revenues and the rationalisation of the US operations. Offsetting these declines was an increase in recurring funds under management based net revenues to $22.8 million, up 23% compared to the prior corresponding period. Recurring funds under management based net revenues comprised approximately 73% of Funds Management net revenues in 1H20, compared to 53% of Funds Management net revenues in the prior corresponding period.

Gross funds under management (**FUM**) at period end was $6.6 billion, down 3% compared to FUM at 30 June 2019 and up 12% on FUM at 31 December 2018. The decrease was driven primarily by reductions in the gross asset value of the US Masters Residential Property Fund (**URF**) due to strategic asset sales, repayment of debt and the write down of the fair market value of the URF's real estate portfolio.

## DIVIDENDS

Fully franked dividends of $7.0 million (2018: $13.5 million) were paid to shareholders during the period as follows:

- 3 cents per share paid on 11 October 2019 amounting to $7.0 million

The Board has declared an interim dividend for FY20 of 2.5 cents per share which represents 66% of underlying NPATA for the period, recognising the first half seasonal bias on Group profitability. The Board remains committed to an annual target dividend payout ratio of 75-85% of underlying NPATA.

## BALANCE SHEET AND CAPITAL

During the period, there were the following notable movements in the Company's balance sheet and capital:

- The Group recognised right-of-use assets and lease liabilities in respect of its premises leases, in accordance with the new leasing accounting standard (*AASB 16*);
- The Group repaid $5.0 million of borrowings, which was funded from working capital; and
- The Group recognised a $3.5 million impairment in relation to property, plant and equipment which primarily relates to furniture and leasehold improvements located in the USA which are no longer being used by the Group. The Group is currently in the process of securing a subtenant in respect of these premises.

As at 31 December 2019, Evans Dixon had net assets of $215.3 million and a cash position of $34.3 million.

### Summarised consolidated financial position

| A$m | 1H20 | 2H19 | 1H19 | Variance to 2H19 | Variance to 2H19 % |
|---|---|---|---|---|---|
| Cash and cash equivalents | 34.3 | 45.3 | 52.5 | -11.0 | -24.3% |
| Intangibles | 155.7 | 157.8 | 160.5 | -2.1 | -1.3% |
| Trade and other receivables | 18.4 | 21.1 | 26.1 | -2.7 | -12.8% |
| Right of use assets | 26.9 | - | - | 26.9 | - |
| Other assets | 74.2 | 72.7 | 52.8 | 1.5 | 2.1% |
| **Total assets** | **309.5** | **296.9** | **291.9** | **12.6** | **4.2%** |
| Borrowings | 9.9 | 15.0 | - | -5.1 | -34.0% |
| Trade and other payables | 9.8 | 14.1 | 11.8 | -4.3 | -30.5% |
| Lease liabilities | 31.2 | - | - | 31.2 | - |
| Other liabilities | 43.3 | 50.0 | 55.5 | -6.7 | -13.4% |
| **Total liabilities** | **94.2** | **79.1** | **67.3** | **15.1** | **19.1%** |
| **Net assets** | **215.3** | **217.8** | **224.6** | **-2.5** | **-1.1%** |

# Directors' report *(cont.)*

## SUBSEQUENT EVENTS

Since the end of the financial period, the directors resolved to declare an interim dividend of 2.5 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 14 April 2020. The record date for dividend entitlement is 2 April 2020.

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

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 11 of the half-year report.

## ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors,

David Evans
Director

Sally Herman
Director

Dated: 27th February 2020

# Auditor's independence declaration

Deloitte.

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Australia

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www.deloitte.com.au

The Board of Directors
Evans Dixon Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

27 February 2020

Dear Board Members

**Auditor's Independence Declaration to Evans Dixon Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Evans Dixon Limited.

As lead audit partner for the review of the half-year financial report of Evans Dixon Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

# Condensed consolidated statement of profit or loss and other comprehensive income

## For the half-year ended 31 December 2019

| | Notes | Half-year ended 31 December 2019 $'000 | Half-year ended 31 December 2018 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Provision of services | 5 | 111,689 | 119,784 |
| Interest | | 140 | 606 |
| Share of profits of associates and jointly controlled entities | | 1,723 | 1,750 |
| Other income | | 1,652 | 3,345 |
| **Total revenue** | | **115,204** | **125,485** |
| **Expenses** | | | |
| Employee benefits expense | | (64,416) | (62,076) |
| Property design, renovation and maintenance expense | | (4,645) | (6,696) |
| Administrative expense | | (6,548) | (6,228) |
| Occupancy expense | | (602) | (3,803) |
| Advertising expense | | (259) | (1,523) |
| Depreciation and amortisation expense | 4 | (9,279) | (5,143) |
| Impairment of property, plant and equipment expense | 10 | (3,503) | - |
| Information technology expense | | (4,915) | (4,638) |
| Rebates and commissions expense | | (7,056) | (7,633) |
| Travel and accommodation expense | | (568) | (1,083) |
| Venue and equipment hire expense | | (414) | (1,128) |
| Finance costs | | (1,029) | (9) |
| Public company costs | | (696) | (839) |
| Business acquisition costs | | - | (333) |
| Other expenses | | (5,826) | (6,779) |
| **Total expenses** | | **(109,756)** | **(107,911)** |
| **Profit before income tax expense** | | **5,448** | **17,574** |
| Income tax expense | 9 | (3,335) | (5,215) |
| **Profit for the period** | | **2,113** | **12,359** |
| **Other comprehensive income, net of income tax** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translating foreign operations | | 197 | 601 |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Fair value gain on financial assets measured at FVTOCI | | 678 | - |
| Other comprehensive income for the period, net of income tax | | 875 | 601 |
| **Total comprehensive income for the period** | | **2,988** | **12,960** |
| **Earnings per share** | | | |
| Basic (cents per share) | | 0.9 | 5.6 |
| Diluted (cents per share) | | 0.9 | 5.6 |

*The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# Condensed consolidated statement of financial position

## As at 31 December 2019

| | Notes | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 34,350 | 45,252 |
| Trade and other receivables | | 18,468 | 21,161 |
| Assets classified as held for sale | 15 | 16,312 | 14,402 |
| Current tax assets | | 1,999 | 3,794 |
| Inventories | | 26 | 149 |
| Prepayments | | 3,920 | 2,524 |
| **Total current assets** | | **75,075** | **87,282** |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 7 | 25,122 | 21,978 |
| Investments in financial assets | 15 | 11,138 | 8,735 |
| Investment property | 15 | - | 1,430 |
| Property, plant and equipment | 10 | 9,948 | 15,399 |
| Right-of-use assets | 11 | 26,933 | - |
| Goodwill and other indefinite life intangible assets | 12 | 136,442 | 136,442 |
| Finite life intangible assets | | 19,221 | 21,315 |
| Deposits | | 5,210 | 3,837 |
| Prepayments | | 460 | 512 |
| **Total non-current assets** | | **234,474** | **209,648** |
| **Total assets** | | **309,549** | **296,930** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 9,845 | 14,119 |
| Borrowings | 16 | 9,894 | 15,000 |
| Lease liabilities | 17 | 8,155 | - |
| Contract liabilities | | 12,155 | 12,251 |
| Provisions | | 24,120 | 28,146 |
| Other current liabilities | | - | 514 |
| **Total current liabilities** | | **64,169** | **70,030** |
| **Non-current liabilities** | | | |
| Provisions | | 3,051 | 3,082 |
| Lease liabilities | 17 | 23,069 | - |
| Other non-current liabilities | | - | 3,099 |
| Deferred tax liabilities | | 3,949 | 2,965 |
| **Total non-current liabilities** | | **30,069** | **9,146** |
| **Total liabilities** | | **94,238** | **79,176** |
| **Net assets** | | **215,311** | **217,754** |
| **Equity** | | | |
| Share capital | 8 | 322,125 | 321,766 |
| Reorganisation reserve | | (135,099) | (135,099) |
| Investment revaluation reserve | | 1,053 | 375 |
| Foreign currency translation reserve | | 3,822 | 3,625 |
| Share based payments reserve | | 1,793 | 572 |
| Retained profits | | 21,617 | 26,515 |
| **Total equity** | | **215,311** | **217,754** |

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

# Condensed consolidated statement of changes in equity

## For the half-year ended 31 December 2019

| | Share capital $'000 | Re-organisation reserve $'000 | Investment revaluation reserve $'000 | Foreign currency translation reserve $'000 | Share based payments reserve $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | 298,970 | (135,099) | - | 2,924 | - | 34,857 | 201,652 |
| Profit after income tax expense for the period | - | - | - | - | - | 12,359 | 12,359 |
| Other comprehensive income for the period, net of tax | - | - | - | 601 | - | - | 601 |
| Total comprehensive income for the period | - | - | - | 601 | - | 12,359 | 12,960 |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Issue of shares | 30,519 | - | - | - | - | - | 30,519 |
| Treasury shares acquired | (7,122) | - | - | - | - | - | (7,122) |
| Equity-settled share-based payments | - | - | - | - | 119 | - | 119 |
| Dividends paid | - | - | - | - | - | (13,530) | (13,530) |
| **Balance at 31 December 2018** | **322,367** | **(135,099)** | **-** | **3,525** | **119** | **33,686** | **224,598** |
| | | | | | | | |
| Balance at 1 July 2019 | 321,766 | (135,099) | 375 | 3,625 | 572 | 26,515 | 217,754 |
| Profit after income tax expense for the period | - | - | - | - | - | 2,113 | 2,113 |
| Other comprehensive income for the period, net of tax | - | - | 678 | 197 | - | - | 875 |
| Total comprehensive income for the period | - | - | 678 | 197 | - | 2,113 | 2,988 |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Issue of shares | 359 | - | - | - | - | - | 359 |
| Equity-settled share-based payments | - | - | - | - | 1,221 | - | 1,221 |
| Dividends paid | - | - | - | - | - | (7,011) | (7,011) |
| **Balance at 31 December 2019** | **322,125** | **(135,099)** | **1,053** | **3,822** | **1,793** | **21,617** | **215,311** |

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

# Condensed consolidated statement of cash flows

## For the half-year ended 31 December 2019

| | Notes | Half-year ended 31 December 2019 $'000 | Half-year ended 31 December 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 125,129 | 136,506 |
| Payments to suppliers and employees | | (113,970) | (121,708) |
| Interest received | | 133 | 606 |
| Interest paid | | (273) | (9) |
| Income taxes paid | | (815) | (7,622) |
| **Net cash generated by operating activities** | | **10,204** | **7,773** |
| **Cash flows from investing activities** | | | |
| Cash acquired on purchase of subsidiary | | - | 1,969 |
| Acquisition of subsidiary | | - | (20,403) |
| Payments for investments in jointly controlled entities | | (2,433) | (3,558) |
| Purchase of property, plant and equipment | | (264) | (1,299) |
| Proceeds from sale of property, plant and equipment | | 81 | 15 |
| Development of intangible assets (software) | | (1,099) | (1,356) |
| Purchase of financial assets | | (1,995) | (71) |
| Dividends received from associate entities | | 1,143 | 751 |
| **Net cash used in investing activities** | | **(4,567)** | **(23,952)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (5,000) | - |
| Payments of transaction costs relating to borrowings | | (183) | - |
| Payments of lease liabilities | 17 | (4,706) | - |
| Dividends paid | | (6,652) | (13,530) |
| Purchase of treasury shares | | - | (7,122) |
| **Net cash used in financing activities** | | **(16,541)** | **(20,652)** |
| Net decrease in cash and cash equivalents | | (10,904) | (36,831) |
| Cash and cash equivalents at the beginning of the period | | 45,252 | 89,147 |
| Effect of exchange rate fluctuations on cash held | | 2 | 163 |
| **Cash and cash equivalents at the end of the period** | | **34,350** | **52,479** |

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

# Notes to the condensed consolidated financial statements

## 1. GENERAL INFORMATION

### STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 'Interim Financial Reporting'*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 'Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

## 2. NEW AND REVISED ACCOUNTING STANDARDS

### AMENDMENTS TO ACCOUNTING STANDARDS AND NEW INTERPRETATIONS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT REPORTING PERIOD

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year:

- AASB 16 Leases
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments – Interpretation 23 Uncertainty over Income Tax Treatments
- AASB 2017-7 Amendments – Long-term interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example
- AASB 2018-1 Amendments – Annual Improvements 2015-2017 Cycle

# 3. SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of investment properties and certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except for the accounting policy on leases described below which has changed as a result of the adoption of *AASB 16 Leases*. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

## LEASES – THE GROUP AS LESSEE

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *AASB 137*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the condensed consolidated statement of financial position. The Group applies *AASB 136* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Occupancy expenses" in profit or loss.

As a practical expedient, *AASB 16* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## LEASES – THE GROUP AS LESSOR

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies *AASB 15* to allocate the consideration under the contract to each component.

### ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16 LEASES

The Group applied the modified retrospective option in implementation of *AASB 16* effective 1 July 2019. This involved retrospective application of the Standard without restatement of comparatives.

The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under *AASB 117* Leases. These liabilities were measured at the present value of future lease payments, discounted using an incremental borrowing rate of 4.115% as of 1 July 2019.

The Group recognised right-of-use assets at 1 July 2019 as the amount of the lease liabilities determined as described above, adjusted for existing prepaid or accrued payments immediately before the date of implementation.

## 4. SEGMENT INFORMATION

*AASB 8* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Board of Directors as chief operating decision maker (CODM) in order to allocate resources to the segment and to assess its performance.

Information reported to the CODM for the purposes of resource allocation and assessment of performance is more specifically focused on the category of services provided to customers and the wider economic circumstances and market forces within which each segment operates. As such, the principal categories of services provided to customers as reported to and assessed by the CODM in the current reporting period, which represent the Group's reportable segments under *AASB 8* are:

- Wealth Advice
- E&P (formerly Corporate & Institutional)
- Funds Management

Wealth Advice relates to the provision of full-service investment advisory, financial strategy, portfolio administration and stockbroking services to affluent self-managed superannuation trustees, retail clients, wholesale clients and high net worth individuals and the provision of share transaction arrangement and handling services.

## Notes to the condensed consolidated financial statements *(cont.)*

E&P (formerly Corporate & Institutional) relates to the provision of stockbroking and investment advisory services to institutional clients and advice to corporations on mergers, acquisitions, equity and debt capital market transactions.

Funds Management relates to the provision of investment management services, fund accounting and administration services, Responsible Entity services to managed investment schemes and provision of ancillary services to client operations including construction, project management, design and architectural services and other real estate services.

Corporate unallocated is the aggregation of corporate activities that do not fall under any of the above three segments as they do not engage in business activities that may earn revenue and there is no basis to accurately allocate expenses to the three operating segments in order for the CODM to reliably assess performance or allocate resources within the operating segments. Therefore, this category is not a reportable segment as defined within *AASB 8*, but is included below in order for the total amounts to reconcile to the condensed consolidated statement of profit or loss and other comprehensive income as contained earlier in this report.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

## Notes to the condensed consolidated financial statements *(cont.)*

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-year under review:

| | Wealth Advice $'000 | E & P $'000 | Funds Management $'000 | Corporate Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Half-year ended 31 December 2019** | | | | | |
| **Revenue** | | | | | |
| Provision of services | 46,554 | 31,384 | 33,751 | - | 111,689 |
| Recognised as follows: | | | | | |
| At a point in time | 10,271 | 30,658 | 100 | - | 41,029 |
| Over time | 36,283 | 726 | 33,651 | - | 70,660 |
| Share of profits of associates and jointly controlled entities | 43 | - | 1,680 | - | 1,723 |
| Other income | 120 | 83 | 1,539 | (90) | 1,652 |
| **Total revenue (excluding interest)** | **46,717** | **31,467** | **36,970** | **(90)** | **115,064** |
| **Direct expenses** | | | | | |
| Total direct expenses | (31,188) | (17,067) | (26,437) | - | (74,692) |
| **Overhead expenses** | | | | | |
| Total overhead expenses | (3,001) | (1,555) | (1,282) | - | (5,838) |
| **Allocated staff expenses** | | | | | |
| Total allocated staff expenses | (2,672) | (4,190) | (1,317) | - | (8,179) |
| **Unallocated group staff expenses** | | | | | |
| Total unallocated group staff expenses | - | - | - | (2,567) | (2,567) |
| **Unallocated group other expenses** | | | | | |
| Total unallocated group other expenses | - | - | - | (4,669) | (4,669) |
| **Earnings before interest, taxation, depreciation and amortisation** | **9,856** | **8,655** | **7,934** | **(7,326)** | **19,119** |
| Depreciation and amortisation expense | - | - | - | (5,235) | (5,235)* |
| Right-of-use asset depreciation | (1,746) | (479) | (929) | (890) | (4,044)* |
| Impairment of property, plant and equipment expense | - | - | - | (3,503) | (3,503) |
| **Earnings before interest and taxation** | **8,110** | **8,176** | **7,005** | **(16,954)** | **6,337** |
| Interest revenue | - | - | - | 140 | 140 |
| Finance costs | (268) | (73) | (201) | (487) | (1,029) |
| **Profit before taxation** | **7,842** | **8,103** | **6,804** | **(17,301)** | **5,448** |
| Income tax expense | | | | | (3,335) |
| **Net profit after taxation** | | | | | **2,113** |

**Note: Total depreciation and amortisation expense $9.279 million.*

# Notes to the condensed consolidated financial statements *(cont.)*

| | Wealth Advice $'000 | E & P $'000 | Funds Management $'000 | Corporate Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Half-year ended 31 December 2018** | | | | | |
| **Revenue** | | | | | |
| Provision of services | 46,057 | 34,408 | 39,319 | - | 119,784 |
| Recognised as follows: | | | | | |
| At a point in time | 10,444 | 32,476 | 3,707 | - | 46,627 |
| Over time | 35,613 | 1,932 | 35,612 | - | 73,157 |
| Share of profits of associates and jointly controlled entities | 51 | - | 1,699 | - | 1,750 |
| Other income | 151 | - | 3,194 | - | 3,345 |
| **Total revenue (excluding interest)** | **46,259** | **34,408** | **44,212** | **-** | **124,879** |
| **Direct expenses** | | | | | |
| Total direct expenses | (28,800) | (16,071) | (28,692) | - | (73,563) |
| **Overhead expenses** | | | | | |
| Total overhead expenses | (7,345) | (2,553) | (5,200) | - | (15,098) |
| **Allocated staff expenses** | | | | | |
| Total allocated staff expenses | (2,473) | (2,358) | (1,367) | - | (6,198) |
| **Unallocated group staff expenses** | | | | | |
| Total unallocated group staff expenses | - | - | - | (6,731) | (6,731) |
| **Unallocated group other expenses** | | | | | |
| Total unallocated group other expenses | - | - | - | (1,169) | (1,169) |
| **Earnings before interest, taxation, depreciation and amortisation** | **7,641** | **13,426** | **8,953** | **(7,900)** | **22,120** |
| Depreciation and amortisation expense | - | - | - | (5,143) | (5,143) |
| **Earnings before interest and taxation** | **7,641** | **13,426** | **8,953** | **(13,043)** | **16,977** |
| Interest revenue | - | - | - | 606 | 606 |
| Finance costs | - | - | - | (9) | (9) |
| **Profit before taxation** | **7,641** | **13,426** | **8,953** | **(12,446)** | **17,574** |
| Income tax expense | | | | | (5,215) |
| **Net profit after taxation** | | | | | **12,359** |

*Note the comparative information has not been restated as a result of the application of AASB 16 Leases as discussed in Note 3.*

## 5. REVENUE

### PROVISION OF SERVICES REVENUE

| | Half-year ended 31 December 2019 $'000 | Half-year ended 31 December 2018 $'000 |
|---|---|---|
| **At a point in time** | | |
| Advisory, administration and brokerage | 18,374 | 20,073 |
| Corporate advisory and institutional brokerage | 22,612 | 22,848 |
| Funds management | 43 | 3,706 |
| Total revenue earned at a point in time | 41,029 | 46,627 |
| **Over time** | | |
| Advisory and administration | 32,571 | 32,209 |
| Corporate advisory revenue | 250 | 1,393 |
| Funds management | 27,008 | 22,111 |
| Project service fees | 10,831 | 17,444 |
| Total revenue earned over time | 70,660 | 73,157 |
| **Total provision of services revenue** | **111,689** | **119,784** |

### REVENUE RECOGNITION

Revenue from the rendering of services is recognised upon delivery of the services to the Group's customers. Prepaid amounts received in advance of the provision of services are recorded as a liability in the financial statements and are then recognised in profit or loss over the service period. The Group's major categories of revenue from the rendering of services includes:

- **Advisory, administration and brokerage** includes financial strategy advice and estate planning advice where revenue is charged and recognised on a time incurred basis when the service is provided, as well as brokerage commissions where revenue is recognised at the point in time when the transaction is settled. Also included within this category is asset and investment management advisory and SMSF accounting and tax services where revenue is recognised on a straight-line basis over the period the services are performed and the customer consumes the benefit associated with the services;
- **Corporate advisory revenue** includes services provided to corporations in respect of mergers, acquisitions, equity and debt capital market transactions, where revenue is recognised at the point the transaction is finalised, generally coinciding with the time the Group's non-extinguishable entitlement to its fee is established. Also included within the category is institutional brokerage commission revenue which is recognised at the point in time the trade transaction is settled;

- **Funds management** includes responsible entity and administration services, investment management and accounting services where revenue is recognised on a straight-line basis over the time the services are performed. Also included within this category is asset management services where revenue is recognised at the point in time the purchase or sale transaction is finalised, generally coinciding with the time the Group's entitlement to its fee is established. Additionally, performance fee variable consideration is recognised when it is reliably measurable (i.e. when there is no high probability of significant reversal), generally at the time a non-extinguishable entitlement to the fee is established; and
- **Project service fees** includes design, architectural and project management services where revenue is recognised at the point in time the service is provided, on a progressive basis for large-scale projects as the customer obtains the benefits of the services, or at the point in time the service is provided for short-term, ad-hoc advice services. This service is progressively being discontinued as contracts in progress are concluded.

## 6. DIVIDENDS

During the half-year, Evans Dixon Limited made the following dividend payments:

| | Half-year ended 31 December 2019 | | Half-year ended 31 December 2018 | |
|---|---|---|---|---|
| | Cents per share | Total $'000 | Cents per share | Total $'000 |
| **Fully paid ordinary shares** | | | | |
| Final dividend for the year ended 30 June 2019 | 3 cents | 7,011 | - | - |
| Final dividend for the year ended 30 June 2018 | - | - | 6 cents | 13,530 |
| | | **7,011** | | **13,530** |

## 7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Investments in associates | 388 | 305 |
| Investments in jointly controlled entities | 24,734 | 21,673 |
| | **25,122** | **21,978** |

Reconciliation of movement in investments in jointly controlled entities.

| | Fort Street Capital $'000 | Dixon Associates PE III $'000 | CVC Emerging Companies Fund $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2018 | - | 1,894 | - | 4,205 | 6,099 |
| Acquisitions | 11,520 | 1,758 | 2,377 | 180 | 15,835 |
| Share of profits of jointly controlled entities | 555 | 310 | 134 | 857 | 1,856 |
| Less: Dividends recevied | - | - | - | (2,225) | (2,225) |
| Effect of foreign currency exchange differences | - | - | - | 108 | 108 |
| **Balance at 30 June 2019** | **12,075** | **3,962** | **2,511** | **3,125** | **21,673** |
| | | | | | |
| Balance at 1 July 2019 | 12,075 | 3,962 | 2,511 | 3,125 | 21,673 |
| Acquisitions | - | 25 | 2,377 | 31 | 2,433 |
| Share of profits/(losses) of jointly controlled entities | 376 | 623 | (56) | 697 | 1,640 |
| Less: Dividends recevied | (1,000) | - | - | (13) | (1,013) |
| Effect of foreign currency exchange differences | - | - | - | 1 | 1 |
| **Balance at 31 December 2019** | **11,451** | **4,610** | **4,832** | **3,841** | **24,734** |

## Notes to the condensed consolidated financial statements *(cont.)*

Details of the Group's associates and jointly controlled entities at the end of the reporting period are:

| Name | Principal place of business/Country of incorporation | Ownership interest 31 December 2019 % | Ownership interest 30 June 2019 % |
|---|---|---|---|
| **Associates of Evans Dixon Limited** | | | |
| Evans Dixon Law Pty Limited | Australia | 49% | 49% |
| US Select Private Opportunities Fund II, GP LLC | USA | 50% | 50% |
| US Select Private Opportunities Fund III, GP LLC | USA | 42.5% | 42.5% |
| US Select Private Opportunities Fund IV, GP LLC | USA | 42.5% | 42.5% |
| US Select Direct Private Equity, GP LLC | USA | 42.5% | 42.5% |
| **Jointly controlled entities of Evans Dixon Limited** | | | |
| Fort Street Real Estate Capital Pty Limited | Australia | 75% | 75% |
| Fort Street Real Estate Services Pty Limited | Australia | 75% | 75% |
| Fort Street Capital Pty Limited | Australia | 50% | 50% |
| Laver Place Sub Pty Limited | Australia | 33.3% | 33.3% |
| CVC Emerging Companies IM Pty Limited | Australia | 50% | 50% |
| CVC Emerging Companies Fund | Australia | 15.9% | 15.9% |
| Dixon Associates PE III Wholesale Fund* | USA | 79% | 79% |
| UA Dixon 168 Manager, LLC | USA | 50% | 50% |
| UA Dixon 30-58/64 34th Street, LLC | USA | 50% | 50% |
| UA Dixon 523 West 135th Street Manager, LLC | USA | 50% | 50% |

**Despite the Group holding a majority shareholding in Dixon Associates PE III Wholesale Fund, by virtue of the Fund's Constitution, control is vested in the Trustee. The Group does not control the Board of the Trustee (it has 50% representation), nor is it able to remove the Trustee and accordingly it does not exercise control over the Fund.*

All of the above associates and jointly controlled entities are accounted for using the equity method in these condensed consolidated financial statements.

## 8. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Issued capital as at 31 December 2019 amounted to $337,714,231 (234,146,933 ordinary shares).

| | Number of shares | Share capital $ |
|---|---|---|
| Balance as at 1 July 2018 | 214,099,690 | 298,969,999 |
| Issue of shares – 7 September 2018 | 14,328,489 | 30,519,677 |
| Issue of shares – 15 April 2019 | 2,833,139 | 4,623,966 |
| Issue of shares – 29 April 2019 | 305,266 | 496,485 |
| Issue of shares – 31 May 2019 | 2,133,169 | 2,744,962 |
| **Balance as at 30 June 2019** | **233,699,753** | **337,355,089** |
| Issue of shares – 23 October 2019 | 447,180 | 359,142 |
| **Balance of issued share capital as at 31 December 2019** | **234,146,933** | **337,714,231** |
| (Less): Treasury shares acquired/held by Group entities | (9,089,180) | (15,588,832) |
| **Balance of share capital as at 31 December 2019** | **225,057,753** | **322,125,399** |

## 9. INCOME TAX

| | Half-year ended 31 December 2019 $'000 | Half-year ended 31 December 2018 $'000 |
|---|---|---|
| **Income tax recognised in profit or loss** | | |
| The income tax expense for the period can be reconciled to the accounting profit as follows: | | |
| Profit before income tax expense | **5,448** | **17,574** |
| Income tax expense at 30% (2018: 30%) | 1,634 | 5,272 |
| Effect of income that is exempt from taxation | (237) | (623) |
| Effect of expenses that are not deductible in determining taxable profit | 388 | 499 |
| Effect of different tax rates of subsidiaries operating in other jurisdiction | (90) | 20 |
| USA derived losses not recognised as deferred tax asset | 1,655 | - |
| | **3,350** | **5,168** |
| Adjustments recognised in the current period in relation to the current tax of prior periods | (15) | 47 |
| **Total income tax expense recognised in profit or loss** | **3,335** | **5,215** |

## 10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Carrying amounts of** | | |
| Furniture and equipment | 2,731 | 5,067 |
| Motor vehicles | 48 | 147 |
| Computer equipment | 540 | 1,065 |
| Leasehold improvements | 6,629 | 9,120 |
| | **9,948** | **15,399** |

| | Furniture and equipment $'000 | Motor vehicles $'000 | Computer equipment $'000 | Leasehold improvements $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 July 2019 | 11,068 | 666 | 3,886 | 15,889 | 31,509 |
| Additions | 214 | - | 18 | 32 | 264 |
| Disposals/scrapping | (5,571) | (536) | (1,209) | (2,866) | (10,182) |
| Effect of foreign currency exchange differences | 5 | - | 1 | 3 | 9 |
| **Balance as at 31 December 2019** | **5,716** | **130** | **2,696** | **13,058** | **21,600** |
| **Accumulated depreciation/ amortisation** | | | | | |
| Balance at 1 July 2019 | (6,001) | (519) | (2,821) | (6,769) | (16,110) |
| Depreciation/amortisation | (438) | (19) | (221) | (1,574) | (2,252) |
| Impairment* | (2,140) | (80) | (330) | (953) | (3,503) |
| Eliminated on disposal of assets | 5,571 | 536 | 1,209 | 2,866 | 10,182 |
| Effect of foreign currency exchange differences | 23 | - | 7 | 1 | 31 |
| **Balance as at 31 December 2019** | **(2,985)** | **(82)** | **(2,156)** | **(6,429)** | **(11,652)** |
| **Written down value as at 31 December 2019** | **2,731** | **48** | **540** | **6,629** | **9,948** |

**Note: this relates to relocation of premises in the USA.*

## 11. LEASES (GROUP AS LESSEE)

### RIGHT-OF-USE ASSETS

| | Office premises $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| Opening balance at 1 July 2019 | - | - | - |
| Introduction of *AASB 16* Leases (refer Note 3) | 29,779 | 1,192 | 30,971 |
| Additions | - | - | - |
| Disposals | (76) | - | (76) |
| Effect of foreign currency exchange differences | (6) | - | (6) |
| **Balance as at 31 December 2019** | **29,697** | **1,192** | **30,889** |
| **Accumulated depreciation** | | | |
| Opening balance at 1 July 2019 | - | - | - |
| Depreciation expense | (3,925) | (119) | (4,044) |
| Eliminated on disposal | 76 | - | 76 |
| Effect of foreign currency exchange differences | 12 | - | 12 |
| **Balance as at 31 December 2019** | **(3,837)** | **(119)** | **(3,956)** |
| **Written down value as at 31 December 2019** | **25,860** | **1,073** | **26,933** |

The Group leases several office premises in Australia and the USA as well as office equipment including photocopiers and printers. The average lease term is 3.6 years.

The maturity analysis of lease liabilities is presented in Note 17.

| | Half-year ended 31 December 2019 $'000 |
|---|---|
| **Amounts recognised in profit and loss** | |
| Depreciation expense on right-of-use assets | 4,044 |
| Interest expense on lease liabilities | 678 |
| | **4,722** |

## 12. GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

| | 31 December 2019<br>$'000 | 30 June 2019<br>$'000 |
|---|---|---|
| **Carrying amounts of** | | |
| Goodwill – Walsh & Company Investments Limited acquisition | 100 | 100 |
| Goodwill – Evans and Partners Pty Limited acquisition | 63,245 | 63,245 |
| Goodwill – E & P Corporate Advisory Pty Limited (formerly Evans Dixon Corporate Advisory Pty Limited) acquisition | 41,497 | 41,497 |
| Brands | 31,600 | 31,600 |
| | **136,442** | **136,442** |

### ALLOCATION OF GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS TO CASH-GENERATING UNITS

Goodwill and other indefinite life intangible assets have been allocated for impairment testing purposes to the following groups of cash-generating units (CGUs):

- Wealth Advice
- E & P (formerly Corporate & Institutional)
- Funds Management

The carrying amount of goodwill and other indefinite life intangible assets has been allocated as follows:

| | Goodwill – Walsh & Co Investments Limited $'000 | Goodwill – Evans & Partners Pty Limited $'000 | Goodwill – E&P Corporate Advisory Pty Limited $'000 | Brands $'000 | Total $'000 |
|---|---|---|---|---|---|
| **30 June 2019** | | | | | |
| Wealth Advice | - | 20,509 | - | 18,757 | 39,266 |
| E & P | - | 41,464 | 41,497 | 10,576 | 93,537 |
| Funds Management | 100 | 1,272 | - | 2,267 | 3,639 |
| **Balance as at 30 June 2019** | **100** | **63,245** | **41,497** | **31,600** | **136,442** |
| **31 December 2019** | | | | | |
| Wealth Advice | - | 20,509 | - | 18,757 | 39,266 |
| E & P | - | 41,464 | 41,497 | 10,576 | 93,537 |
| Funds Management | 100 | 1,272 | - | 2,267 | 3,639 |
| **Balance as at 31 December 2019** | **100** | **63,245** | **41,497** | **31,600** | **136,442** |

The Group has conducted an assessment of indicators of impairment in respect of goodwill and other indefinite life intangibles at balance date. This included consideration of each CGU's actual results compared to forecast for the half-year ended 31 December 2019, comparison of each CGU's FY20 full year reforecast against the forecast adopted in the impairment test at 30 June 2019, and consideration of other key changes in segment operations. The Group also re-tested the recoverable value of each CGU using value in use calculations on a consistent basis with testing performed at 30 June 2019, as described in the 30 June 2019 annual financial statements.

Based on the above assessment, the directors have concluded the absence of any impairment of goodwill and other indefinite life intangibles as at 31 December 2019.

## 13. SHARE BASED PAYMENTS

### EMPLOYEE SHARE OPTIONS

#### SHARE RIGHTS PLAN

During the half-year ended 31 December 2019, the Group established a Share Rights Plan (SRP or Plan) for its Australian domiciled employees (Eligible Person). The key terms of the SRP are listed as follows:

| | |
|---|---|
| **Nature of Rights** | Each Right represents a right to acquire one (1) ordinary share of capital of the Company, subject to the terms and conditions of the Plan rules. |
| **Determination of the Number of Rights** | The number of Rights has been determined by dividing an Eligible Persons' Discretionary Share Rights Bonus amount by the volume weighted average of the price (VWAP) at which the Company shares traded on the ASX during the 10 trading days immediately prior to the Grant Date. |
| **Grant Date** | 15 October 2019 |
| **Vesting dates** | Rights granted to Eligible Persons will be split equally across three tranches with vesting occurring on:<br>Tranche A - 15 October 2020<br>Tranche B - 15 October 2021<br>Tranche C - 15 October 2022 |
| **Exercise Expiry Date** | 15 October 2026 |
| **Vesting Conditions** | Continuous employment on the Vesting Dates or such other date the Board of the Company determines the Vesting Condition to have been met. |
| **Right Exercise Price** | Nil |
| **Dividend and Voting Entitlements** | Rights do not confer an entitlement to receive dividends, to vote at Company meetings or to capital distributions. Once a Right has vested and is exercised, the holder will have the same benefits as other holders of ordinary shares in the Company. |
| **Funding of Rights** | In order to satisfy the obligations of the Company arising from the grant of the Rights, the Company intends to, over time, purchase ordinary shares on-market, to be held in an employee share trust (Trust) or issue the relevant ordinary shares or a combination of those actions. |

As at 31 December 2019, three tranches of rights have been issued under the SRP as follows:

| SRP | Tranche A | Tranche B | Tranche C |
|---|---|---|---|
| Number of rights | 1,859,691 | 1,859,691 | 1,859,977 |
| Grant date | 15-Oct-19 | 15-Oct-19 | 15-Oct-19 |
| Vesting date | 15-Oct-20 | 15-Oct-21 | 15-Oct-22 |
| Market value of shares at grant date | $0.7928 | $0.7928 | $0.7928 |

The rights issued under the SRP have been treated as 'in substance options' which have been valued using a Black-Scholes option pricing methodology with key inputs shown below. The resulting value is amortised over the vesting period on a probability adjusted basis. The total expense recorded for the period was $0.5 million.

| SRP | Tranche A | Tranche B | Tranche C |
|---|---|---|---|
| Option life | 1 year | 2 years | 3 years |
| Share price at grant date | $0.825 | $0.825 | $0.825 |
| Expected volatility | 35% | 35% | 35% |
| Historical dividend yield | 9.7% | 9.7% | 9.7% |
| Risk-free rate | 0.76% | 0.74% | 0.72% |
| Fair value per right | $0.752 | $0.685 | $0.625 |
| Valuation methodology | Black-Scholes | Black-Scholes | Black-Scholes |

### LOAN FUNDED SHARE PLAN (LFSP)

During the half-year ended 31 December 2019, no further tranches of shares have been issued under the LFSP. Further details of previously issued LFSP tranches of shares are disclosed in the annual financial report. The number of shares forfeited during the half-year ended 31 December 2019 was 119,444.

## 14. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

### FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 30 June 2019 $'000 | | |
| **Assets classified as held for sale** | | | | |
| Listed corporations | 14,987 | 14,402 | Level 1 | Quoted bid prices in an active market. |
| Investment property | 1,325 | 1,430* | Level 2 | Value determined through contract for sale of property which was settled on 31 January 2020. |
| | **16,312** | **15,832** | | |
| **Investments in financial assets** | | | | |
| Listed corporations | 7,632 | 7,201 | Level 1 | Quoted bid prices in an active market. |
| Shares/bonds in unlisted corporations | 3,506 | 1,534 | Level 2/3 | Where relevant market information, such as a recent capital raising, is available this information is used to determine the fair value of the investment. For remaining investments, given the absence of an active trading market for the instruments and the absence of any other available information indicating material change in value, the directors have deemed that the fair value of these assets materially approximates their historical cost. Movements in carrying values include movements in foreign exchange rates at balance date where the investments are held by foreign subsidiaries. |
| | **11,138** | **8,735** | | |

**Note: Investment property was classified as a non-current asset in the comparative period.*

There were no transfers between Level 1 and Level 2/Level 3 in the period.

The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis materially approximates their carrying value at reporting date.

## 16. BORROWINGS

| | 31 December 2019<br>$'000 | 30 June 2019<br>$'000 |
|---|---|---|
| **Current** | | |
| Borrowings – bank overdraft | 5,000 | 15,000 |
| Borrowings – bank loan | 5,000 | - |
| Capitalised bank loan costs | (106) | - |
| | **9,894** | **15,000** |

On 31 July 2019, Evans Dixon Limited entered into a new banking facility with Westpac Banking Corporation which replaced the temporary overdraft facility in place at 30 June 2019. The new facility consists of a $5 million overdraft facility and an amortising revolving cash advance facility with a limit of $10 million which is repayable over 11 months to 30 June 2020. $5 million of this facility is outstanding as at 31 December 2019.

The facility also includes a bank guarantee facility of $9 million. The Group has entered into a general security agreement which provides security over the assets and interests of all wholly owned subsidiaries, other than the Group's Australian Financial Services Licence (AFSL) holders.

As at 31 December 2019, Westpac Banking Corporation had issued bank guarantees on behalf of the Group totalling $9 million.

## 17. LEASE LIABILITIES

| | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|
| ***Maturity analysis – contractual undiscounted cashflows*** | | |
| Less than one year | 9,255 | - |
| One to five years | 23,032 | - |
| More than five years | 1,812 | - |
| **Total undiscounted lease liabilities at 31 December 2019** | **34,099** | **-** |
| ***Lease liabilities included in the condensed consolidated Statement of Financial Position*** | | |
| Balance as at 1 July 2019 | - | - |
| Introduction of *AASB 16* Leases (refer next page for reconciliation) | 35,256 | - |
| Interest incurred | 678 | - |
| Payments of lease liabilities | (4,706) | - |
| Impact of foreign exchange on lease liabilities balance | (4) | - |
| | **31,224** | **-** |
| Current | 8,155 | - |
| Non-current | 23,069 | - |
| | **31,224** | **-** |
| ***Amounts recognised in the condensed consolidated Statement of Profit or Loss and other Comprehensive Income*** | | |
| Interest expense on lease liabilities | **678** | **-** |
| ***Amounts recognised in the condensed consolidated Statement of Cash Flows*** | | |
| Total cash outflow for leases | **(4,706)** | **-** |

On adoption of *AASB 16*, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under *AASB 117* Leases. These liabilities were measured at the present value of future lease payments, discounted using an incremental borrowing rate of 4.115% as of 1 July 2019.

| | $'000 |
|---|---|
| ***Reconciliation of closing lease commitments to opening lease liabilities*** | |
| Operating lease commitments as at 30 June 2019 | 55,645 |
| Add: new operating lease commenced 1 July 2019 (office equipment) | 1,192 |
| (Less): operating leases committed to, not yet commenced at 1 July 2019 | (12,034) |
| (Less): removal of option period previously included in lease commitments | (4,523) |
| (Less): impact of discount rate using the Group's incremental borrowing rate at the date of initial application (4.115%) | (5,024) |
| **Opening balance of lease liabilities upon introduction of *AASB 16* Leases as at 1 July 2019** | **35,256** |

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

## 18. CONTINGENT LIABILITIES

During 2018, the Group became joint lessee of the premises located at 140 Broadway, New York, with US Masters Residential Property Fund (**URF**), an entity for whom a subsidiary within the Group acts as investment manager. The Group is jointly and severally liable for all lease charges, and thus has a contingent liability in respect of URF's share of future lease charges. At balance date URF has a commitment of US$4.955 million (A$7.072 million) in respect of future lease obligations.

## 19. SUBSEQUENT EVENTS

Since the end of the financial period, the directors resolved to declare an interim dividend of 2.5 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 14 April 2020. The record date for dividend entitlement is 2 April 2020.

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

# Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors,

David Evans
Director

Sally Herman
Director

Dated: 27th February 2020

# Independent auditor's review report

**Deloitte.**

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## Independent Auditor's Review Report to the members of Evans Dixon Limited

We have reviewed the accompanying half-year financial report of Evans Dixon Limited (the 'Company'), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

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

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

*Auditor's Independence Declaration*

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

*Conclusion*

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 27 February 2020

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